

KAHURO / MURANG'A EAST JOINT EXAMINATIONS 2016**BUSINESS STUDIES****565/2****PAPER 2**

1. (a) Explain **five** guidelines that should be considered when designing a good tax system. (10mks)
- (b) Abdula, a manufacturer exhibited his goods at a local trade show. However, his sales did not increase significantly thereafter. Outline **five** reasons that may have led to lack of significant sales increase. (10mks)
2. (a) Kazungu has located his manufacturing firm away from the source of raw materials he uses. Explain **five** challenges he is likely to experience as a result of the location. (10mks)
- (b) On 1st July 2011, Mananga had cash at Bank sh. 136,500 and cash in hand sh. 3,250. During the month, the following transactions took place.

July	2:	Cash sales Sh. 42,630 paid directly into bank.
July	3:	Received a cheque for Sh. 14,100 from Murungi in full settlement of a debt.
"	8:	Bought goods for Sh. 26,240 and paid by cheque.
	12:	Cash sales 42,450.
	14:	Paid Ochako by cheque Sh. 23,750 in full settlement of his account less 5% cash discount.
	15:	Paid wages Sh. 24,000 in cash.
	16:	Withdrew sh. 36,000 from bank for office use.
	18:	Bought stationary in cash Sh. 750.
	20:	Cheque received from Murungi was dishonoured.
	28:	Paid salaries by cheque for Sh. 48,600.
	30:	All cash was banked except Sh. 5,000.
- Required:** Prepare a Three-Column Cashbook duly balanced. (10mks)
3. (a) Outline **five** differences between perfect competition market and oligopolistic markets. (10mks)
- (b) Explain **five** measures that a country may take to correct a balance of payment deficit. (10mks)
4. (a) Outline **five** circumstances under which the government of a country would encourage high population. (10mks)
- (b) Explain **five** monetary policy measures that the government may take to control demand pull inflation. (5mks)
5. (a) Highlight **five** differences between an open plan office and enclosed office layout. (10mks)
- (b) Explain **five** activities that may be carried out in the process of distributing goods. (10mks)
6. (a) Explain **five** factors that may negatively affect the demand for a product in the market. (10mks)
- (b) The following trial balance was extracted from the Books of Kabati Traders on December 31st 20-2.

	Dr	Cr
	<u>Shs.</u>	<u>Shs.</u>
Sales		370,400
Purchases	290,000	
Returns	15,000	10,000
Carriage in	6,000	
Carriage out	4,200	
Advertising	12,000	
Commission		23,000
Cash	50,800	
Discounts	4,900	16100
Salaries and wages	22,500	
General expenses	8,300	
Machinery	405,000	
Stock	27,500	
Capital		390,900
Debtors	56,200	
Creditors		73,250
Bank overdraft		18,750
	902,400	902,400

Stock on 31st December 20-2

Sh. 35,000

Prepare the Trading, Profit and Loss Account for the period ended 31st December 20-2 and a balance sheet as at that date. (10mks)