

KCSE BUSINESS STUDIES PP2 QUESTIONS 1996-2016

WhatsApp/Sms/Call *Sir Obiero Amos* @

0706 851 439 for Marking Schemes

2006-2016



By Sir Obiero Amos Resources

WhatsApp /Sms/Call
0706851439

MAKE WORK EASIER WITH AMOBI SOFT
COPY PUBLISHERS. SOLUTIONS TO ALL
YOUR SOFTCOPY RESOURCES

FOR A VARIETY OF REVISION KITS

WhatsApp/Sms/Call

By Sir Obiero Resources 0706851439

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2006

2 ½ hours

1. (a) Explain five factors that may influence the level of national income of a country . (10 marks)
- (b) Over the years southern Star has grown into a large business enterprise. Explain five diseconomies of scale which it may experience. (10 marks)
2. (a) Explain four ways that a government can use to finance a budget deficit. (8 marks)
- (b) The following trial balance was extracted from the books of Fula Traders on 31st December 2005.

Fula Traders
Trial Balance as at 31.12. 2005

	Dr.	Cr.
	Sh.	Sh.
Sales		600,000
General Expenses	60,000	
Rent expense	10,000	
Commission Received		20,000
Motor Vehicle	600,000	
Furniture	240,000	
Cash	50,000	
Creditors		180,000
Debtors	120,000	
Purchases	400,000	
Sales Returns	20,000	
Capital		700,000
	1, 500,000	1,500,000

Additional information

- Stock on 31 December 2005 was valued at sh. 60,000
- Depreciation to be provided for as follows:
 - Motor Vehicle 20% p.a on Cost
 - Furniture 10% p.a on cost

Prepare:

- i) Trading, profit and Loss Account for the year ended 31 December 2005.
- ii) Balance Sheet as at 31 December 2005. (12 marks)

3. five benefits that may accrue to a community that is involved in trading activities. (10 marks)
- (b) Outline five benefits that a Savings and Credit Co-operative society (SACCO) provides to its members. (10 marks)
4. (a) Musi Enterprises are considering to market their imported products direct to consumers. Outline five reasons that may be influencing them to make this decision. (10 marks)
- (b) Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)
5. (a) Outline five factors that may limit the use of containers as a method of transporting goods in a developing country. (10 marks)
- (b) Using a diagram, explain how a monopolist firm determines its output. (10 marks)
6. (a) Explain four functions of money. (8 marks)
- (b) Cheru Traders does not keep a complete set of books of accounts. The following information was extracted from her books of accounts.

	1.1.05	31.12.05
	Sh.	Sh.
Stock	920,000	1,200,000
Debtors	400,000	540,000
Creditors	800,000	950,000

During the year, cash received from debtors was sh. 1,400,000 while cash paid to creditors amounted to sh. 2,000,000. Cash sales were for Sh. 250,000 while cash purchases amounted to sh. 320,000. Carriage inwards was for sh. 46,000.

Other relevant information.

- Returns inwards were Sh. 42,000.
- Cheru had taken goods amounting to sh. 50,000 for personal use.

- i) Determine total sales.
- ii) Determine total purchases.
- iii) Prepare Trading Account for the period ended 31 December 2005.

(12 marks)

565/2

Business studies

Paper 2

Oct. /Nov. 2007

2 ½ hours.

1. (a) Explain six reasons why a new business may fail (12mks)
(b) Explain four advantages of transaction business through e-commerce. (8mks)
2. (a) Explain six sources of government revenue for development expenditure. (12mks)
(b) Karani does not keep a complete set of accounting records. During the year ended 30 June 2006, the following balances were extracted from the books of accounts.

