

NAME INDEX NO

SCHOOL DATE

CANDIDATE'S SIGNATURE

565/2

BUSINESS STUDIES.

PAPER 2

FORM 4

JULY 2017

TIME: 2 HOURS

Kenya Certificate of Secondary Education

MURANG'A COUNTY MOCK

END OF TERM II EXAMINATION QUESTIONS

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1. a) Explain five functions of money (10mks)
- b) Differentiate between a public limited company and a partnership (10mks)
2. a) Explain five principles that guide the tax system in a country (10mks)
- b) Labour is one of the basic factors of production. Outline five measures that a business can take to increase the productivity of its labour force (10mks)
3. a) With the aid of a diagram, explain the effects of an increase in supply on equilibrium price and quantity of a commodity (10mks)
- b) Discuss five causes of unfavourable balance of payment for most developing countries (10mks)
4. a) Explain five factors that influence the choice of a channel for distributing flowers (10mks)
- b) Explain five circumstances that would influence a producer to use wholesalers in distributing farm produce (10mks)
5. a) The following balances relate to Msafiri traders as at 31st December 2014

	Sh
Purchases	900,000
Stock 1.1.2014	230,000
Buildings	1,200,000
Motor vehicles	750,000
Returns outwards	50,000
Debtors	190,000
Creditors	310,000
Loan from IDB	600,000
Cash	130,000
Bank	270,000
Drawings	100,000
Capital	1,840,000
Net profit	170,000

Additional information

- i) Stock 31/12/14 280,000
- ii) Expenses (including carriage inwards Shs. 150,000) 250,000

Required

a) Balance sheet as at 31st December 2014 (6mks)

b) Calculate

i) Mark-up percentage (5mks)

ii) Return on capital employed (2mks)

b) Explain five problems associated with a sole proprietorship form of a business (10mks)

6.a) Businesses are adopting new technology in their operations. Explain five limitations of adoption of this practice (10mks)

b) The following balance sheet was extracted from the books of Sagana traders on 1st April 2015

Sagana Traders

Balance sheet

As at 1st April 2015

	Sh		Sh.
Equipment		Capital	
200,000		415,000	
Furniture		Mutai (creditor)	
<u>82,000</u>		27,000	
Stock			
140,000			
Cash			
20,000			442,000
442,000			

The following transactions took place during the month of April 2015

4th April: Sagan traders sold her personal assets for sh. 30,000 receiving payment by cheque which she invested in the business

10th: She purchased goods for sh. 29, 000 on credit from Mutai

19th April: She returned goods worth sh. 3,000 to Mutai after they were found defective.

Required

a) Open the ledger accounts record the above transactions and balance them off.

(b) Extract a trial balance

(10mks)