

565/2

**BUSINESS STUDIES**

Paper 2

**July/August 2018**

Time 2½ hours

**FORM FOUR END OF SECOND TERM EXAM**

Kenya Certificate of Secondary Education

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**INSTRUCTIONS TO CANDIDATES**

- This paper consists of SIX questions.
- Answer any FIVE questions.
- All questions carry equal marks.
- Write your answers in the spaces provided after question 6.

*This paper consists of 3 printed pages*

*Candidates should check the question paper to ensure that all the printed pages are printed as indicated and no questions are missing.*

Answer any FIVE questions.

1. a. Describe any five features of economic resources. (10 marks)
- b. Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)
2. a. Explain five differences between a public cooperation and a private limited company. (10 marks)
- b. The following information was extracted from the books of Kema traders as at 31st Dec 2009

Bank Loan	567 000
Bank Loan interest	1 440
Capital	1 680 000
Closing stock	87 000
Creditors	272 400
Debtors	140 280
Discount allowed	170 400
Electricity	30 240
Furniture	489 804
Furniture repairs	86 436
Gross profit	624 720
Maintenance on premises	72 000
Motor vehicle	1 080 000
Motor vehicle maintenance	360 000
Premises	648 000
Rent received	144 000
Sundry expenses	122 520

Prepare :

- i. Profit and loss account for Kema traders for the year ended 31<sup>st</sup> Dec 2009.
- ii. Balance sheet as at 31<sup>st</sup> Dec 2009. (10 marks)
3. a. Highlight five problems encountered when measuring the national income of a country. (10 marks)
- b. Explain five limitations a business that relies on the use of motor cycle transport is likely to encounter. (10 marks)
4. a. Explain five qualities of a successful salesperson. (10 marks)
- b. With the aid of a well labelled diagram, explain the effects on the equilibrium of an increase in the supply of carrots while the demand remains constant (10 marks)

5. a. On 1st June 2014, Kinyua had Shs. 110, 000 cash and Shs. 500, 000 at bank. During the month the following transactions took place;

June 2 : Cash sales banked sh. 70, 520

June 5 : Bought furniture in cash sh 9000

June 10 : Paid Joshua, a creditor sh. 188 000 by cheque in full settlement of his account after deducting 6% cash discount.

June 12 : Received a cheque of sh117, 600 from Juma after allowing him a cash discount of sh. 2,400.

June 15 : Paid salaries sh. 68 000 cash.

June 20 : Withdrew sh. 100, 000 from bank for office use.

June 29 : Awino, a debtor paid her account of sh. 150 000 by cheque less 10% cash discount

June 30 : Deposited all the cash in to the bank except sh. 27 400.

Required : Prepare a three column cash book and balance it off. (10 marks)

- b. Explain five benefits that would accrue to a country that encourages entrepreneurship. (10 marks)

6. a. Using a suitable diagram, explain the habits of sellers in an oligopoly market. (10 marks)

- b. Outline five features of an efficient tax system. (10 marks)

