

565/2
BUSINESS STUDIES
Paper 2
JULY/AUG 2010
Time: 2 ½ Hours

MANGA DISTRICT JOINT EVALUATION TEST – 2010
Kenya Certificate of Secondary Education (K.C.S.E)

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INSTRUCTIONS TO CANDIDATES

ANSWER ANY FIVE QUESTIONS ON THE ANSWER SCRIPTS PROVIDED

*This paper consists of 4 printed pages. Candidates should check the question paper to
Ensure that all the pages are printed as indicated and no questions are missing.*

1. a) Describe **five** methods which may be used by commercial banks to advance money to customers (10mks)
- b) Explain **five** factors that influence the choice of a channel distribution (10mks)
2. a) Discuss **five** factors influencing entrepreneurial development in the country (10mks)
- b) Manga traders Petty cashier operates on an imprest of Ksh 18000 every month, On 1st June,2009 had cash in hand sh 6000 and received reimbursement on the same date. The following transactions took place during the month
 - i) 3rd June: Bought stamps and envelopes Ksh. 800 and office files Sh 300
 - ii) 5th June: Office cleaning sh 400 transport sh 1000 Sugar and milk sh 500
 - iii) 10th June: Paid Upendo a creditor sh 1200, bought office pens sh 600
 - iv) 20th June: Bought tea leaves sh 450, bought office furniture Sh 2000
 - v) 30th June: Office cleaning Sh 700 and Transport Sh.1,100

Required:

Prepare a petty cashbook duly balanced with the following analytical columns: Stationery, office cleaning, travelling, postage/miscellaneous and ledger Accounts. (10mks)

3. a) Explain **five** measures a country can adopt to control imports (10mks)
- b) Discuss **five** factors that may affect price elasticity of demand for commodities (10mks)
4. a) Kenya is looking forward to the implementation of vision 2030. Explain **five** challenges that may be encountered in the realization of this dream (10mks)
- b) Explain **five** benefits that may accrue to a firm as a result of operating on large scale. (10mks)
5. a) Describe **four** circumstances under which an insurance company would not compensate the insured in the event of loss (8mks)
- b) The following balances were obtained from the books of Kiu Traders on 31st December 2009.

	Kshs.
Purchases	180,000
Sales	230,000
Stock 01/01/2009	70,000
Equipment	140,000
Discount received	8,500
Returns outwards	5,000
Returns Inwards	7,500
Salaries	20,000
Rent Income	50,000
Discount allowed	6,200
Furniture	120,000
Repairs on furniture	15,000
Insurance	3,000
Bad debts	3,700
Telephone charges	4,000
Creditors	48,700
Debtors	65,400
Drawings	8,200
Cash	53,600

Additional information

- i) Stock on 31/12/2009 was valued at Sh 68,000
 - ii) Telephone charges prepaid Sh 1400 and salaries Owing Sh.3500
 - iii) Dpreciation on Equipment is 10% p.a on cost.
 - iv) Carriage inwards Sh 9000 and carriage outwards Sh 6,600
- Prepare: The trading profit & loss account of Kiu traders for the year ended 31st December 2009. (12mks)

- 6. a) With the aid of a diagram explain how a firm under Oligopoly market determines Equilibrium output and price.
- b) The following information was extracted from the business of Vumilia which maintains incomplete records for the year ended 31st December 2009.

Estimated values of assets and liabilities were:

	1/01/2009	31/12/2009
Motor car	450,000	400,000
Debtors	75,000	98,000
Creditors	60,000	81,000
Rent income prepaid	42,000	56,000
Telephone due	20,000	18,000
Insurance prepaid	15,000	12,000
Stock	34,000	27,000
Bank	200,000	260,000

Prepare statements of affairs to determine the initial and final capital for the trading period.

