NAME: _____

SCHOOL: _____ ADM. NO.: _____

565/2
PAPER 2
BUSINESS STUDIES
FORM FOUR
MARCH/APRIL-2013.
TIME: 2¹/₂ HOURS

ELDORET EAST INTER-SCHOOLS TESTS - 2013
Kenya Certificate of Secondary Education (K.C.S.E)

BUSINESS STUDIES
FORM FOUR

INSTRUCTIONS
* This paper consists of six questions
* Answer Any **FIVE** questions on the answer booklets provided
* All questions carry equal marks

1. (a) Outline **five** differences between direct production and indirect production. (10mks)
   (b) Distinguish between a public corporation and a public ltd company. (10mks)
2. (a) Describe the procedure that a shareholder would follow in selling shares through the stock exchange. (10mks)
   (b) Outline **five** problems that are encountered in measuring National income in your country. (10mks)
3. (a) Manufacturers distribute their products to the final consumers through various channels. Highlight five factors considered in choosing a particular channel of distribution. (10mks)
   (b) Outline **five** circumstances under which an insurance contract may be terminated. (10mks)
4. (a) The following details were extracted from the books of Flax Traders on 31st Dec. 2010.

Closing stock	274,000
Capital	259,000
Gross profit	380,000
Drawings	83,000
Creditors	93,000
Premises	103,000
Debtors	123,000
Cash at Bank	33,000
1 year bank loan	50,000
General Expenses	54,000
Commission received	20,000
Wages and salaries	132,000

   Required:-
   (i) Prepare Flax Trading profit and loss account for the year ended 31st Dec. 2010.
   (ii) Prepare Flax Traders balance sheet as at 31st Dec. 2010. (10mks)
   (b) While on their campaign, some presidential aspirants pledged to do away with taxation if elected in the 2013 general elections. Such a pledge was economically illogical and unfolded. Explain **five** reasons why the Kenya government must collect taxes from its citizens. (10mks)
5. (a) Moto Moto Limited operates as a monopolist. Explain five factors that may have made this firm acquire monopoly power. (10mks)
   (b) Unemployment is a problem in any economy in the world. Explain five measures that the Kenyan government may take to reduce this problem. (10mks)
6. (a) The following balance sheet was extracted from the books of Kirui traders on 1st April 2011.

   Mrs. Kirui Traders.
   Balance Sheet.
   As at 1st April 2011.

	Shs.		Shs.
Equipment	200,000	Capital	415,000
Furniture	82,000	Mutai (Creditors)	27,000
Stock	140,000		
Cash	20,000		
	442,000		**442,000**

   The following transactions took place during the month of April 2011.

4.04.2011	Mrs. Kirui sold her personal assets for shs. 30000 receiving payment by cheque which she invested in the business.
10.04.2011	She purchased goods for shs. 29,000 on credit from Mutai.
19.04.2011	She returned goods worth shs. 3,000 to Mutai after they were found defective.
30.04.2011	She sold goods for shs.12,000 cash.

   Required:
   a) Open the relevant ledger accounts from the balance sheet, record the above transactions and balance them off. As at 30.04.2011 (12mks)
   b) Explain four ways that a firm would adopt to improve the efficiency of labour as a factor of production. (8mks)