	Sh.
Stock	140,000
Land and buildings	500,000
Cash in hand	2500,000
Cash at bank	120,000
Credit	240,000
Long term loan	1400.000
Plant and machinery	600,000

Additional information:

- Karani drew sh. 140,000 from the business for private use.
 - Opening capital was sh.2000 000 as at 1 July 2005
 - Additional capital during the year was sh.120,000.
- i) Prepare statement of affairs for the year ended 30 June 2006
ii) Determine profit or loss for the year ended 30 June 2006
3. (a) explain five ways in which the Agriculture Finance Corporation (AFC)
(b) Explain five factors that could affect the quantities of cabbages supplied in a market. (10mks)
4. (a) Explain five strategies that a small – scale firm could adopt to expand so as to enjoy economies of scale. (10mks)
(b) Explain five benefits that could accrue to a customer who buys goods from a departmental store. (10mks)
5. (a) Discuss five reasons why less developed countries are reluctant in implementing free trade agreement. (10mks)
(b) Draw a diagram to show how equilibrium price and output are determined under-monopoly. (10mks)
6. (a) Explain five features that you would consider in establishing a warehouse

for imported goods.

(10mks)

(b) The following trial balance was prepared from the books of Mugambi Traders for the year ended 31 December 2005

Mugambi Traders

Trial Balance

	Dr	Cr
	Kshs	Kshs
Land and buildings	500,000	
Capital		940,000
Plant & Machinery	200,000	
Motor Vehicles	300,000	
10 year bank loan		200,000
3 year ICDC loan		100,000
Stock	100,000	
Debtors	60,000	
Creditors		60,000
Accrued expenses		20,000
Cash at Bank	100,000	
Cash in hand	20,000	
Drawings	40,000	
	1,320,000	1320,000

Prepare

(i) A balance sheet for the year ended 31 December 2005

(ii) Determine

- Working capital
- Capital employed
- Borrowed capital

(10 marks)

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2008

2 ½ hours

1. (a) Explain **five** features that differentiate a Public Limited Company from

a partnership form of business. (10 marks)

(b) With the aid of a diagram, explain the behaviour of average cost curve in the short run for a firm with fixed production capacity. (10 marks)

2. (a) Explain **five** challenges that may be experienced by a country whose Population is made up of a large proportion of young people. (10 marks)

(b) On 1 September 2006, Igonji had Sh55 000 in hand and Sh 250 000 at bank. During the month, the following transactions took place: (10 mark)

September	2	Cash sales banked Sh 35 260
	3	Bought ribbons in cash Sh 4 500
	8	Paid WangHa, a creditor Sh 94 000 by cheque in full settlement of his account after deducting 6% cash discount
	12	Received a cheque for Sh 58 800 from Wetu after allowing her a cash discount of Sh 1200 15 Paid salaries Sh 34 000 in cash
	25	Withdrew Sh 50 000 from bank for office use
	28	Anyango, a debtor paid her account of Sh 75 000 by cheque less 10% cash discount.
	30	Deposited all the cash into bank except Sh 13 700

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

3. (a) Explain **five** ways in which effective management practices may contribute to the success of a business. (10 marks)

(b) Explain **five** reasons why an effective filing system is important in an office. (10 marks)

4. (a) Explain **five** circumstances that would influence a producer to use Wholesalers in distributing farm produce. (10 marks)

(b) Memon Traders does not keep a complete set of accounting records. The following information relates to the year ended 31 December 2006.

(i) Extract of cash summary was:

Cash receipts

Cash sales		420,200
Commission received	36,400	

Cash payments

Purchases		260,000
General expenses		50,000
Insurance	14,800	

(ii) Extract of assets and liabilities:

	1.1.06	31.12.06
	Sh.	Sh.
Stock	65,000	92,500
Insurance paid in advance	16,200	4,000
Commission receivable	8,400	10,200
Unpaid General expenses	48,000	70,000

Additional information

Included in credit sales are drawings of stock valued at Sh 25 000.

For the year ended 31 December 2006, determine the following:

- (i) Total sales
- (ii) Total purchases
- (iii) Commission receivable
- (iv) Insurance expense
- (v) General expenses (10 marks)

5. (a) Describe **four** measures that the Government may put in place to reduce the amount of money in circulation. (8 marks)

(b) Explain **six** circumstances under which a country may restrict International Trade (12 marks)

6. (a) Explain **four** circumstances in which a trader may offer after sales service to the buyer. (8 marks)

(b) The following balances were extracted from books of Simba Traders for the year ended 31 December 2006.

