

565/2
BUSINESS STUDIES
Paper 2
July / August 2010
2 ½ hours

BORABU-MASABA NORTH DISTRICTS JOINT EVALUATION TEST - 2010
Kenya Certificate of Secondary Education (K.C.S.E)

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INSTRUCTIONS TO CANDIDATES:

- Answer any FIVE Questions.
- Write your answers in the answer booklet provided
- All questions carry equal marks

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

1.
 - a) Explain five features that differentiate a private limited company from a public corporation form of Business (10 marks)
 - b) Explain five functions of management in a Business Organization (10 marks)
2.
 - a) Discuss five factors which may influence price elasticity of supply for a product (10 marks)
 - b) A manufacturing company operates on imprest of Kshs 20,000. On 1/04/2010 the petty cashier had a balance of Kshs 5,000. He/she received a reimbursement to restore it on 2/04/2010. The following transactions took place during the month of April
 - 5: Paid bus fare sh 200 PCV no.010
 - 7: Paid Osano a creditor sh 800.His ledger folio was 027
 - 10: Bought stationery sh 1,000 and postage stamps sh 500 PCV no.011 and 012 respectively
 - 15: Bought tea leaves sh 250 with PCV no.013
 - 20: Paid cleaning expenses sh 700 with PCV no.014
 - 22: Paid traveling expense sh 600 PCV no. 015
 - 24: Motor vehicle repairs sh 3,000 PCV no. 016
 - 28: Paid cleaning sh 700 PCV no 018
 Required: Prepare a petty cash book using the following analysis columns: Traveling, stationery postage, cleaning, miscellaneous and ledger account (10 marks)
3.
 - a) Using a suitable diagram explain the habits of sellers in an Oligopoly market (10 marks)
 - b) Describe five principles of Insurance (10 marks)
4.
 - a) Explain five benefits of taxation to the Kenyan economy (10 marks)
 - b) Explain five circumstances under which a country may belong to a common market (10 marks)
5.
 - a) The following balances were obtained from the books of Wema traders on 31st December 2009

	Kshs
Purchases	320,000
Sales	460,350
Carriage on purchases	6,250
Carriage on sales	15,000
Return inwards	8,150
Stock on (1/01/2009)	4,450

Furniture	200,000
Drawings	18,200
5 year loan	30,000
Equipment	150,000
Discount received	7,800
Salaries	5,000
Discount allowed	5,300
Insurance	8,200
Capital	850,000
General expenses	6,000
Repairs on furniture	10,000
Bad debts	2,000

Additional information:

- i) Stock on 31/12/2009 was valued at sh. 14,800
- ii) Insurance owing was sh. 1,500 and salaries paid in advance amounted to sh.4,100
- iii) Depreciation on equipment is 10% per annum on cost
- iv) The loan was borrowed on 1.7.2009 and interest on loan to be provided at 5% per annum.

Required: Prepare Trading, profit and loss account of Wema traders for the year ending 31st December 2009 (12 marks)

- b) Banking has played a major role in Kenyan's economic development, explain four current trends in the banking sector (8 marks)
6. a) Explain five limitations of advertising goods in newspapers (10 marks)

- b) Keroka traders does not maintain proper accounting records. The following information was extracted from their books.

	1/01/2009	31/12/2009
Stock	66,000	60,000
Debtors	58,000	82,000
Creditors	70,000	92,000
Motor van	520,000	-
Cash	66,800	150,200
Accrued salaries	-	46,000
Furniture	-	130,000

Additional information:

- i) Additional investment by the owner sh.98,000
- ii) The owner took sh.60,000 from the business for personal use.
- iii) Motor van to be depreciated at 10% per annum.

Required:

- i) Prepare statements of affairs as at 1/01/2009 and 31/12/1009 (7 marks)
- ii) Determine profit or loss for the year 2009. (3 marks)