

**FORM 4
BUSINESS STUDIES
PAPER 2
MARCH/APRIL 2015
TIME: 2 ½ HRS**

CROSS COUNTRY EXAMS 2015

INSTRUCTIONS TO CANDIDATES

Answer any 5 questions
All question carry equal marks.

1. (a) Explain five important of Entrepreneurship to an economy. (10 mks)
(b) Explain five effects of a declining populating to an economy. (10 mks)
2. (a) Outline the use of following source of documents as used in Home Trade. (10 mks)
(b) Outline the use of the following source documents as used in Home Trade. (10 mks)
 - (i) catalogue
 - (ii) advice note
 - (iii) credit note
 - (iv) debit note
 - (v) invoice
3. (a) The following information was extracted from the books of Baraka Traders on 31st December 2011.

	Sh
Land and buildings	640,000
2 yr loan	250,000
Motor vehicles	400,000
Furniture	70,000
3 yr bank loan	360,000
Debtors	82,000
Creditors	95,000
Bank overdraft	67,000
Cash in hand	35,000
Capital in hand	490,000
Net profit	40,000
Stock	75,000

Required:

(i) Prepared Baraka Traders balance sheet as at 31st December 2011. Clearly showing fixed assets, current assets, long-term liabilities and current liabilities. (6 mks)

(ii) Calculate:

- Working capital (1 mk)
- Capital employed (1 mk)
- Borrowed capital (1 mk)
- Return on capital (1 mk)

(b) Explain five circumstances under which a business person would prefer written communication. (10 mks)

4. (a) With an aid of a diagram explain how price is determined through price mechanism. (10 mks)

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

5. (a) Explain five causes of cost-push inflation. (10 mks)

(b) Explain five circumstances under which a producer would prefer to sell his product directly to the consumer. (10 mks)

6. (a) Explain five importance of warehousing to a producer. (10 mks)

(b) The accounts Zawadi Traders showed the following balances on 1st January 2010. (10 mks)

	Sh
Cash	250,000
Debtors	60,000
Creditors	42,000
Stock	30,000
Bank loan	120,000
Motor vehicle	310,000

The following transitions took place during the month of January 2010.

2010

- Jan 2: Bought stock worth sh 50,000 n credit
Jan 3: Cash sales sh 80,000
Jan 5: Received sh 20,000 cash from debtors
Jan 10: Paid part of loan sh 70,000 cash
Jan 12: Paid creditors sh 52,000 cash
Jan16: Bought office furniture sh 45,000
Jan 20: Paid salaries sh 40,000 cash
Jan 25: Deposited sh 100,000 into the bank

Required:

Record the above transactions in the relevant ledger accounts and balance the account on 31st January 2010.

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