NAME…………………………………INDEX NO…………………….

**3KNT**

**FORM FOUR BUSINESS STUDIES**

**PAPER 2**

**561/2**

**MARCH /APRIL 2017**

**TIME : 21/2 HOURS**

**Instructions**

* Answer any five questions on the foolscaps provided
* All questions carry equal marks

**Answer any five questions**

1A. Outline five features that differentiate private limited companies from public corporations (10mks)

B. Explain five advantages enjoyed by an insurance company due to pooling of risks (10mks)

2A. Motorcycles are gaining popularity as a means of transport in keya. Explain five reasons for this trend (10mks)

B. Country x wants to encourage the establishment of industries in the rural areas. Discuss five measures it may take to do so (10mks)

3A. Using a diagram explain the effects on equilibrium price if there is an increase in demand as supply remains constant (10mks)

B. Discuss five factors that a business organization should consider when choosing a method for internal communication (10mks)

4A. Explain four reasons for filing documents in an office (8mks)

B. The following trial balance was prepared from the books of Kathiri traders

**Kathiri traders**

**Trial balance**

**As at 30th June 2014**

|  |  |  |
| --- | --- | --- |
| Particulars | DR | CR |
| Sales /purchases | 470,000 | 900,000 |
| Buildings | 990,000 |  |
| Stock | 110,000 |  |
| Returns | 60,000 | 78,000 |
| Bad debts | 56,000 |  |
| Commission | 70,000 |  |
| Rent |  | 74,000 |
| Furniture | 120,000 |  |
| Creditors /debtors | 250,000 | 140,000 |
| Drawings | 66,000 |  |
| Capital |  | 1,050,000 |
| Electricity | 30,000 |  |
| Carriage on purchases | 20,000 |  |
|  | 2,242,000 | 2,242,000 |

Additional information

Stock on 30/6/2014 was shs. 100,000

Required: prepare

1. Trading profit and loss account (7mks)
2. Balance sheet (5mks)

5A. A certain country has experienced a steady rise in the level of its national income over the last four years. Explain five reasons that may account for this trend (10mks)

B. Explain five characteristics of money (10mks)

6A. Discuss five challenges faced by a country experiencing over population (10mks)

B. ABC investments operates a wholesale business. The following transactions took place in the month of May 2010.

|  |  |
| --- | --- |
| 3: | Sold goods on credit to Ayimba shs. 60,000 |
|  |  |
| 8: | Purchased goods on credit from John stores shs. 120,000 |
| 12: | Returned goods to John stores worth shs, 6,000 |
| 16: | Bought goods on credit from XYZ traders shs 160,000 |
| 22: | Sold goods on credit to Mary retailers shs. 150,000 |
| 23: | Bought a new moror van from Embu motors worth shs 3,200,000 on credit |
| 25: | Mary returned goods worth shs 10,000 |
| 30: | Sold offie equipment worth shs 840,000 on credit to chap limited company |

Required:

Record the above transactions in the relevant books of original entry for ABC investments (10mks)