

565/2

BUSINESS STUDIES

Paper 2

March/April, 2011

Time: 2½ Hours

MOKASA JOINT EVALUATION EXAMINATION

Kenya Certificate of Secondary Education (K.C.S.E)

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Business Studies

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Instructions To Candidates

- Answer **any five** questions.
- Write your answers in the foolscaps provided.
- All questions carry equal marks.

1. (a) Using a diagram show how equilibrium price and quantity is determined in a free market. (10 mks)
- (b) Explain five socio-economic implications of You-tube, Face-book and other forms of social network. (10 mks)
2. (a)(i) Draft a bill of exchange. (2 mks)
- (ii) Outline four advantages of a bill of exchange. (8 mks)
- (b) Outline five adjustments made in national income accounting under the expenditure approach. (10 mks)
3. (a) Kenya comprises mainly of a youthful population. Explain four implications of such a population to the economic growth and development of the country. (8 mks)
- (b) Enter the following in Kilunda's three column cash book and balance it off at the end of the month. (12 mks)

2011

Jan. 1	Balance b/f Cash Shs.5800. Bank Shs.47000 (CR).
2	Kilunda paid further capital into the bank Shs.100000.
3	Bought office furniture by cheque Shs.78000.
4	Cash sales Shs.22000.
5	Banked cash Shs.12000.
6	Paid the following creditors by cheque in each case deducting 2½ per cent cash discount: Harry Shs.24000, June Shs.40000.
8	Cash sales Shs.50000.
12	Paid Motor expenses in cash Shs.7700.
16	Cash drawings Shs.12000.
18	The following debtors paid their accounts by cheque in each case deducting a 5% cash discount: Grace Shs.8000 and Mark Shs.14000.
20	Paid salaries in cash Shs.21000.
26	Paid insurable premium by cheque Shs.14800.
28	He banked all cash except for Shs.2000 in the cash till.
31	Paid rent by cheque Shs.6000.

4. (a) Explain five challenges faced by a developing country that relies on external borrowing. (10 mks)
- (b) The following transactions took place in Kamwaro's business during the month of June, 2009.

June, 3	Sold an old machine worth Kshs.80000 to Maina for Kshs.70000.
10	A debt of Kshs.15000 owed by Mr. Sankale was transferred to Mr. Solonka, who had taken over Mr. Sankale's business.
30	Record of goods sold to Mwololo on 8 th June, at Kshs.80000 cash; the transaction had been omitted from the books.

Require: Record the above transactions in Journal Proper. (10 mks)

5. (a) Briefly describe the development of banking. (8 mks)
- (b) Explain six differences between a cooperative and a public corporation. (12 mks)
6. (a) Explain five advantages of a firm as a result of increase in production. (10 mks)
- (b) The following trial balance of Patel was extracted from his books of accounts on 31st December, 2010.

	DR	CR
	Shs.	Shs.
Land and buildings	81000	
Purchases/Sales	60500	76000
Returns outwards		10500
Carriage inwards	2650	
Debtors/Creditors	10000	11765
Stock (1 st Jan, 2010)	14000	
Drawings	11850	
Insurance	3000	
Advertising	2100	
Loan to Maluk	4000	
Discount received		2425
Salaries	4600	
Interest on loan		400
Furniture	25000	
Cash in hand	6500	
Bank over draft		1850
Lighting and heating	740	
Rent	2000	
Capital		125000
	=====	=====
	227940	227940
	=====	=====

Additional information:

- Closing stock was Shs.12450
- Interest rate on Maluk's loan 10%

Required:

- (i) Prepare trading, profit and loss A/C for the period ended 31st December, 2010. (10 mks)
- (ii) Balance sheet as at 31st December, 2010. (5 mks)