**MURANGA COUNTY EXTRA-COUNTY SCHOOLS (MECS)**

**KENYA CERTIFICATE OF SECONDARY EDUCATION**

**NOVEMBER/DECEMBER 2021**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**2HRS 30MINS**

**NAME ADMNO CLASS**

Instructions to candidates

1. The paper consist of **Six** questions.
2. Answers any **Five** questions in the spaces provided.
3. Non programmable electronic calculator may be used.
4. Candidates should answer all questions in English.

1.a) Explain **Five** features that are common to under-developed countries. (10marks)

b) Outline **Five** differences between public limited companies and private limited companies. (10marks)

2.a) Explain **Five** methods that the central Bank of Kenya can use to increase the amount of money in circulation. (10marks)

b) Explain **Five** factors that would determine the size of a firm (10marks)

3.a) Explain **Five** benefits of insurance to the Kenyan economy. (10marks)

b) The following balances were extracted from the books of Kassu Traders on 1st January 2018.

|  |  |
| --- | --- |
| **ITEMS** | **KSH** |
| MOTOR VAN | 200,000 |
| MACHINERY | 200,000 |
| DEBTORS | 60,000 |
| STOCK | 80,000 |
| CASH | 240,000 |
| CAPITAL | 210,000 |
| CREDITORS | 180,000 |
| 2YEARS LOAN | 390,000 |

The following transcations took place during the period ended 31st January, 2018.

1. Sold machinery worth Ksh 60,000 for Ksh 100,000 and received the whole amount in cash.
2. Cash of Ksh 10,000 was taken from the business to pay the son’s school fees.
3. Purchased goods worth Ksh 80,000 and paid Ksh 50,000 in cash the balance was still outstanding at the end of the month.
4. Opened a business bank account and deposited Ksh 50,000 from the cash box.

**Required:**

Draw Kassu Traders balance sheet as at 31st January, 2018. (10marks)

4.a) Explain **Five** circumstances under which cash with order(C.W.O) would be preferred by a retailer. (10marks)

b) Describe **Five** channels of distribution that a Kenyan farmer would use to ensure his flowers reach consumers abroad. (10marks)

5.a) Highlight **Five** benefits of an efficient transport system to the Kenyan economy. (10marks)

b) County X, has been experiencing low levels of national income. Explain **Five** possible causes of the situation. (10marks)

6.a) Outline **Four** problems associated with specialisation and division of labour to the workers. (8marks)

b) The following information relates to Viola Traders for the Month of May 2010.

May 1. Started busines with cash Ksh 180,000 and a bank overdraft of Ksh 450,000.

3. Received a cheque of Ksh 1,500,000 from Maina a debtor.

7. Cash sales Ksh 280,000

10. Jared, a creditor was paid his account of Ksh 600,000 by cheque of Ksh 400,000 and the balance by cash.

14. Received commission in Cash Ksh 150,000

16. A debtor, Abdul, paid his account of Ksh 185,000 by cheque less 2% cash discount.

17. Paid for the rent expenses Ksh 10,000

18. Juma bought goods on credit worth Ksh 10,000

21. Withdrew Ksh 100,000 from the bank to pay hospital bill.

24. Paid cash Ksh 133,280 to Kanai after deducting 2% cash discount.

25. Juma paid in cash the value for goods bought on credit.

26. The owner introduced cash Ksh 10,000 into the business from private sources.

27. Paid salaries Ksh 120,000 by cheque.

28. Withdrew Ksh 30,000 from the bank for office use.

29. Banked all cash except Ksh 50,000

**Required:**

Prepare a three column cash book dully balanced (12marks).