

Name Index No.

65/2
BUSINESS STUDIES
Paper 2
July/August 2016
Time: 2½ Hours

Candidate's Signature

Date

NYANDARUA SOUTH FORM FOUR JOINT EVALUATION
Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

July/August 2016

Time: 2½ Hours

INSTRUCTIONS TO CANDIDATES

- * This paper consists of six questions.
- * Answer any **FIVE** questions.
- * All questions carry equal marks.
- * Write your answers in the booklet provided.

1. a) Explain five principles that guide the operations of an insurance company. (10 marks)
- b) Explain five features that differentiate a private limited company from a public limited company. (10 marks)
2. a) Outline five differences between monopolistic competition and monopoly types of market. (10 marks)

- b) The following balances were extracted from the books of Mathioya-Kangema traders on 1st Jan.2015

	Shs.
Capital	920,000
Buildings	300,000
Machinery	250,000
Debtors	100,000
Creditors	200,000
Bank	280,000
Stock	190,000

The following transactions took place during the year ended 31st December 2015.

- i) Sold goods for shs.160,000 receiving sh.100,000 through a cheque and the balance was to be settled the following year.
- ii) Sold machinery worth sh.150,000 for sh.100,000 and payment was made through the bank.
- iii) Sh.50,000 was withdrawn from the bank for office use.

Required :

Prepare Mathioya-Kangema balance sheet as at 31st December 2015 showing the ledger balances in the appropriate classes. (10 marks)

3. a) Explain five advantages of division of labour and specialisation in the production process. (10 marks)
- b) Outline five characteristics of an economic union form of integration. (10 marks)
4. a) Explain five limitations of using per capita income in measuring people standard of living. (10 marks)
- b) Explain five problems that a country could face in development planning. (10 marks)
5. a) The table below shows the market demand for commodity B from year 2000 to year 2005 in a given town. Highlight five factors that may have contributed to the trend in demand. (10 marks)

Year	Quantity demanded (kgs)
2000	100,000
2001	98,000
2002	90,000
2003	85,000
2004	60,000
2005	55,000

- b) The Kenyan government has been imposing taxes on various commodities. Give five reasons for this taxation. (10 marks)

6. a) Wholesalers can be classified based on their method of operation. Describe four types of wholesalers under this classification. (8 marks)
- b) The trial balance shown below was extracted from the ledger accounts of Maendeleo Traders as at 31st Dec.2015.

Maendeleo Traders
Trial Balance
as at 31st Dec. 2015

Details	Dr	Cr
	shs	shs
Sales and purchases	301,000	680,000
Returns	35,000	24,000
Discounts	3,500	4,000
Insurance	8,000	
Office expenses	85,000	
Carriage inwards	55,000	
Carriage outwards	8,500	
Rent received		50,000
Salaries and wages	180,000	
Stock (1st Jan.2015)	45,000	
Creditors		60,000
Debtors	50,000	
Premises	400,000	
Capital		493,000
Bank loan		360,000
Land	500,000	
	1,671,000	1,671,000

Stock on 31st Dec. 2015 was sh.30,000

Required :

Prepare Maendeleo Traders trading, Profit and Loss account for the period ended 31st Dec.2015.