

**565/2: BUSINESS STUDENTS PAPER 2**

**JULY/AUGUST 2018: FORM FOUR**

**TIME: 2 ½ HOURS**

**INSTRUCTIONS: ANSWER ANY FIVE QUESTIONS.**

1. a) Explain five types of wholesalers found in Kenya. (10mks)  
b) Explain five criteria that is used to determine the size of a firm. (10mks)
2. a) Explain five ways through which the central bank of Kenya can control the supply of money in the country. (10mks)  
b) Explain five limitations of using radio as a means of advertising. (10mks)
3. a) Explain five types of unemployment. (10 mks)  
b) Musa traders had the following transactions during the month of April 2016.

April 2: sold goods on credit to Mary sh.1800

3: Sold goods worth sh.45,000 to Njau on credit

5: Bought stock on credit worth sh.7600 from Kima

6: Sold stock to Magi on credit at sh.3000

8: sold an old machinery on credit to Heri sh.20,000

10: Bought goods worth sh.2400 on credit from Ciku.

15: Bought stock worth sh.180,000 on credit from Meja

20: Bought a van worth sh.250,000 on credit from Gari motors.

Required : record the above transactions in the relevant journals. (10mks)

4. a) Explain five differences between public limited company and partnership forms of business units. (10mks)  
b) Sharks and Shujaa are importers of vehicles from Japan. Explain five terms of sale that may be quoted by the exporters of the vehicles. (10mks)
5. a) With an aid of a well labeled diagram explain the effect on the equilibrium price and equilibrium quantity when the supply of vehicles increase in the market. (10mks)  
b) Explain five principles of insurance. (10mks)
6. a) Explain four measures that should be taken to ensure that office machines are in good working condition all the times. (8mks)

b) The following information relates to Kewa enterprises.

|                    |           |
|--------------------|-----------|
| Stock (1.1.2016)   | 430,000   |
| Stock (31.12.2016) | 470,000   |
| Purchases          | 930,000   |
| Sales              | 1,155,000 |
| Carriage outwards  | 25,000    |
| Carriage inwards   | 10,000    |
| Returns outwards   | 20,000    |
| Returns inwards    | 30,000    |
| General expenses   | 100,000   |
| Insurance          | 25,000    |

Required

Calculate

- a) Net sales (2mks)
- b) Rate of stock turn over (2mks)
- c) Gross profit (2mks)
- d) Mark – up (2mks)
- e) Margin (2mks)
- f) Net profit (2mks)