	Shs
Debtors	130,200

Motor vehicles	750,000
Creditors	260,000
Furniture	160,500
Drawings	60,800
Salaries	322,600
Rent	14,800
Dank loan	200,000
Discount received	14,500
Gross profit	210,000
Stock	45,600
Additional information	

- (i) Motor vehicle is depreciated by Sh187 500 while furniture is to be depreciated by Sh 16 050 per year.
- (ii) Interest on loan is charged at 18% per year. This interest was still owing on 31 December 2006.
- (iii) Rent unpaid on 31 December 2006 was Sh 2400

Prepare

(a) Profit and loss account for the year ended 31 December 2006.

(b) Balance sheet as at 31 December 2006.

(12 marks)

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2009

2 ½ hours

1. (a) Explain **five** features of sole proprietorship form of business (10 marks)

(b) Explain **five** measures that the government may take to improve the volume of exports. (10 marks)

2. (a) Explain **five** demerits that may be associated with water transport. (10 marks)

(b) The trial balance of Zakayo Traders as at June 2008 is given below.

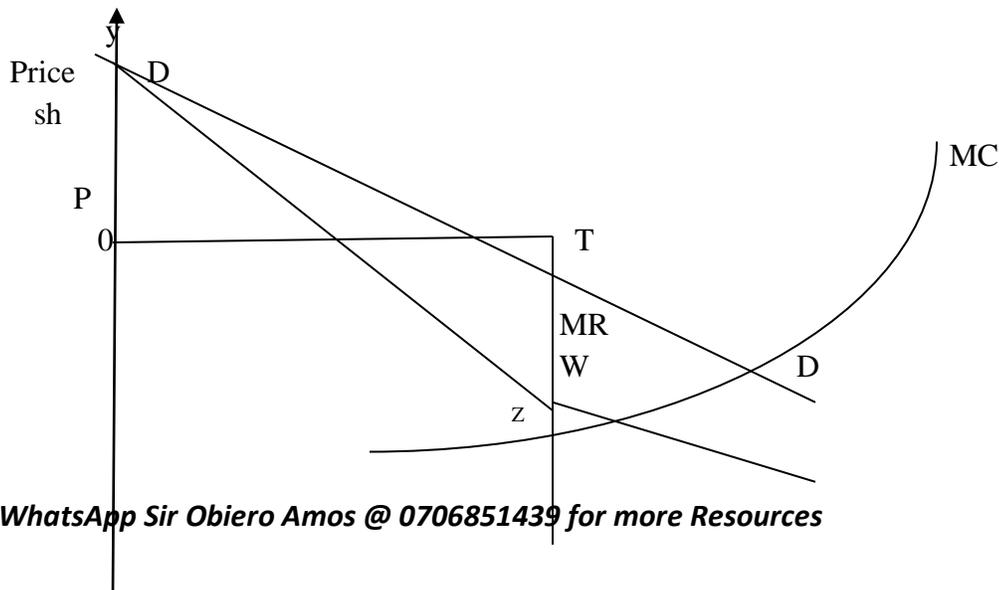
	DR Sh	CR Sh
Stock	76,500	
Creditors		450,400
Debtors	350,000	
Bank	260,400	
Fixed assets	970,200	
Cash	120,500	
Capital		1,300,000
Lighting due	<u> </u>	<u>27,200</u>
	<u>1,777,600</u>	<u>1,777,600</u>

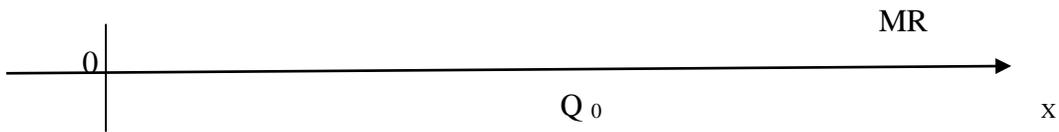
During the month the following transactions took place
2008

