

1. a) Discuss FIVE reasons for the existence of small firms in an economy. 10mks*BND*
 b) Discuss FIVE causes of inflation in a country. 10mks*BND*
2. a) Explain FIVE benefits that would accrue to a business person who transports goods by liners rather than tramp streamers. 10mks*BND*
 b) Explain FIVE sources of finance open to Kenya government. 10mks*BND*
3. a) Highlight FIVE indicators used to evaluate a country's economic development. 10mks*BND*
 b) Prepare a duly balanced three column cash book from the following information.
 Jan 1: Balance b/d cash shs.4,000 bank shs 27,000
 " 4 Settled Olweny creditors account of shs. 8,000 by cheque having deducted 6% cash discount.
 " 8: Received shs. 6000 cash from Mutoma traders
 " 16: Deposited shs. 4,500 to the bank account
 " 24: Withdrew shs. 9,200 from the bank for private use.
 " 29: Received shs. 19,950 from Kawawa by a cheque after allowing 5% discount.
 " 31: Banked all the cash leaving only sh 1,500 in the office. 10mks*BND*
4. a) Explain FIVE methods of trade restriction. 10mks*BND*
 b) Highlight FIVE problems encountered when measuring the national income of a country. 10mks*BND*
5. a) Discuss FIVE roles played by commercial banks in facilitating home trade. 10mks*BND*
 b) The following information relates to the business of Omondi for the week ended 30th May, 2004.
 2004
 May 25: Started business with shs.24,000
 " 26: Bought goods for shs. 18,000
 " 27: Cash sales shs. 18,900
 " 28: Paid for rent sh. 150 cash
 " 29: Received cash shs. 5625 from sales
 " 30: Paid commission shs. 900
 Required:
 (i) Ledger accounts to record the transactions above.
 (ii) Trial balance as at 30th May, 2004. 10mks*BND*
6. a) Outline FIVE reasons why a business would like to operate its own warehouse. 10mks*BND*

b) The following Trial balance was extracted from the books of Likoni Traders on 31st December 2004

Likoni Traders Trial balance as at 31st December, 2004

| | Dr | Cr |
|------------------|----------------|----------------|
| | Shs | Shs |
| Purchases | 70,000 | |
| Capital | | 88,800 |
| Returns inwards | 1,500 | |
| General expenses | 5,200 | |
| Cash in hand | 2,500 | |
| Return outwards | | 2,400 |
| Bank Overdraft | | 7,500 |
| Salaries | 14,000 | |
| Debtors | 10,500 | |
| Creditors | | 8,500 |
| Fixed Assets | 82,000 | |
| Sales | | <u>95,000</u> |
| Stock (1:04) | 12,500 | |
| Bad debts | <u>4,000</u> | |
| | <u>202,200</u> | <u>202,200</u> |

Additional information

Closing stock was valued at shs. 6,500

Salary outstanding was shs. 2,800

Prepare

- Trading, profit and loss account for the period ended 31st December, 2004. 6mks*BND*
- Balance sheet as at 31st December 2004 4mks*BND*

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