

# THE BARINGO- KOIBATEK DISTRICTS

## EDUCATIONAL IMPROVEMENT EXAMINATIONS-2009

565/2

**BUSINESS STUDIES**

**PAPER 2**

**JULY/AUGUST-2009**

**TIME:2 ½ HOURS.**

1. (a) Explain five problems that may face a country suffering from high unemployment rate. (10 marks)
- (b) Outline five banking services that the central bank of Kenya provides to the government. (10 marks)
2. (a) Highlight five differences between ordinary shares and preferences shares (10 marks)
- (b) Explain five limitations that a country may experience from imposing trade restrictions on trading partners. (10 marks)
3. (a) Describe four shortcomings encountered in Kenya when measuring national income. (8 marks)
- (b) Record the following transactions in the three column cash book of Kabarnet traders and balance it off on 31<sup>st</sup> December 2008

Dec 1<sup>st</sup> – balance b/f cash in hand sh 430,000, cash at bank sh 326,000

Dec 5<sup>th</sup> – Bought stock by cheque sh. 110,000

Dec 10<sup>th</sup> – received a cheque from chesaro sh. 64,000

Dec 11<sup>th</sup> – withdraw cash from bank for office use sh. 120,000.

Dec 13<sup>th</sup> – Paid Mr. Kariuki sh. 39,000 cash in full settlement of his account after deducting 2 ½ % cash discount.

Dec 15<sup>th</sup> – Received a cheque for sh. 147,000 from Kitur after allowing a 2% cash discount.

Dec 17<sup>th</sup> – sold goods for cash sh. 124,000.

Dec 19<sup>th</sup> – paid wages by cheque sh. 20,000.

Dec 21<sup>st</sup> – Paid mwau a creditor his debt of sh. 60,000 by cheque, deducting 5% cash discount.

Dec 25<sup>th</sup> – Deposited sh. 92,000 in the bank from the office till

Dec 30<sup>th</sup> – received sh. 24,000 cash from Odhiambo.

Dec 31<sup>st</sup> - Transferred all the cash to the bank exception 2,000

4. (a) Explain five measures a government should put in place to encourage business activities in Kenya. (10 marks)
- (b) by use of a well labeled diagram, determine the equilibrium price and Output of a firm in a perfectly competitive market in the short run. (10 marks)
5. (a) Explain five principles of government expenditure. (10 marks)
- (b) Describe five problems which the Kenya government can face in implementation of its development plans to achieve industrialization. (10 marks)
6. (a) Explain four steps to be taken by a prospective insured in taking an insurance cover.
- (b) The following trial balance was extracted from the books of Eldama Ravine bakers on 31<sup>st</sup> December 2007.

**Eldama ravine Bakers  
Trial Balance  
As at 31<sup>st</sup> Dec 2007**

Purchases	960,000	
Sales		1,440,000
Return inwards	48,000	
Salaries and Wages	24,000	
Rent	144,000	
Commission received		48,000
Machinery	1,616,000	
Fixtures and fittings	400,000	
Debtors	200,000	
Cash	208,000	
Capital		1,712,000
Creditors		400,000
	3,600,000	3,600,000

**Additional information.**

- (i) stock as at 31<sup>st</sup> Dec 2007 was valued at Ksh. 144,000
- (ii) depreciation was provided as follows
- (a) Fixtures and fitting 5% p.a on cost
- (b) Machiner 15% p.a on cost

- Prepare:** (a) Trading, Profit loss account for the year ended 31<sup>st</sup> December, 2007.
- (b) Balance sheet as at 31<sup>st</sup> December 2007.