- June 5 Paid creditors Sh 228,00 by cheque in full settlement of a debt after deducting 5% cash discount
- 15 Withdrew sh.100,000 from bank for office use
- 28 Received Sh. 160,000 cash from a debtor after allowing cash discount of 40,000

Record the above transactions in the relevant ledger accounts and balance them off (10 marks)

3. (a) The diagram below shows an oligopolist kinked demand curve DD and current price and quantity at p and Q respectively





- (i) Name the curve represented by the gap WZ
 - (ii) State why the curve WZ is vertical to price axis
 - (iii) Advice when the oligopolist can raise and lower the price of the commodity (10 marks)
- (b) Explain ways in which the government of Kenya can reduce the level of unemployment (10 marks)
4. (a) Using a diagram explain the circular flow of income in a two sector Economy (10 marks)
- (b) Analyze the following document issued by Sheikh Traders

<p>Sheikh traders</p> <p>Debit Kamau limited P.O BOX Y125 MOLO</p> <p>Terms: 10 per cent one month on furniture only</p>	<p>P.O BOX 235Y Nairobi</p> <p>No. 4262 12 October 2008</p>
---	--

Quantity	Rate sh.		Sh	sh
60	Dining tables mvuli	4,000	240,000	
4	Beds	2,000	8,000	
50	Coffee Table	1,000	50,000	
			298,000	
	Less Trade discount 10%		29,800	268,200
	Floor carpet	2,500	1,0000	9,000
4	Less trade discount 10%		1,000	
	Carriage			7,500
	E&O.E		Total	284,700

Required:

(i) Name the document

(ii) Calculate the amount paid for the goods, if the debtor paid on 28 October 2008

(iii) Determine the net profit of the business if transaction (ii) above was Sh 120,400 and the debtor paid for the goods on 15th November 2008. (10 marks)

5. (a) Explain four services that the Central Bank of Kenya may offer to a banker to commercial banks (8marks)

(b) Malamu Traders had the following balance as at 31st December 2008

	Sh
Building	540,000
Bank loan	472,500
Debtors	116,900
Creditors	227,000
Furniture	408,170
Gross profit	520,600

Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent received	120,000
Repair on buildings	60,000
Repair on furniture	72,030
Repair on motor vehicles	300,000
General expense	102,100
Capital	1,400,000

Prepare: . .

- (a) Profit and loss account for the year ended 31st December 2008
- (b) Balance sheet as at 31 December 2008

6. (a) The following table represents the price and quantity of a commodity

Month	Price	Quantity
January	80	2,000
February	40	5,000

- (i) Plot the above information on a graph (5 marks)
- (ii) Calculate the price elasticity of demand

(b) Lunga, a sole trader, does not keep a complete set of accounting records information extracted from the records are as follows

	1 st January 2007	31 st December 2007
	Sh	Sh
Stock	75,000	136,400

Prepaid Salaries

Creditors	142,500	158,400
Debtors	120,000	385,000
Furniture & Equipment	820,000	754,400
18% loan From bank	200,000	

.Cash summary of the year was as follows

Cash Summary

	Sh		Sh
Balance b/d	460,800	Payment to creditors	660,500
Bad debts	16,000	Loan (31/12/2007	50,000
Receipts from debtors	750,000	Salaries	48,000
		Purchases	135,400
		Interest on loan	30,000
		Balance c/d	<u>302,900</u>
	<u>1,226,800</u>		<u>1,226,800</u>

Cash Summary

Additional information:

- (i) Interest charged on debtors overdue accounts amounted to sh 2,000
- (ii) Bad debts written off amounted to sh 4,200

Prepare trading, profit and loss account for the year ended 31st December 2007

(10 marks)

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2010

2½ hours

1.
 - a) Commodities A and B are substitutes. Using two diagrams, explain how an increase in the supply of commodity A will affect the equilibrium price and quantity demanded of commodity B. (10 marks)
 - b) Explain **five** negative effects that inflation may have on the economy of a country. (10 marks)
2.
 - a) Describe **five** principles that distinguish co-operative societies from other forms of business organizations. (10 marks)
 - b) Explain **five** ways of making face-to-face communication effective. (10 marks)
3.
 - a)

