

NAME.....ADM NO:.....CLASS.....

565/2

BUSINESS STUDIES

Time: 2 ½ Hours

INSTRUCTIONS TO CANDIDATES

- This paper consists of six questions.
- Answer any five questions.

- 1(a) Explain **five** features of a sole proprietorship form of a business. (10 mks)
- (b) Distinguish between oligopoly market and perfect competition market situations. (10 mks)
- 2.(a) Explain **five** insurance policies that the owner of a NAIVAS supermarket may find useful for his business. (10 marks)
- b) The following trial balance was extracted from the books of Jumia Traders on 31st December 2010.

Jumia Traders
Trial Balance
As at 31st/12/2010

Details	Dr	Cr
Capital		400000
Sales		600000
Purchases	200000	
Debtors	20000	
Creditors		60000
Returns	25000	15000
Discounts	6000	8000
Carriage inwards	6500	
Carriage outwards	15000	
Salaries	10000	
Stock 1 st January	18000	
Motor vehicle	400000	
Furniture	150000	
Rent	49000	
Commission	50000	
Electricity	43500	
	993,000	993,000

Stock on 31st December 2010 was sh. 20,000

Prepare a trading, profit and loss A/C for the Year ended 31st December, 2010. (10 marks)

- 3a) Discuss the economic importance of the recently discovered oil in Northern Kenya. (10marks)
- b) Explain any **five** negative effects of inflation in an economy. (10 marks)
4. a) Explain **four** Monetary Tools used by the Central Bank of Kenya to reduce the supply of money in the country. (8 marks)

b) On 1st January 2012, Mlachake traders had cash in hand Ksh. 10,000 and cash at bank shs 15000. The following transactions took place during the month:

Jan 2: Bought goods in cash sh. 1500

Jan 4: Paid salaries by cash sh 7500.

Jan 5: Received cheques from the following debtors after allowing 2% discount in each case. Masy sh 980, kiplimosh .1960.

Jan 8: Settled the following accounts by cheque in each case deducting 5 % discount; Jumash 3000, Kasanishs 1200.

Jan 12: Bought machinery worth sh 7000, paid sh 5000 by cheque and the balance to be paid later

Jan 20: Took sh 1000 for personal use from the business cash till.

Jan 25: Cash sales sh 2000

Jan 26: Received cash shs.3000 from Kioko, a Debtor.

Jan 28: Brought in Sh 2000 cash from his personal savings.

Jan 29: Banked all cash except sh. 1000

Required: Prepare a duly balanced three column cashbook. (12 marks)

5(a) Using a well labeled diagram explain the effects of a shift in the demand curve from left to right. (10mrks)

(b) Explain **five** reasons why the government levy taxes. (10mks)

6.a) Discuss **five** factors the National government will consider before spending National Funds. (10marks)

b) The following balances were obtained from the books of Shah Enterprise on 1st January, 2012.

	Shs
Stock	5,000
Debtors	2,000
Cash in hand	4,000
Premises	80,000
Capital	66,000
Machinery	18,000
Overdraft	6,000
Creditors	12,000
Five year loan	25,000

The following transactions took place in the first week of January 2012.

- i) Jan 2nd: Received from debtors sh. 1000 by cheque.
- ii) Jan 3rd: Sold goods worth Shs 2000 for Shs 4000 and Deposited the money in the business bank account.
- iii) Jan 4th: Paid Sh 1000 in cash part of the five year loan.
- iv) Jan 5th: Deposited Sh 2500 in bank account from cash till.

Required:

Prepare Nzioka Traders balance sheet as at 5th January, 2012 after the transactions took place. (10 marks)