

Name.....

Index No...../.....

School.....

Date .....

Candidate's Signature.....

565 / 2

**BUSINESS**

**Paper 2**

**JULY / AUGUST 2012**

**Time: 2 Hours**

**MANGA DISTRICT JOINT EVALUATION EXAM– 2012**

*Kenya National Examination Council (K.C.S.E)*

565 / 2

**BUSINESS**

**Paper 2**

**JULY / AUGUST 2012**

**Time: 2 Hours**

**INSTRUCTION TO CANDIDATES**

1. This paper consists of six questions
2. Answer **ANY FIVE** questions
3. All questions carry equal marks.

*This paper consists of 4 printed pages.  
Candidates should check the question paper to ensure that all  
pages are printed as indicated and no questions are missing*

1. a) Explain **five** factors that limit the adoption of modern technology in business operations. (10mks)
- b) Outline **five** differences between a public limited company and a partnership form of business. (10mks)
2. a) Explain **five** circumstances under which monopolies exist in a given economy. (10mks)
- b) Outline **five** differences between a public limited company and a partnership form of business. (10mks)
3. a) Explain **five** benefits of “pooling of risks” to an insurance industry. (10mks)
- b) On 1<sup>st</sup> January 2012 Manga traders had 180,000 cash in hand and a bank credit balance of Shs.57,500. During the month the following transactions took place.

3 <sup>rd</sup> Jan:	Cash sales	Shs. 2,800	
4 <sup>th</sup> Jan:	A debtor settled his account of sh. 90,00 by cheque		
10 <sup>th</sup> Jan:	Paid Salaries shs. 40,000 in cash.		
12 <sup>th</sup> Jan:	Took cash sh. 35,000 to settle on personal debt.		
23 <sup>rd</sup> Jan:	Received a cheque shs. 8460 from Ouru distribution after deducting 6% cash discount.		
24 <sup>th</sup> Jan:	Deposits shs. 10000 in the bank from office cash.		
25 <sup>th</sup> Jan:	Purchased stock worth shs.8950 on credit from Ngumo distributors		
26 <sup>th</sup> Jan:	Cash sales banked directly shs.38000		
27 <sup>th</sup> Jan:	A cheque received on 4 <sup>th</sup> from a debtor was dishonored. The bank charged him 2500.		
29 <sup>th</sup> Jan:	Settled creditors account shs. 6000 by cheque less 3% cash discount.		
31 <sup>st</sup> Jan:	Bank all cash except shs.40,000		
Required:	Prepared a three column cash book duly balanced		(10mks)

4. a) Explain **five** effects of production activities on the environment and community health (10mks)
- b) Explain **five** services that are offered by commercial banks to their customers. (10mks)
5. a) Highlight **five** distinctions between savings and current account (10mks)
- b) Explain **five** shortcomings of internet services. (10mks)
6. a) Explain **five** disadvantages of progressive taxes. (10mks)
- b) The following balances were extracted from the books of Mutua Traders for the year ended 31 Dec 2010 having proffered a trading account.

	<b>Dr. (sh)</b>	<b>Cr. (Sh)</b>
Gross profit		38100
Cash	105060	
Motorvan	603 000	
Capital		653560
Equipment	200600	
Furniture	94400	
Creditors		74300
Debtors	75900	
Discount received		26400
Salaries	12400	
Carriage outward	14400	
Rent: income		12600
Advertising	22200	
Insurance	9400	
Bank overdraft		412600
	1,217560	1,217560

**Required:**

- a) Prepare a profit and loss account of Mutua Traders for the year ended 31<sup>st</sup> Dec 2001 (5mks)
- b) A balance sheet as at that date. (5mks)