The following balances were extracted from the books of K100 Traders for the year ended 30th June 2008.

	shs.
Item	
Stock on 1 st July 2007	80,200
Discount received	7,500
Furniture	3,000,000
Motor vehicle	690,000
Returns inwards	5,800
Returns outwards	20,800
Debtors	316,800
Creditors	510,400
Purchases	1,120,000
Carriage on sales	12,700
Carriage on purchases	40,000
Lighting	15,000
Sales	1,880,000
Insurance	4,000
Repairs	230,000
Water bill	250,000
General expenses	56,700
Cash	80,000
Capital	4,000,000
Bank	520,000
Bank overdraft	2,500

Additional information:

- (i) Stock on 30th June 2008 was valued at shs 120.000. Prepare:
- (i) Trading. Profit and Loss accounts for the year ended 30th June 2008. (9 marks)
- (ii) Balance sheet as at 30th June 2008. (5 marks)
- (b) Explain **three** factors that should be considered when choosing a means of transport. (6 marks)

- 4.
- a) Explain **five** benefits that a member country may get from economic (10marks)
- b) The information in the table below relates to product ZX whose unit price in the market is Shs 20.00.

Units	Total	Total	Total	Total	Marginal
-------	-------	-------	-------	-------	----------

Produced (in tones)	Fixed cost (Shs)	Variable cost (Shs)	Cost (Shs)	Average Cost (Shs)	Cost (Shs)
0	200	0			
10	200	50			
20	200	80			
30	200	100			
40	200	140			
50	200	200			

Required:

- (i) Determine total costs, total average costs, and marginal costs at each level of output. (8 marks)
- (ii) Determine the units to be produced in order to maximize profits. (2 marks)

5.

- a) Discuss **five** problems that a country may face when measuring her national income using the output approach. (10 marks)
- b) Explain **five** factors that an entrepreneur would consider when evaluating a business idea. (10 marks)

6.

- a) Discuss **five** benefits that a customer may get by using Automated Teller Machines (ATMs) for financial transactions. (10 marks)
- b) Amina operates a fleet of Public Service Vehicles (PSVs). Explain **five** possible risks she can insure her business against (10marks)

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2011

2 ½ hours

1. (a) Explain the following types of inflation:
 - (i) demand-pull inflation
 - (ii) cost-push inflation
 - (iii) imported inflation
 - (iv) structural inflation. (8 marks)

- (b) Explain six factors that may hinder the development of a country. (12 marks)

2. (a) Explain circumstances under which containerization may be used to Transport goods. (10 marks)

- (b) (i) Explain the procedure for making an insurance claim. (5 marks)

- (ii) A farmer's house valued at Ksh. 1,200,000 was insured against fire For Ksh. 900,000 under the "with average clause". Fire occurred and damaged the house causing a loss of Ksh. 500,000. Determine the value of compensation due to the farmer. (5 marks)

3. (a) Discuss factors that may be considered when choosing a method for promoting a product. (10 marks)

- (b) Describe features of economic resources. (10 marks)

4. (a) Explain benefits that may accrue to an organization that adopts an open

- office plan. (10 marks)
- (b) Discuss circumstances under which a partnership may be dissolved. (10 marks)
5. (a) Amboseli Roses is a horticultural company producing flowers. Explain six factors that may influence the choice of a channel for distributing its products. (12 marks)
6. (a) Give reasons for maintaining books of original entry. (8 marks)
- (b) Discuss causes of unfavourable balance of payment for most developing countries. (10 marks)

65/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2012

2 ½ hours

1. (a) Explain **five** benefits of division of labour to an organization. (10 marks)
- (b) Explain **five** ways in which a computer may be used in an office. (10 marks)
2. (a) The table below shows the demand and supply schedules for product A in a week.

