

KENYA NATIONAL EXAMINATION COUNCIL

KCSE 2009

BUSINESS STUDIES

PAPER 2

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1. (a) Explain five features of sole proprietorship form of business (10 mks)
 (b) Explain five measures that the government may take to improve the volume of exports (10 mks)
2. (a) Explain five demerits that may be associated with water transport (10 mks)
 (b) The trial balance of Zakayo Traders as at June 2008 is given below

	DR	Cr
	Kshs	Kshs
Stock	76, 500	
Creditors		450,400
Debtors	350,000	
Bank	260,400	
Fixed assets	970,200	
Cash	120,500	
Capital		1,300,000
Lighting due		27, 200
	1., 777, 600	1, 777, 600

During the month, the following transactions took place

2008

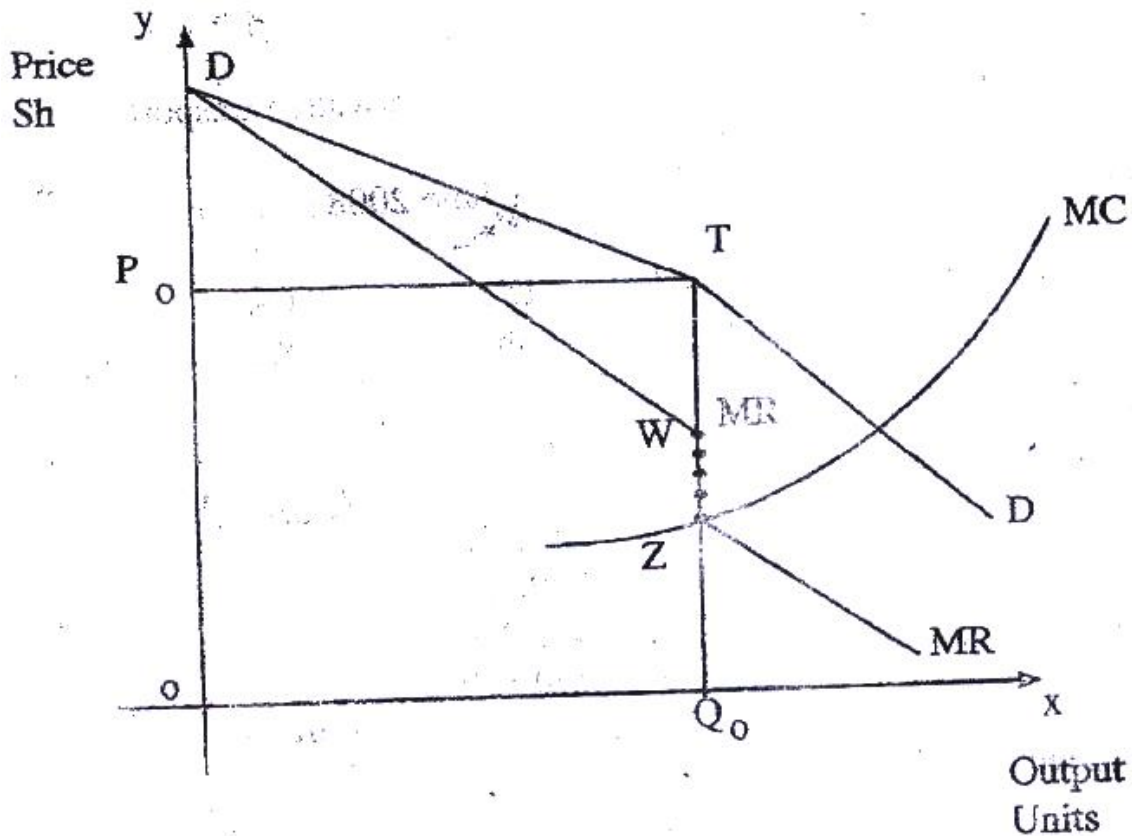
June 5 Paid a creditor Kshs 228,000 by cheque in full settlement of a debt after deducting 5% cash discount.

- 15 Withdrew Kshs 100,000 from bank for office use
- 28 Received Kshs 160, 000 cash from a debtor after allowing cash discount
of Kshs 40, 000

Record the above transactions in the relevant ledger accounts and balance then off.

(10 mks)

3. (a) The diagram below shows an oligopolist kinked demand curve DD and current price and quantity at P and Q respectively.



- (i) Name the curve represented by the gap WZ
- (ii) State Why the curve WZ is vertical to price axis
- (iii) Advice when the oligopolist can raise and lower the price of the commodity

(10 mks)

(b) Explain five ways in which the government of Kenya may reduce the level of unemployment (10 mks)

4. (a) Using a diagram, explain the circular flow of income in a two sector economy

(b) Analyze the following document issued by Sheikh Traders

Sheikh Traders

P.O Box 235Y

Nairobi

No. 4262

12 October 2008

Debit

Kamau Limited

P.O Box Y 125

MOLO

Terms: 10 per cent one month on furniture only

Quantity		Rate Kshs	Kshs	Kshs
60	Dinning tables mvuli	4,000	240,000	
4	Beds	2,000	8,000	
50	Coffee Tables	1,000	50,000	
			298,000	
	Less Trade discount 10%		29,800	268,200
4	Floor carpets	2,500	10,000	9,000
	Less Trade discount 10%		1,000	
	Carriage			7,500
	E & O.E		Total	284,700

Required:

- (i) Name the document above

(ii) Calculate the amount paid for the goods, if the debtor paid on 28th October 2008

(iii) Determine the net profit of the business if transaction (ii) above was Kshs 120,400 and the debtor paid for the goods on 15th November 2008

(10 mks)

5. (a) Explain four services that the central Bank of Kenya may offer as a Banker to commercial banks (8 mks)

(b) Malamu Traders had the following balances at 31 December 2008

	Kshs
Building	540,000
Bank Loan	472,500
Debtors	116,900
Creditors	227,000
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000

Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicles	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

- (a) Profit and loss account for the year ended 31 December 2008
- (b) Balance sheets as at 31 December 2008 (12 mks)

6. (a) The following table represents the price and quantity of a commodity

Month	Price	Quantity
January	80	2,000
February	40	5,000

- (i) Plot the above information on a graph (5 mks)
- (ii) Calculate the price elasticity of demand (5 mks)

(b) Lunga, a sole trader, does not keep a complete set of accounting records.

Information extracted from the records are as follows

	1 January 2007	31 December 2007
	Kshs	Kshs
Stock	75,000	136,400
Pre- paid salaries	-	8, 000
Creditors	142, 500	158,400
Debtors	120,000	335,000
Furniture & Equipment	820,000	754,400
18% loan from bank	200,000	

Cash summary for the year was as follows

Cash Summary

Kshs

Kshs

Balance b/d	460,800	Payment to creditors	660,500
Bad debts	16,000	Loan (31/12/2007	50,000
Receipts from debtors	750,000	Salaries	48,000
		Purchases	135,400
		Interest on loan	30,000
		Balance c/d	302,900
	1,226,800		1,226,800

Additional information:

- (i) Interest charged on debtors overdue accounts amounted to Kshs 2,000
- (ii) Bad debts written off amounted to Kshs 4,200

Prepare trading, profit and loss account for the year ended 31 December 2007

(10 mks)

ANSWERS:

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