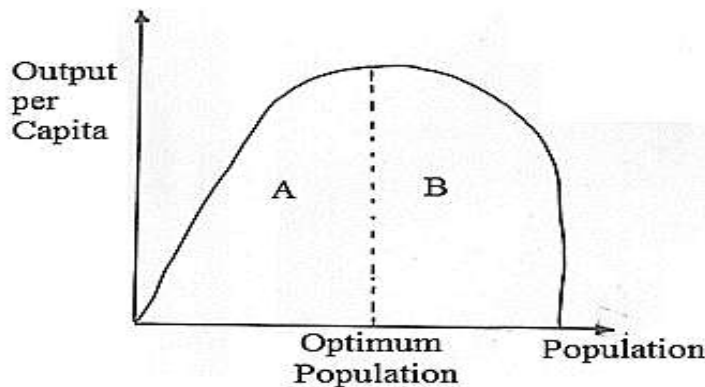


## FORM FOUR CLUSTER KCSE MODEL1

### BUSINESS STUDIES PAPER 2 QUESTIONS

1. (a) The diagram below represents the population and output per capita of a certain country.

Explain any FIVE challenges to the country if her total population is found at the part marked B. (10mks)



(b) Explain FIVE ways in which commercial banks have enhanced development of business activities in the country.

2. (a) Explain FIVE factors that have limited the adoption of containerization in the transportation of goods. (10mks)

(b) On 1st June 2010, Ngamire traders had cash in hand shs 87,500 cash and cash at bank shs 250,000 during the months the following took place:

- June 2 cash sales shs 50,000 issued a receipt no 063.
- June 3 paid salaries and wages shs 101,500 by cheques, cheque no 083.
- June 6 received a cheque for shs 76,800 from Kemunto after allowing her a cash discount of 4% receipt no 064.
- 12 settled Omwambi's account of shs 40,000 in cash having deducted shs 800 cash discount receipt 0656.
- 18 withdrew shs 30,000 from the bank for office use.
- 21 received shs 16,500 cash from Mwikali in settlement of his account less shs 600 cash discount receipt no 065.
- 22 bought office furniture by cheques shs 85,000 receipt no 734.
- 23 withdrew shs 5,000 cash for private use. - 28 paid wages shs 24,000 in cash receipt no 801.
- 30 received a cheque for shs 150,000 in receipt to cash sales receipts no 066. Required:

i) A cash receipt journal (5mks)

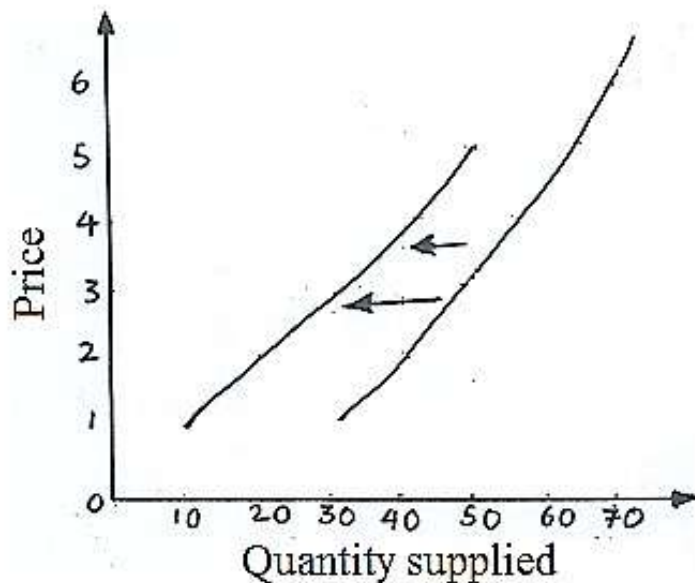
ii) A cash payment journal

3. (a) Explain FIVE importance of business plan to an entrepreneur. (10mks)

(b) Ordinary shares and debentures are both sources of capital to limited liability companies.

Outline FIVE differences between them

4. (a) Explain FIVE factors influencing the choice of a distribution channel. (10mks)  
(b) Outline FIVE circumstances under which an insurance contract may be terminated. (10mks)
5. (a) Explain FIVE factors that may lead to the phenomenon in the diagram below. (10mks)



(b) Explain FIVE reasons why a customer may prefer to buy goods on credit purchase rather than hire purchase. (10mks)

6. (a) Explain five disadvantages of international trade to a country (10mks)
  - 1) May lead to exhaustion of resources especially if non renewable resources like minerals deposits
  - 2) Affects/hampers growth of infant/local industries - as it brings about stiff competition due to cheaper imports
  - 3) May lead to importation of harmful goods e.g. drugs, expired goods and pornographic materials
  - 4) May lead to balance of payment deficit due to importation of expensive goods compared to exports, unfavorable balance of payments
  - 5) Political blackmail - a country may be forced to adopt unfavorable policies by its more influential traditional partners, lest it be denied goods as case of political differences
  - 6) May lead to dumping when the local markets is flooded with cheap inferior goods from other countries
  - 7) Erosion of cultural values due to interaction of different cultures
- (B)

Mkenya traders  
Trading profit and loss a/c  
For the year ended 31/12/2015

Dr.		Cr.	
Opening stock	12,500	Sales	95,000
Purchase	70,000	Returns inwards	<u>1,500</u>
Less returns out	2,400		
	<u>67,600</u>		
C.A.F.S	80,100		
Less closing stock	6,500		
	73,600		
G/Profit	<u>19,900</u>		
	93,500		<u>93,500</u>
Bad debts	4,000	Gross profit b/d	19,900
Salaries paid	14,000		
General expenses	5,200	Net loss	<u>3,300</u>
	<u>23,200</u>		23,200

(½x20=10mks)