	Price (sh)	Quantity demanded	Quantity supplied
	('000' tones)	0000' tones)	
35	5	80	
30	10	65	
25	20	55	
20	25	40	
15 *	30	35	
10	40	20	
5	55	5	

- Using the information given in the table above, draw the demand and supply Curves showing the market equilibrium for the product. (10 marks)
- (b) Explain **five** merits of direct taxes to the government. (10 marks)
3. (a) Explain **five** disadvantages that a country would suffer if she restricted trade with other countries. (10 marks)
- (b) Discuss **five** factors that may promote entrepreneurship in Kenya. (10 marks)
4. (a) Explain five characteristics of property insurance. (10 marks)
- (b) Explain **five** elements of effective communication. (10 marks)

5. (a) The following Trial Balance was prepared by Laketi Traders on 31st December, 2009.

Particulars	Dr (shs)	Cr(shs)
Premises	850,000	
Debtors	650,500	
Creditors		820,000
Motor vehicle	800,000	
Equipment	550,500	
Gross profit		1,960,200
Furniture	350,000	
Stock	75,000	
Bank	200,000	
Cash in hand	150,000	
General expenses	117,800	
Discount received		
Commission allowed		66,100
Insurance	12,400	
Lighting	7,500	
Salaries	4,600	
Capital	78,000	
	3,846,300	1,000,000
		3,846,300

Using the information given above, prepare:

- (i) A profit and loss account; (5 marks)
- (ii) A balance sheet. (7 marks)
- (b) Describe **four** characteristics of services. (8 marks)

6. (a) A school leaver plans to start a retail business. Explain **five** types of Small scale retail shops the person may start. (10 marks)

- (b) Explain **five** circumstances in which a firm may acquire monopoly power. (10 mark)

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2013

2 ½ hours

1. (a) Explain **five** benefits that may accrue to a country with a large proportion of skilled labour force. (10 marks)
- (b) Outline **five** characteristics of an efficient tax system. (10 marks)
2. (a) Explain **five** benefits that Kenya may get as a member of C.O.M.E.S.A. (10 marks)
- (b) Explain **five** factors that may hinder economic development in Kenya. (10 marks)
3. (a) Explain **five** benefits that may be realized by a country as a result of government policy to relocate industries to rural areas. (10 marks)

(b) The following balances were extracted from the books of Soilo Trader on 31st December 2010.

Shs	
Machinery	360,000
Furniture	430,500
Sales	500,000
Opening stock	75,000
Closing stock	?
Purchases	395,000
Rent income	72,000
General Expenses	60,000
Debtors	62,250
Creditors	101,550
Bank	202,000
Cash	88,800
Capital	1,000,000

Additional information:
Gross profit margin is stated at 40%.

Prepare:
December 2010.

(i) Trading, Profit and Loss Account for the year ended 31st December 2010. (5^{1/2} marks)

(ii) Balance sheet as at 31st December 2010. (4^{1/2} marks)

4. (a) Explain **five** advantages of advertising to the consumer. (10 marks)

(b) On 1st January 2011, Jumo Traders had shs 22,500 in cash and shs 250,000 at bank. During the month, the following transactions took place:

2nd Jan. – Made cash sales of shs 465,200

5th Jan – Received a cheque for shs 451,250 from Kamau

Traders in full settlement of their debt after allowing a 5% cash discount.

15th Jan – Paid Ndaru Traders Shs 184,000 in cash after deducting a cash discount of shs 16,000

20th Jan – Deposited shs 200,000 from the cash till into the bank

25th Jan – Paid wages shs 144,000 in cash

28th Jan – Settled Mbago Trader's account of Shs 300,000 by cheque, less 15% cash discount

29th Jan – Withdrew shs 250,000 from the bank for office use

30th Jan – Deposited all the cash into the bank, except shs 59,700.

