

NAME..... INDEX NO

565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2011
TIME: 2½HRS.

CANDIDATE'S SIGNATURE.....

DATE.....

BARINGO COUNTY EDUCATIONAL IMPROVEMENT EXAMINATION 2011

Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
TIME: 2½HRS.

INSTRUCTIONS TO CANDIDATES:

- (a) *This paper consists of SIX questions.*
- (b) *Answer any five questions.*
- (c) *Write your answers in the answer booklet provided.*
- (d) *All questions carry equal marks.*

1. (a) Explain **five** differences between a monopoly and perfect competition market structures. (10mks)
- (b) Explain **five** ways in which the government of Kenya gets involved in business activities. (10mks)
2. (a) Explain **five** reasons why high per capita income is not an indicator of a better living standard in a country. (10mks)
- (b) Give **five** differences between a single unit shop and a tied shop. (10mks)
3. (a) Bogoria Hotels Spa drew up the following trial balance as at 30th September 2010.

Bogoria Hotel Spa Trial Balance As at 30 th September 2010		
	Dr Shs.	Cr Shs.
Capital		641,000
Drawings	25,200	
Cash in hand	70,000	
Debtors	15,000	
Creditors		18,120
Stock 30 September 2009	25,000	
Motor Vehicle	400,000	
Office Equipment	200,000	
Sales		400,000
Purchases	300,000	
Returns inwards	3,000	
Carriage inwards	3,000	
Carriage outwards	4,000	
Returns outwards		4,200
Bank Overdraft		3,200
Motor Vehicle expenses	3,300	
Rent	1,120	
Telephone charges	2,000	
Wages and Salaries	12,000	
Insurance	600	
Office Expenses	1,500	
Sundry expenses	800	
	<u>106,652</u>	<u>106,652</u>

Stock as at 30th September 2010 was 30,000.

Required: Prepare:-

The Trading, Profit and Loss Account for the year ended 30th September 2010.

- (a) Balance Sheet as at 30th September 2010. (12mks)
- (b) Explain **four** circumstances under which Co-Insurance may be necessary in Insurance. (8mks)

4. (a) Explain **five** factors which necessitate localization of firms. (10mks)
- (b) Tanzania a member state of East African Community has been experiencing deteriorating terms of trade. Explain **five** factors that could have contributed to this. (10mks)

5. (a) Rafiki Traders started a Hardware business on 1st February 2010. The following is a summary of the transactions during the month.

Invoices Received:

2010	February 2:	Kibet; Invoice No. 020	sh. 60,000
	13:	Joram; Invoice No. 071	sh. 130,000
	16:	Njoroge; Invoice No. 042	sh. 150,000

Invoices Issued:

2010	February 3:	Muhindi; Invoice No. 001	sh. 60,000
	5:	Mary; Invoice No. 002	sh. 125,000

Credit Notes Issued:

2010	February 6:	Muhindi; Credit Note No. 001	sh. 5,000
	14:	Mary; Credit Note No. 002	sh. 10,000

Required:

Enter the above in the appropriate books of original entry and thereafter post them to the relevant ledger account. (10mks)

- (b) In relation to current practices in banking, explain **five** features of current accounts. (10mks)

6. (a) Explain **five** reasons why devolved funds like constituency development funds (CDF) have not been fully successful in Kenya. (10mks)

- (b) On 1st June 2009, Bitok Traders had Ksh.155,000 in hand and an overdraft of Ksh.65,000. During the month, the following transactions took place
- June 2009 3rd: Cash sales banked Ksh.145,000.
- 4th: Paid Wilson, a creditor Ksh.9,600 by cheque in full settlement of his account after deducting a 4% cash discount.
- 6th: Sold goods on credit to Joyce worth Ksh.30,000.
- 9th: Paid the following expenses by cash; stationery Ksh.500 and motor vehicle repairs Ksh.5,000.
- 11th: Bought office computer in Cash Ksh.25,500.
- 12th: Joyce paid her account in full by cheque less 10% cash discount.
- 14th: Withdrew Ksh.35,000 from Bank for office use.
- 15th: Kiprono, a debtor paid his account of Ksh.16,000 by cheque less 5% cash discount. 31st Banked all the cash except Ksh.9,000.

Required:

Prepare a three column Cashbook and balance it off. (10mks)