Name……………………………………..………………Index No……………………/……….

Candidate’s Signature……………… Date…………………………………..

**BUSINESS STUDIES**

**PAPER 2**

**KASSU JET - JUNE 2018**

**2 ½ HOURS**

**KASSU JOINT EXAMINATION - 2018**

**Kenya Certificate of Secondary Education**

BUSINESS STUDIES

**Paper 2**

2½ hours

**Instructions to candidates**

* *This paper consists of* ***six*** *questions*
* *Answer any* ***five*** *questions*
* *All questions carry equal marks*
* *Write your answers in spaces provided.*

**For Examiner’s Use Only**

|  |  |  |
| --- | --- | --- |
| **Question** | **Maximum score** | **Candidate’s Score** |
| **1** | 20 |  |
| **2** | 20 |  |
| **3** | 20 |  |
| **4** | 20 |  |
| **5** | 20 |  |
| **6** | 20 |  |
|  |  **TOTAL SCORE** |  |

1. (a) Explain **five** positive effects of inflation to the economy. **(10 marks)**

(b) Give **five** distinguishing features between co-operative societies and partnership.

 **(10 marks)**

2. (a) Using a well labeled diagram explain the effects of increase in supply of a

Commodity on its market equilibrium  **(10 marks)**

(b) Kenya, just like all other economies, prepares short, medium and long term development plans. Explain **five** factors that may hinder the formulation of a good development plan in Kenya. **(10marks)**

3. (a) Discuss **five** monetary policies that are used by the Central Bank of Kenya to

Influence the amount of money in circulation in the economy **(10 marks)**

(b) On 1st January 2017, Majengo traders had ksh. 240,000 cash in and Bank credit

balance of kshs 270,000. During the month, the following transactions took place.  **(10 marks)**

Jan 2 : Cash sale of kshs 200,000

 5 : Debtor settled his account of ksh 1,000,000 by cheque less 5% cash discount.

 15 : Paid salaries kshs 50,000 in cash

 20 : Settled creditors accounts of Kshs 100,000 by cheque less 2% cash discount.

 21 : Received a cheque for kshs 84,000 from charity traders after deducting 6% cash discount.

 24: Deposited Kshs 100,000 from office cash

 25 : Cash sale Kshs 200,000 banked directly.

 26 : A cheque received on January 5th from a debtor was dishonoured.

 27 : Purchased goods worth kshs 20,000 on credit.

 31 : Banked all the cash except Kshs 80,000

Required: Prepare a three column cash book duly balanced.

4. (a) Explain **five** sources of public finances.  **(10 marks)**

 (b) Explain **five** measures of correcting balance of payment disequilibrium.

 **(10 marks)**

5. (a) Describing the procedure of balancing the ledger accounts. **(10 marks)**

(b) One important feature of human wants is that they require resources to satisfy. Explain **five** other features of human want.  **(10 marks)**

6. (a) Masomo publishing company is launching a new novel to be used as a set book in

English literature by all secondary schools in Kenya. If you are their marketing manager what five factors would you consider when choosing an appropriate media for promoting the novel. **(10 marks)**

(b) The following balances were extracted from the books of Juma Traders as at 31st

December, 2016. **(10 marks)**

 **SHS**

 Land and buildings 200,000

 Capital 370,000

 Prepaid rent 50,000

 Motor Vehicle 150,000

 10 year bank loan 100,000

 3 years ICDE loan 50,000

 Stock (31/12/16 50,000

 Debtors 30,000

 Creditors 30,000

 Accrued expenses 10,000

 Cash at bank 50,000

 Cash in hand 10,000

 Drawings 20,000

Prepare:

1. A balance sheet as at 31st December 2016.
2. Determine:
* Working capital
* Capital employed
* Borrowed capital