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

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

**BUSINESS STUDIES**

**PAPER 2**

**KASSU JET - JUNE 2018**

**2 ½ HOURS**

**KASSU JOINT EXAMINATION**

**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** |  |

2. Explain 5 sources of public finances.

3. 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

 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.

5. Explain 5 measures of correcting balance of payment disequilibrium.

6. Describing the procedure of balancing the ledger accounts.

**BUS P 2 M.S**

**2. Explain 5 sources of public finances.**

a) i) Taxes and levies

- These are taxes and levies on individual members of public and business organizations out of their earnings and services provided by the government.

- Dividends from parastal and investments

These are the shares of profits given to the government by parastatals in form of dividends.

* Borrowing loans locally an internationally

Locally, the government borrows through the sale of treasury bonds and bills as well as infrastructure bonds. Internationally the government borrows from international financial institutions such as the World Bank and friendly countries.

* Fees for services rendered to individuals directly by the government for examples registration of birth, marriages and deaths, business licensing, burial permit, work permits and transfer of property.
* Fines and penalties charged on those considered to have breached government laws from courts.

These are imposed on individuals firms and corporations found guilty of breaking the laws of land.

* Escheets

Properties reposed by the government from members of public for various reasons e.g where one dies without a will and have no legal heir.

3. **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**

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 Required: Prepare a three column cash book duly balanced

5a) **Explain 5 measures of correcting balance of payment disequilibrium.**

* Devaluation of currency 9 lowering the currency value)

This is making exports cheaper and imports expensive. This increases exports and reduces imports thus reducing deficit in the balance of payment

* Import restrictions

This may be done by imposition of high tariffs on imports or setting import quotas. This limits the volume of imports where by reducing the negative of balance of payments.

* Export promotion

This is aimed at increasing the volume of exports from the country through exports compensation by establishing export processing zones and diversification.

* By encouraging foreign investment into the country

This provides the foreign currency necessary for the payment of imports.

* By reducing export duties

This makes exports cheaper which in turn increases their demand. This increases the volume of exports helping to improve the balance of payments.

* By giving subsidies to local exports
* By reducing export duties
* By controlling the issuance of foreign currency
* By restricting outflow of capital
* Diversification/ expending the variety of goods and services exported.

**6.b) Describing the procedure of balancing the ledger accounts.**

* Calculate the totals on each side of the ledger account i.e. the debit totals and credit totals.
* Calculate the differences between the debit and the credit totals
* Record the differences on the side with the smaller totals as balance carried down (balance c/d)
* Obtain the totals of each side after entering the balance c/d.
* If the recording and calculations are correct, the debit total should equal to the credit totals.
* Finally record the balance on the opposite side of the balance c/d as balance brought down. (Balance b/d)