Prepare a duly balanced three column cash book. (10 marks)

5. (a) Outline **six** circumstances under which a trader may use air transport. (12 marks)

(b) Explain **four** ways through which a public limited company may be dissolved. (8 marks)

6. (a) With the aid of a diagram, explain the effect of an increase in the supply of a commodity while its demand remains constant. (10 marks)

(b) Explain **five** features of oligopoly. (10 marks)

565/2

BUSINESS STUDIES

Paper 2

Oct. / Nov. 2014

2 ½ hours

1. (a) Explain five benefits that a firm may enjoy by preparing a business plan. (10 marks)
- (b) Explain five demerits that country may suffer when the government becomes a major investor in business (10 marks)

2. (a) On first January 2012, Ndovu Traders had shs 30,000 in cash and shs 75,000 at the bank. During the month, the following transactions took place:

January 2nd : Bought goods in cash worth shs. 15,000
5th : Received cash from Chi shs 23,750 after allowing 5% cash discount.
8th: Withdrew shs 8,900 from the bank for personal use.
11th :Maro,a debtor settled her account of shs 16,800 by a cheque of shs 16,000
15th : Sales amounted to shs 24,250 in cash.
17th : Paid Furaha traders shs 29,100 in cash in full settlement of their account less 3% cash discount
20th : Withdrew shs 15,000 from the bank for business use.
22nd : Koko a debtor, settled her account of shs 40,000 by cheque less 2.5% cash discount
25th : Paid wages shs21,000 in cash

Required:

- Prepared a duly balanced three column cash book. (12 marks)
- (b) Explain **four** reasons for which traders observe ethical practices in product promotion. (8 marks)
3. (a) Explain **five** objections that may be achieved by establishing firms in different parts of the country. (10 marks)
- (b) Describe **five** accounting documents that are used in home trade. (10 marks)

4. (a) The following information relates to Bahati enterprises:

Details	Shs
Stock 1 st January 2012	430,000
Purchases	930,000

Sales	1,155,000
Carriage outwards	25,000
Carriage inwards	10,000
Returns outward	20,000
Returns inwards	30,000
General expenses	100,000
Insurance	25,000
Stock 31 st December 2012	470,000

Calculate:

- (i) Turn over (1 marks)
- (ii) Rate of Stock Turn over (3 marks)
- (iii) Mark up (2 marks)
- (iv) Margin (2 marks)
- (v) Net profit (2 marks)

(b) Explain five guidelines that should be followed by the government in its expenditure. (10 marks)

5. (a) Explain five disadvantages that a developing country may suffer by Liberalizing foreign trade. (10 marks)

(b) Explain five features of monopolistic competition. (10 marks)

6. (a) Apart from selling shares, explain five sources of finance for a public limited company. (10 marks)

(b) There has been a decline in the demand for wooden furniture. Explain five factors that may have caused this trend. (10 marks)

565/2

BUSINESS STUDIES

PAPER2

OCT/NOV.2015

2¹/₂ hours

1. (a) Explain five uses of National Income statistics to a country. (10marks)

(b) Discuss five principles that would lead to effective use of government resources (10marks)

2. (a) Explain five ways in which the consumer may benefit from warehousing (10marks)

(b) The following information was extracted from the books of mambo Leo traders in the month of September, 2014.

September 1 had cash in hand, shs15, 500 and a bank overdraft of shs9, 700.

September 3 bought goods for sale shs12, 300 on credit

September 5 sold good in cash shs8500

September 9 sold goods on credit shs10, 000.

September 12 received a cheque of kshs 9,000 from a debtor.

September 15 paid a creditor kshs 10,000 in cash.

September 17 paid wages kshs 2600 in cash.

September 19 received a cheque kshs 23,400 from Samson for goods sold in January.

September 20 received kshs 6700 from a debtor in cash.

September 23 withdrew kshs 7700 from the bank for office use.

September 24 paid electricity bills by cheque shs1200.

September 25 received a cheque of shs11, 500 from a debtor.

September 26 made cash sales of kshs 12,800.

September 27 purchased goods worth kshs 8,950 in cash.

September 28 deposited personal cash shs3, 500 in to the business account.

September 30 paid water bills by cheque kshs 2,800.

Required:

Prepare a two column cash book. (10marks)

3. (a) Describe five characteristics of a monopolistic competitive market. (10marks)

(b) Explain five features of human wants. (10marks)

4. (a) The following trial balance relates to Chui Traders as at 31st December, 2014

CHUI TRADERS

TRIAL BALANCE

AS AT 31ST DECEMBER 2014

Details	Dr (ksh)	Cr (ksh)
Stock	10,000	
Bank	3500	
Purchases	15000	
Sales		28,000
Returns	800	1100
Rent		580
Insurance	950	
Creditor		450
Carriage in	1200	
Discounts	300	1620
	<u>31,750</u>	<u>31,750</u>

Additional information

Closing stock was valued at ksh2500.

