

FORM FOUR CLUSTER KCSE MODEL14

BUSINESS PAPER 2 QUESTIONS

1. (a) Explain five advantages that may accrue to a society that is involved in trading activities. (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)

2. (a) Describe the procedure of taking an insurance policy. (10 marks)
- (b) Explain five characteristics of labour as a factor of production. (10 marks)
3. (a) Explain five reasons why the government may decide to privatize some parastatals. (10 marks)
- (b) Accounts of Tembo traders showed the following balances as at 31st December 2013.

	<u>Ksh.</u>
Land and Buildings	150 000
Motor cars debtors	15 000
Cash account	30 000
Creditors	4 000

The following transactions took place during the first week of January 2014;

- Jan 1: bought goods for cash ksh. 10 000
- 2: paid a creditor by cash ksh. 2 500
- 3: sold goods for cash ksh. 5 000
- 4: received a cheque from a debtor ksh. 12 000
- 5: bought stock of goods by cheque ksh. 8 000
- 6: a debtor paid in cash ksh. 3 000

Required Open ledger accounts, record the transactions and balance off the accounts on 6th January 2014. (10 marks)

4. (a) Explain five benefits of an electronic filing system in an office. (10 marks)
(b) Explain five measures that a country experiencing a balance of payment deficit may take to correct this situation. (10 marks)
5. (a) Explain five limitations of using Consumer Price Index (CPI) to measure the level of inflation in a country. (10 marks)
(b) Using a diagram, briefly explain leakages and injections in a two sector economy. (10 marks)
6. (a) Explain five reasons for existence of small scale firms in the economy despite the stiff competition. (10 marks)
(b) The following information relates to Ingo Traders as at 31st December 2006.

	<u>Shs.</u>
Purchases	400,000
Stock 1-1-2006	150,000
Stock 31-12-2006	50,000
Mark up	25%
Expenses	40% of gross profit

Calculate

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|------------------------------|-----------|
| i. Turnover | (4 marks) |
| ii. Net profit | (3 marks) |
| iii. Rate of stock turn over | (2 marks) |
| iv. Margin | (1 mark) |

(4 marks) ii. Net profit (3 marks) iii. Rate of stock turn over (2 marks) iv. Margin (1 mark)