

KAMUKUNJI DISTRICT KCSE EVALUATION TEST 2014

565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2014
2 ½ HOURS

INSTRUCTIONS

- i) Answer any five questions.
- ii) Write answers in the answer booklet provided.
- iii) All questions carry equal marks

1. (a) Explain five reasons that may have contributed to the popularity of savings and credit co-operative societies (SACCOS) among the employed. (10mks)

(b) The following balances were extracted from the books of Buruburu Traders as at 31st December, 2013.

	SHS
Land and buildings	250,000
Capital	470,000
Plant and Machinery	100,000
Motor Vehicle	150,000
10 year bank loan	100,000
3 years ICDE loan	50,000
Stock (31/12/13)	50,000
Debtors	30,000
Creditors	30,000
Accrued expenses	10,000
Cash at bank	50,000
Cash in hand	10,000
Drawings	20,000

Prepare:

(i) A balance sheet as at 31st December 2013.

(ii) Determine:

- Working capital
- Capital employed
- Borrowed capital

2. (a) Explain five monetary policy measures that can be used to control inflation. (10mks)

(b) Explain five benefits of economic integration to a country. (10mks)

3. (a) Explain five disadvantages of overpopulation. (10mks)

(b) Explain five circumstances under which personal selling is appropriate. (10mks)

4. (a) Explain five functions of commercial banks. (10mks)

(b) The following transactions were found in the books of Shauri Moyo Traders during the month of March 2014.

- Mar. 4 Bought chairs worth sh. 50,000 on credit from Starehe furnishers Ltd.
- 15 Sold an old typewrite book value sh. 15,000 for sh. 13,000 on credit to Huruma Traders.
- 20 Rent received in cash sh. 8000 was debited in rent received account and credited in cash account.
- 27 Bought a motor vehicle from Chaka motors for sh. 500,000
Cash sh. 200,000 was paid and the balance was to be settled later.

Required:

Record and/or rectify errors from the above transactions in the General Journal.

5. (a) Highlight five differences between direct tax and indirect tax. (10mks)
(b) Explain five functions of retailers to consumers. (10mks)
6. (a) Draw a diagram to show the effect of a shift in demand curve to the right on equilibrium point, price and quantity. (8mks)

(b) The following transactions took place in the books of Kariobangi Traders during the month of May 2014.

- May 1 - Cash balances shs. 50,000
Bank balances shs. 80,000
- 3 - received a cheque from Kariuki for sh. 20,800, having allowed him a discount of sh. 2,000.
- 7 - Paid rent in cash sh. 10,500.
- 12 - Settled a creditors account of sh. 15,000 in cash after deducting a cash discount of sh. 1,000.
- 17 - Withdrew sh. 5,000 cash from bank for office use.
- 23 - Received cash from the following debtors after having deducted a cash discount of 10% in each case.
- Jane sh. 15,000
 - Betty sh. 20,000
- 30 - Transferred all cash to Bank leaving a balance of sh. 5,000.

Required:

Enter the above transaction in the three column cash book and balance it off as at 31st March 2014. (12mks)