

565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2011
TIME: 2 ½ HOURS

NYAMIRA DISTRICT JOINT EVALUATION TEST

Kenya Certificate of Secondary Education (K.C.S.E.)

**Business Studies
Paper 2**

INSTRUCTIONS TO CANDIDATES:

- *This paper consists of **six** questions*
- *Answer any **five** questions.*
- *Write your answers in the answer booklet provided*
- *All questions carry equal marks*

This paper consists of 3 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing

Answer any five questions

1. a) Explain **five** challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya. (10mks)

b) The following transactions relates to Konate Traders for the month of December 2010.

- Dec 1st started a business with sh. 200,000 in the Bank account.
2nd Bought furniture for sh, 50,000 and paid by cheque
3rd Sold goods on credit to Tila shs, 20,000; Katu 10,000
4th Bought goods on credit from Kahama sh 30,000; Kanga shs. 40,000
5th Returned faulty goods to Kahama sh 5,000
6th Paid Kahama on account by cheque less 10% cash discount.
7th Received faulty goods from Katu shs. 2000
8th Received payment due from Tila and Katu by cheque less 5% cash discount.
9th Cash sales shs. 100,000
10th Paid for wages shs. 20,000 by cash and electricity shs.10,000 by cheque.
11th Deposited all the cash in hand into the bank account.

Required:

Prepare a three column cash book duly balanced (10mks)

2. a) Explain **four** reasons why a public limited company may prefer to raise fianance through issue of ordinary shares instead of debentures. (8mks)

b) The following trial balance was extracted from the books of Nyaituya on 31st Dec 2005.

	Dr(shs)	Cr(shs)
Sales		720,000
Purchases	340,000	
Returns	20,000	18000
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors/creditors	54,000	64,000
Stock 1/1/2005	60,000	
Insurance	30,000	
Drawings	40,000	

Furniture & Fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital	<u> </u>	<u>288,000</u>
	<u>1,099,000</u>	<u>1,099,000</u>

Additional information;

	shs
(i) Stock as at 31 st Dec 2005	52,000
(ii) Rent accrued	6,000
(iii) Insurance paid in advance	4,000
(iv) Commission due	5,000
(v) Salaries owing	21,000

Required:

Prepare a trading profit and loss account for the year ended 31st Dec 2005 and a balance sheet as at that date. (12mks)

- 3 a) Explain **five** ways in which commercial bank facilitate payment on behalf of their customers. (10mks)
- b) Explain **five** methods that can be used by a country to solve the problem of deficit balance of payment. (10mks)
- 4 a) Explain **four** reasons why the government has to organize seminars for business people. (8mks)
- b) Explain **six** benefits that could be enjoyed by a person who decided to take out an endowment policy. (12mks)
- 5 a) Outline **four** differences between mono-polistic competition and monopoly market structures. (8mks)
- b) The transactions below relate to Emori provision General store for the month of April 2006.
- April 2nd : Bought goods on credit from Mwangi distributors for sale sh. 150,000 at 5% trade discount.
- April 5th Bought an electronic typewriter on credit 25,000 from modern electronics on credit.

April 10th Purchased goods on credit for sale sh.90,000 from city distributors
April 16th Sold goods on credit to Magara for shs. 70,000
April 17th : Sold an old typewriter on credit shs 8,000 to Motanya.
April 18th : Sold goods for 80,000 on credit to Mogere.
April 19th : Purchased goods on credit for resale sh.5000 from Momanyi traders.
April 20th Sold goods on credit to Magara sh. 20,000

Required:

Prepare the relevant books of original entry ready for posting to appropriate ledger accounts as

at 20th April 2006 (12mks)

6 a) Outline **five** reasons why development planning is very necessary in a country. (10mks)

b) Explain why the government may decide to control the exploitation of its natural resources. (10mks)