

NAME DATE

INDEX NO. CANDIDATE'S SIGNATURE

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2010
TIME: 2 ½ HOURS

MBOONI WEST DISTRICT JOINT EVALUATION TEST

Kenya Certificate of Secondary Education.

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BUSINESS STUDIES
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INSTRUCTIONS TO THE CANDIDATES

Answer any FIVE questions
All questions carry equal marks
All working must be shown

This paper consists of 3 printed pages.

Candidates should check to ensure that all pages are printed as indicated and no questions are missing

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Turn over

1. a. Explain five causes of balance of payment deficit in developing countries 10 Marks
- b. Outline five differences between public limited company and a public corporation 10 Marks
2. a. Explain four negative implications of an ageing population to a country 8 Marks
- b. The following trial balance relates to Machakos Traders for the year ended 30.12.2009

	Dr	Cr
Premises	250 000	
Motor vehicle	500 000	
Provision for depreciation		
On motor vehicle		55 000
Machinery	800 000	
Provision for depreciation		
On machinery		98 000
Gross Profit		636 500
Stock 31.12.2009	72 000	
Heating and lighting	48 500	
Insurance	24 000	
Salaries	140 000	
Debtors	220 000	
Creditors		350 000
Furniture	600 000	
Cash in hand	85 000	
Cash at bank	420 000	
Commission		20 500
Capital		2 000 000
	3 160 000	3 160 000

Additional information;

- a. Insurance due and unpaid amount to Ksh. 3 000
- b. Salaries paid in advance were Ksh. 2 200
- c. Depreciation is to be provided as follows
 - i. Motor vehicle 25% on reducing balance
 - ii. Machinery 12% on cost
 - iii. Furniture to be reduced by Ksh. 42 000

Required prepare;

- a. Profit and loss account for the year ended 31.12.2009 6 Marks
- b. Balance sheet as at 31.12.2009 6 Marks

3. a. Explain four circumstances under which air transport would be preferred for use to other forms of transport 8 Marks
- b. The following information was extracted from the books of Kikima Traders who did not keep complete set of account records

	<u>01/01/2009</u>	<u>31/12/2009</u>
Creditors	43 000	37 500
Debtors	32 100	27 000
Prepaid insurance	3 500	6 000

The cash book summary had the following receipts

Receipts

Cheques received from

Debtors 147 500

Sales 21 500

Payments

Cheques paid by creditors 60 000

Purchases 92 500

Insurance 20 500

Additional information

Bad debtors written off 1 500

Discounts received 4 000

Discounts allowed 3 000

Returns inwards 2 800

Returns outwards 1 750

Required

- i. Determine total sales
- ii. Determine total purchases
- iii. Insurance expenses 12 Marks
4. a. Despite the economy being dominated by large scale producers, small scale firms continue to exist
Explain 10 Marks
- b. Explain **five** reasons why manufactures would like to distribute goods through wholesales rather than direct to consumers 10 Marks
5. a. Outline **five** ways that may be used to control inflation in a country 10 Marks
- b. Describe five channels followed by imported goods 10 Marks
6. a. With the help of a diagram illustrate the long run equilibrium of a firm under monopolistic competition. 10 Marks
- b. Mr. Karanja is the managing director of Furaha furniture limited which handle large sums of money on daily basis and has a workshop equipped with expensive machines.
Briefly describe any fine insurance policies that the company may undertake 10 Marks

