

Name.....

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

School.....

Date .....

Candidate's Signature.....

565/2

**BUSINESS**

**Paper 2**

**JULY / AUGUST 2012**

**Time: 2 Hours**

**BUTULA DISTRICT FORM FOUR JOINT MID YEAR EXAMINATIONS - 2012**

*Kenya Certificate of Secondary Education (K.C.S.E)*

565/ 2

**BUSINESS**

**Paper 2**

**JULY / AUGUST 2012**

**Time: 2 Hours**

**INSTRUCTION TO CANDIDATES**

- Answer any five questions

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

1. (a) Discuss any five weaknesses of using per capita income to measure standards of living in a country. (10mks)
- (b) Explain any five negative consequences of a rapidly increasing population. (10mks)
2. (a) Draw five differences between perfect competition and monopolistic competition (10mks)
- (b) Explain five reasons why the Kenyan government would privatise its palatals (10mks)
3. (a) Describe four circumstances that would influence a produce to distribute his farm produce directly to the market. (8mks)
- (b) The following trial balance was extracted from the books of Bumala traders on 31<sup>st</sup> Dec 2011

Trial Balance

Bumala Traders

	Dr (shs)	Cr(shs)
Sales		720,000
Purchases	340,000	
Returns	20,000	18,000
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors / creditors	54,000	64,000
Stock 1/1/2011	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture / fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		<u>288,000</u>
	<u>1,099,000</u>	<u>1,099,000</u>

Additional information;

- (i) Stock as at 31<sup>st</sup> December 2011 shs 52,000
- (ii) Rent accrued shs. 6,000
- (iii) Insurance paid in advanced sh.4,000
- (iv) Commission due shs.5,000
- (v) Salaries along shs.21,000

Required;

- (a) Trading, profit and lost account for the year ended 31<sup>st</sup> December 2011.
  - (b) Balance sheet as at that date. (12mks)
4. (a) Highlight five reasons why loans advanced by commercial banks in Kenya may not appeal to many people. (10mks)
- (b) Describe the main economic problems that affects countries which mainly rely on Agriculture. (10mks)
5. (a) Explain five roles of the Nairobi stock Exchanged market in the Kenyan economy.(10mks)
- (b) Explain the benefits of the new East African cooperation to Kenya. (10mks)

6. (a) The following balances were obtained from the books of Nakhulo Traders on 31<sup>st</sup> Dec 2011

	Shs.
Opening stock	60,000
Equipment at cost	125,000
Accumulated depreciation on equipment	16,200
Purchases	161,000
Sales	208,000
Land and building	100,000
Discount received	7,500
Returns outwards	25,000
Returns inwards	27,000
Salaries	22,000
Telephone charges	5,000
Water bills	2,100
Creditors	15,000
Debtors	21,000
Electricity expences	2,000
Bank	68,000
Cash in hand	12,000
Drawings	19,000
Insurance paid	1000

Additional information

- (i) Closing stock was valued at sh.72,000
- (ii) Telephone charges prepaid shs.1100
- (iii) Outstanding water bill shs. 1300
- (iv) Depreciation on equipment is 10% on cost carried inwards shs.11,000, carried outwards shs.10,000

Prepare;

Trading, profit and loss account for year ended 31<sup>st</sup> Dec 2011.

- (b) Explain five factors that make indirect taxes preferable to direct taxes as a means of raising government revenue. (10mks)