Carriage out was kshs1200

Required

- Prepare trading, profit and loss Account. (10marks)
- (b) Explain five methods of determining the price of a product other than price Control (10marks)
- 5.
- a) Explain five trends in office management (10marks)
- b) Explain five advantages of government involvement in business. (10marks)
6. (a) Explain five benefits which may accrue to Kenya by being a member of the African Development Bank (ADB). (10marks)
- (b) Explain five features that are common to underdeveloped countries. (10marks)

565/2
BUSINESS STUDIES
PAPER2
OCT/NOV.2016
2¹/₂ hours

1. (a) Explain five factors that may promote entrepreneurship in Kenya. (10 marks)
(b) Explain five circumstances under which a partnership may be dissolved. (10 marks)
2. (a) Explain five advantages of government involvement in business. (10 marks)
(b) Traders are required to observe ethical practices when carrying out product promotion.
Explain five reasons for observing such ethical practices. (10 marks)
3. (a) Explain five methods of determining the price of a product other than price control. (10 marks)
(b) Explain five benefits that may be realised by a country as a result of government policy to relocate industries to rural areas. (10 marks)

4. (a) On 1st January 2015, Ndovu Traders had Ksh 30,000 in cash and Ksh 75,000 at the bank.

4

During the month, the following transactions took place:

- January 2: Bought goods in cash worth Ksh 15,500.
5: Received cash from Chui Ksh 23,750 after allowing 5% cash discount.
-
- 8: Withdrew Ksh 8,900 from the bank for personal use.
11: Maro, a debtor settled her account of Ksh 16,800 by a cheque of Ksh 16,000.
15: Sales amounted to Ksh 24,250 in cash.
17: Paid Furaha traders Ksh 29,100 in cash in full settlement of their account less 3% cash discount.
20: Withdrew Ksh 15,000 from the bank for business use.
22: Koko a debtor settled her account of Ksh 40,000 by cheque less 2.5% cash discount.
25; Paid wages Ksh 21,000 cash.

- (b) The following balances were extracted from the books of Rehema Traders on 1st January 2015.

	Ksh
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31st December 2015:

- (i) Sold furniture worth Ksh 60,000 for which Ksh 40,000 cash was received and the balance was due at the end of the year.
- (ii) Purchased goods worth Ksh 100,000 for which cash of Ksh 70,000 was paid and the balance was still outstanding at the end of the year.
- (iii) Cash Ksh 10,000 was taken from the business by the proprietor to settle the spouse's hospital bill.

Required: Outline the effect of each transaction on the items of the balance sheet.

(8 marks)

5. (a) Explain five guidelines that may be used by the government of a country to promote efficient use of her resources. (10 marks)
- (b) Explain five disadvantages that a country may face if she restricted trade with other countries. (10 marks)

6. (a) On 1M September 2015, Gondi had Ksh 55,000 in hand and Ksh 250,000 at bank. During the month, the following transactions took place:

- | | | |
|----------|----|--|
| Septembe | 2 | Cash sales banked Ksh 35,260 , |
| | 3 | Bought ribbons in cash Ksh 4,500 |
| | 8 | Paid Wangila, a creditor Ksh 94,000 by cheque in full settlement of his account after deducting 6% cash discount |
| | 12 | Received a cheque for Ksh 58,800 from Wetu after allowing her a cash discount of Ksh 1,200 |
| | 15 | Paid salaries Ksh 34,000 in cash |
| | 25 | Withdrew Ksh 50,000 from bank for office use |
| | 28 | Anyango, a debtor paid her account of Ksh 75,000 by cheque less 10% cash discount |

30 Deposited all the cash into bank except Ksh 13,700

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

(b) Outline five reasons that may influence the government to start a parastatal. (10 marks)

