**KANGEMA / MATHIOYA SUB-COUNTIES JOINT EVALUATION 2016**
**BUSINESS STUDIES**
**565/1**
**PAPER 1**

1.  a)  Explain five principles that guide the operations of an insurance company.                    10mks
    b)  Explain five features that differentiate a private limited company from a public limited company.    10mks
2.  a)  Outline five differences between monopolistic competition and monopoly types of markets.    10mks
    b)  The following balances were extracted from the books of mathioya- kangema traders on 1$^{st}$ Jan 2015

|             |         |
|-------------|---------|
| Capital     | 920,000 |
| Building    | 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 31$^{st}$ Dec 2015.
i)   Sold goods for Shs. 160,000 receiving sh. 100,000 through a cheque and 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iii) Sh. 50,000 was withdrawn from the bank for office use.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 MathioyaKangema balance sheet as at 31$^{st}$ Dec 2015 showing the ledger balances in the appropriate classes.
                                                                                                        10mks

3.  a)  Explain five advantages of division of labour and specialization in the production process    10mks
    b)  Outline five characteristics of an economic union form of integration.                          10mks
4.  a)  Explain five limitations of using per capita income in measuring people standard of living.    10mks
    b)  Explain five problems that a country could face in development planning.                        10mks
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.                                      10mks

| 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.
                                                                                                        10mks
6.  a)  Wholesalers can be classified based on their method of operation. Describe four types of whole salers under this
        classification.                                                                                 8mks
    b)  The trial balances shown below was extracted from the ledger accounts of Maendeleo Traders as at 31$^{st}$ Dec 2015.

MaendeleoTreaders
Trial Balance
As at 31$^{st}$ 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 | 180,000 | |
| Stock wages(1$^{st}$ 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 31$^{st}$ Dec. 2015 was sh. 30,000
Required:
Prepare Maendeleo Traders trading, Profit and Loss account for the period ended 31$^{st}$ Dec. 2015.12mks