

**565/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**TIME: 2 ½ HOURS**

## **BUSIA COUNTY JOINT EXAMINATION TEST-2014**

Business Studies  
Paper 2  
**Time: 2 ½ Hours**

### **INSTRUCTIONS TO CANDIDATES**

This paper consists of six questions.  
Answer any five questions  
Write your answers in the answer booklet provided.  
All questions carry equal marks.

1. (a) Explain five problems that a country could face during implementation of development plans. (10 marks)
- (b) Some developed countries have a huge population made of ageing persons. Explain five problems this situation could present to such countries. (10 marks)
2. (a) Explain five advantages of containerization to a countries transport system. (10 marks)
- (b) Explain five measures that would be taken by a country in order to correct their balance of payment deficit. (10 marks)
3. (a) Explain five importance of a business plan (10 marks)
- (b) The following transactions relate to Koko Traders for the month of May 2011:

May 2: sold goods on credit to Chui shs.12,000 and Jane shs.16,000  
 May 8: bought goods on credit from Shah Traders shs.40,000  
 May 12: Chui returned goods worth shs.2,000  
 May 15: purchased goods on credit from Koki sh.34,000 and Peter shs.31,050  
 May 20: Goods worth sh.6,000 were returned to Shah traders and goods worth sh.3,000 to Koki  
 May 23: Goods sold on credit to Chui sh.8,000, Tom sh. 11,000 and Joseph shs.13,000  
 May 27: Goods returned by Boyo shs.2,000  
 May 30: Purchased a motor car on credit worth sh.500,000 from KVM

Prepare the relevant journals. (10 marks)

4. (a) Explain five reasons why a high per capita income is not an indicator of better living standard in a country. (10 marks)
- (b) Explain five benefits of globalization to a business. (10 marks)
5. (a) Explain five principles of public expenditure. (10 marks)
- (b) The following table represents the supply of potatoes for 3 months.

| Year 2010 | Price Per Kg | Quantity Supplied (Kgs) |
|-----------|--------------|-------------------------|
| January   | 100          | 100,000                 |
| February  | 100          | 90,000                  |
| March     | 100          | 80,000                  |

Explain five reasons to account for the change in quantity supplied of potatoes in the market. (10 marks)

6. (a) Outline five differences between shares and debentures. (10 marks)

(b) The following Trial Balance was extracted from the books of Kamau Trades as at 31<sup>st</sup> December 2010.

|                     | <u>Dr (sh)</u>   | <u>Cr (sh)</u>   |
|---------------------|------------------|------------------|
| Opening stock       | 30,000           |                  |
| Purchases / sales   | 275,000          | 390,000          |
| Debtors             | 47,000           |                  |
| Commission received |                  | 36,000           |
| Returns             | 10,000           | 6,000            |
| Carriage            | 24,000           |                  |
| Advertising         | 3,000            |                  |
| Salaries            | 19,000           |                  |
| Rates               | 12,000           |                  |
| Premises            | 450,000          |                  |
| Machinery           | 180,000          |                  |
| Loan                |                  | 210,000          |
| Insurance           | 20,000           |                  |
| Discounts           | 5,000            | 7,000            |
| Drawings            | 25,000           |                  |
| Cash in hand        | 40,000           |                  |
| Cash at bank        | 250,000          |                  |
| Creditors           |                  | 52,000           |
| Capital             |                  | <u>698,000</u>   |
|                     | <u>1,390,000</u> | <u>1,390,000</u> |

Additional information:

1. Closing stock sh 50,000
2. Carriage outwards was  $\frac{1}{3}$  of total carriage.

Required:

- (i) Prepare Kamau traders trading, profit and loss account for the period ended 31.12.2010. (6 marks)
- (ii) Balance sheet as at 31.12.2010. (4 marks)

**ANSWERS:**

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