**NAME...................................................................................ADM.........................CLASS.............**

**565/2**

**BUSINESS STUDIES FORM 3**

**PAPER 2**

**TIME: 2 ½ HOURS**

**INSTRUCTIONS TO THE CANDIDATES**

* A*nswer* ***any five questions.***
* *Write your answer in the answer booklet provided*.

1(a) Explain **five** features of a sole proprietorship form of a business. (10 mks)

(b) Some developed countries have a huge population made up of ageing persons. Explain **five**

problems this situation could present to such countries. (10 mks)

2 (a) Explain **five**  reasons why high per capita income is not an indicator of a better living standard in an economy. (10 mks) (b) Distinguish between oligopoly market and perfect competition market situations.(10 mks)

3. (a)Explain **five** measures that can be taken to curb the problem of unemployment in Kenya.

(b)Kenya has experienced a lot of loses through road carnage. Explain **five** measures the

Government has taken to reduce further loss of lives. (10 marks)

4. a) The following balances were obtained from the books of Nzioka Traders 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.

1. Jan 2nd: Received from debtors sh.1000 by cheque.
2. Jan 3rd: Sold goods worth Shs 2000 for Shs 4000 and

Deposited the money in the business bank account.

1. Jan 4th: Paid Sh 1000 in cash part of the five year loan.
2. 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)

1. Explain **five** challenges that may be experienced by a new entrepreneur

who is intending to start a business in Kenya. (10 marks)

5(a) With the aid of a suitable diagram, explain the effects of a decrease in supply on the equilibrium price and quantity. (10mks)

(b) Outline five benefits of the “pooling of risks” to an insurance company. (10 mks)

6(a) On 1st January 2010, target stores had cash in hand Kshs. 30,000 and at bank Shs. 105,000.The following transactions took place during the month 2010

January 1st Bought goods in cash Shs. 20,000

" " 2nd Paid salaries by cash Shs. 65,000

" " 4th Received a cheque from the following debtors after allowing 2%

discount in each case Luka Shs. 9,800, Mwengesh Shs. 19,600, Raju Shs. 10,700 and Alice Shs. 24,500

" " 8th Paid the following accounts by cheque and in each case deducting

5% discount: Mogi Shs. 30,000, Abdul Shs. 12,000 and Moses Shs. 40,000

" " 10th Bought office machinery by cheque Shs. 50,000

" " 13th Juma settled his account of Shs. 20,000 in cash having deducted

2% cash discount

" " 15th Withdraw Shs. 10,000 for private use

" " 18th Paid John Shs. 4,750 in cash having deducted 5% cash discount

" " 22nd Cash sales Shs. 45,000

" " 25th Received cash Shs. 29,100 from Aberi after having allowed him

30% cash discount

" " 31st Banked all the cash except Shs. 12,000

Required: prepare three column cash book and balance it off (12mks)

(b) Outline **four** advantages to a business organization of transacting business through e-commerce. (8mks)