

MAKUENI COUNTY CLUSTER PREPARATORY EXAMINATION 2016**565/2****BUSINESS STUDIES****PAPER 2****JULY / AUGUST 2016****TIME: 2- HOURS**

1. a) Give Five reasons why majority of Kenyans fear to borrow money from commercial Banks. (10 marks)
- b) Differentiate between a public corporation and a public limited company. (10 marks)
2. a) Explain five factors that may influence a country to adopt a protectionist policy in international trader. (10 marks)
- b) Explain five factors that may be used to measure the size of a business enterprise. (10 marks)
3. a) The following balances relate to Maendeleo Electrical Enterprise as at 31st December, 2014.

Sh.

Machinery	1,240,000
Stock	190,000
Debtors	150,000
Motor vehicle	1,100,000
Cash- in- hand	150,000
Creditors	270,000
Bank overdraft	130,000
10 year bank loan	1,200,000
Capital	1,660,000
Drawings	750,000
Net profit	320,000

Required:

Prepare a balance sheet as at 31st December, 2014 clearly showing:

- i) Net capital
- ii) Total current liabilities
- iii) Total current assets
- iv) Total fixed assets
- b) Five ways in which an entrepreneur contributes to the production of goods. (10 marks)
4. a) Explain five factors that may influence the choice of distribution channel for milk. (10 marks)
- b) On first October 2010, Makueni Traders had sh. 110,000 in hand and sh. 500,000 at bank. During the month, the following transactions took place.

October, 2010:

- 2: Cash sales directly banked sh. 70,520
- 3: Bought stationery in cash sh. 9,000
- 4: Bought stock worth sh. 40,000 and the payment was done by the end of the next month in cash.
- 5: Paid Josh, a creditor sh. 188,000 by cheque in full settlement of his account after deductions 6% cash discount
- 10: Received a cheque for sh. 117,600 from Esther after allowing her a cash discount of sh. 2,400
- 12: Sold goods worth sh. 10,000 to Eric on credit
- 16: Paid salaries sh. 62,000 in cash
- 20: Withdrew sh. 100,000 from bank for office use
- 24: Arnold, a debtor paid his account of sh. 150,000 by cheque less 10% cash discount
- 28: The owner took some stock worth sh. 5,000 home for family use
- 30: Deposited all the cash into bank except sh. 27,400.

Required:

Prepare a three column cash book and balance it off. (10 marks)

5. a) Explain five ways large scale organisations are able to reduce their cost of production. (10 marks)
- b) Explain five main causes of inflation in a country. (10 marks)
6. a) Explain five reasons that contribute to low tax revenue by the government through Kenya Revenue Authority. (10 marks)
- b) Mr Utano, a retired civil servant intends to invest his retirement benefits in a retail business. Explain five factors that Mr. Utano should consider before investing his money in the business. (10 marks)