

565/2

BUSINESS STUDIES

565/2

1. (a) Explain four negative effects of economic development (8mks) *NrK*
- (b) Outline six factors that influence decisions on what goods and services to produce (12mks) *NrK*
2. (a) Use the demand and supply schedule given below to draw a diagram showing the following
 - (i) Demand and supply curves
 - (ii) Equilibrium quantity, equilibrium price and equilibrium point
 - (iii) Excess demand and excess supply

Price	Quantity demanded	Quantity supplied
450	10	70
400	20	60
350	30	50
250	40	40
150	50	30
50	60	20
10	70	10

- (b) Explain six functions of micro finance institutions (12mks) *NrK*
3. (a) Describe five features of perfect competition (10mks) *NrK*
 - (b) Outline five factors that influence the level of national income (10mks) *NrK*
 4. (a) Explain five factors influencing the choice of distribution channel (10mks) *NrK*
 - (b) The following transactions were carried out by Kiplangat traders during the month of July 2005.
 - July 1: Started a business with Shs. 10,000 in cash
 - 2: Opened a bank account for the business by depositing Shs. 20,000 from personal savings
 - 10: Bought goods worth Shs. 10,000 and paid by cheque
 - 20: Sold goods worth Shs. 20,000 which were paid for in cash
 - 26: Paid Shs. 5,000 as salary to a worker by cheque
 - 27: Took Shs. 5,000 in cash for personal use

Enter the above transactions in their respective ledger accounts and balance them off

(10mks) *NrK*

5. (a) Explain six measures to solve unemployment problems in Kenya (12mks) *NrK*
- (b) The following table shows relationship between output, total cost, marginal cost, the average fixed cost, average variable cost and total cost

Unit of output	Total fixed cost Shs.	Total variable cost Shs.	Total cost Shs.	Average fixed cost Shs.	Average variable cost Shs.	Marginal costs Shs.
0	100	0	-	-	-	0
1	100	110	(a)	(e)	(j)	-
2	100	260	(b)	(g)	(k)	(m)
3	100	380	(c)	(h)	(l)	(n)
4	100	460	(d)	(i)	(m)	(o)

Draw a similar table and use the information provided to complete it (8mks) *NrK*

6. (a) Enter the following transactions in the petty cash book of Maendeleo stores for the month of July 2003 using the following analysis columns
 Telephone and postage, office stationary, traveling expenses and office expenses. The business operates the petty cash book on an imprest system of 4000/= replenished on a weekly basis
 July 1st-Received a cheque from the cashier to start the imprest
 July 1st-Paid for taxi hire 250/= and 130/= for office cleaning
 July 2nd-Bought postage stamps for 210/= and a ball of string for use in the office 100/=
 July 3rd-Postage of a parcel cost 100/= and paid a telephone bill 900/=

- July 4th Purchased envelopes for 150/= and one ream of photocopying paper 500/=
 July 5th -Paid for bus fare 500/= and made a telephone call costing 50/=
 July 6th -purchased a window cleaning cream for 250/= paid bus fare 200/=
 July 8th -Received a cheque to replenish the imprest
 July 8th -Bought various office stationery for 400/=
 July 9th -Purchased postage stamps for 210/= and paid 950/= telephone bill
 July 10th -paid train fare 600/= and taxi fare 250/=
 July 11th Paid for office cleaning 150/=
 July 12th -Purchased two reams of writing paper 600/= and office dusters 300/=
 July 14th -Obtained a cheque from the cashier to replenish the imprest

Required

Prepare the petty cash book for the two weeks

8mks) *Nrk*

(b) The following trial balance relates to Leshao traders for the year ended 31st January 2005

PARTICULARS	DR	CR
Capital		110,000
Land and buildings	70,000	
Machinery	21,600	
Furniture	20,000	
Debtors	78,000	
Creditors		50,000
Opening stock	1,100	
Bank	60,000	
Cash	9,000	
Sales		15,400
Sales returns	400	
Purchases	8,000	
Purchases returns		1,200
General expenses	1,200	
Carriage inwards	400	
Carriage outwards	900	
Rent received		2,500
Commission received		1,000
Salaries and wages	6,000	
Electricity	700	
Insurance	1,500	
Postage	300	
Drawings	1000	
Bank loan		100,000
Total	<u>280,100</u>	<u>280,100</u>

Note: Closing stock on 31st January 2005 was valued at Kshs. 2,500

Prepare

- a) Trading, profit and loss account for the year ended 31st January 2005
 b) Balance sheet as at 31st January 2005

(8mks) *Nrk*

(4mks) *Nrk*