

FORM 3 BUSINESS STUDIES PAPER 2

TIME: 2 ½ HOURS.

1. (a) Explain **five** characteristics of human wants. (10 marks)

(b) Describe **five** measures being undertaken by the Kenya government to solve unemployment. (10 marks)

2. (a) Explain **five** circumstances under which an Insurance contract may be terminated. (10 marks)

(b) Prepare a daily balanced three column cashbook from the following information.
Jan 1 Bal b/d cash sh. 4,000 bank sh. 27,000
Jan 4 Settled Olwem creditors account of sh. 8000 by cheque having deducted 6% Cash discount.
Jan 8 Received sh. 6000 cash from Mutoma traders
Jan 16 Deposited sh. 4500 to the bank
Jan 24 Withdrew sh. 9200 from the Bank for Private use
Jan 29 Received sh. 19,950 from Kahawa by cheque after allowing 5% discount
Jan 31 Banked all the cash leaving only sh. 1500 in the office.

3. (a) Describe **five** principles that governs the running of Co-operatives. (10 marks)

(b) Explain **five** factors that may promote entrepreneurship in a country. (10 marks)

4. (a) Explain **five** errors that are not disclosed by the Trial balance. (10 marks)

(b) Explain **five** factors that have caused decline in supply of maize in Kenya. (10 marks)

5. (a) Explain **five** factors that may influence the level of national income in a country. (10 marks)

(b) Describe **five** advantages of a bonded warehouse to the importer. (10 marks)

6. (a) Describe **five** differences between a perfect competition market and a monopoly market.
(10 marks)

(b) Burecho traders had the following balances on 1st August 2010.

Bank	40,000
Debtors	20,000
Creditors	60,000

The following transactions took place.

August 5. Bought goods worth 9000 and paid by cheque.

August 6 Paid creditors 10,000 by cheque.

August 22 Received a cheque of 20,000 from sales

August 28 Received sh. 120,000 cash from a debtor which he banked the same day.

August 29 Withdrew sh. 5,000 from Bank to pay wages.

Required: Open relevant ledger accounts and extract a Trial balance. (10 marks)

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