

ALLIANCE HIGH SCHOOL
FORM III BUSINESS STUDIES
END TERM 2 EXAM, 2015

2HRS

100 MARKS

Name: _____ Adm: _____ Class: _____ Teacher: _____

1. a) State in which ledger book the following accounts are found: (4mks)

- i. Sales A/c -
- ii. Omolo (supplier) -
- iii. Bank A/c -
- iv. Bank loan A/c -

- b) Define the following types of accounts and give examples for each: (4mks)

- i. Real Accounts -
- ii. Nominal Accounts -

2. For each of the transactions given below, indicate the book of original entry in which it should be recorded (4mks)

	Transaction	Book of original entry
i	Credit purchases	
ii	Return of goods by customers	
iii	Cash cheques issued out	
iv	Return of goods to suppliers	

3. Highlight four assumptions of a circular flow of income that comprises two sectors only. (4mks)

4. In the circular flow of income state;

(4mks)

a) Leakages –

b) Equilibrium

5. Mrs. Mbotela, an office staff, does not keep documents in a proper manner. Give four possible effects this would have on the business. (4mks)

6. Complete the following table by indicating the account to be debited and the one to be credited: (4mks)

	Transaction	Account Dr.	Account Cr.
a)	Received a loan from NIC bank by cheque		
b)	A charitable organization donated furniture to the business		
c)	Proprietor overdraw business bank account to boost office cash		
e)	Donated money by cheque to a Diabetes walk event		

7. Give any four disadvantages of Entrepreneurship

(4mks)

8. Give four characteristics of capital as a factor of production

(4mks)

9. Outline the procedure of acquiring an Insurance policy cover (4mks)

10. In January 2014 Mr. Mwaniki insured his Nissan matatu at Shs. 150,000. After eight months the matatu was involved in a road accident and the damage was valued at Shs. 380,000. If the matatu's book value was Shs. 600,000

a) Determine the amount of compensation he is eligible to receive from the insurer (3mks)

b) Give one reason for your answer (1mk)

11. The following information relates to a business at different financial periods. Complete the blank spaces in the table (4mks)

Assets	Liabilities	Capital
500,000	_____	340,000
_____	800,000	1,201,000
380,000	120,000	_____
710,000	_____	520,000

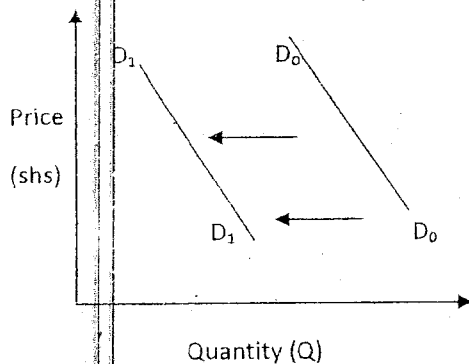
12. Highlight four measures that the government has put in place to protect consumers from exploitation by business people (4mks)

13. Give four reasons why consumer initiated methods of protection have not been very successful in Kenya (4mks)

14. A prospective investor from China has come to a conclusion that water transport in East Africa is not an attractive business venture. Give four possible reasons for such a conclusion. (4mks).

Section II (40 marks) (Answer all questions in this section on the stationary provided)

15. Consider the behavior of the demand curve below:



- a) Identify the behavior _____ (1mk)
- b) Highlight five reasons why the curve would behave like that (5mks)
- c) With the aid of a diagram illustrate the effect of the behavior above on equilibrium price and quantity. (4mks)

16. Explain the importance of the Balance sheet (10mks)

17.

- a) Highlight four components taken into consideration when Expenditure approach is used to determine National income. (4mks)
- b) The figures below show estimated values of various income items a certain country over a period of one year in millions of shillings.

Profits by firms	65,000
Rent Income	50,000
Indirect Taxes	75,000
Salaries & wages	520,000
Interest on Capital	90,000
Subsidies	160,000
Depreciation	100,000
Net income from abroad	- 40,000

Determine:

- i. Gross Domestic Product (2mks)
- ii. Gross National Product (2mks)
- iii. National Income at market Price (2mks)

18. Record the following information in a three column cashbook for the month of October 2010 and balance it off as at 30th Oct 2010. (10mks)

On 1st October 2010 Bungoma Traders had cash in hand Shs. 20,000 and at bank Shs. 25,000. The following transactions took place in the same month:

- Oct 3: Paid electricity in cash Sh. 8,000
- 5: Bought goods in cash Shs. 2,500
- 10: Paid the following creditors by cheque, having deducted 10% discount:- Makandu sh. 6480, Marende Sh. 2,700
- 11: Received cheques on the following debtors' accounts; in each case allowing a 5 % cash discount: Fatuma Sh. 1980, Yegon Sh. 4,000
- 15: Purchased furniture by cheque Sh. 10,000
- 18: Sold goods sh 4,000 in cash
- 21: Donated sh. 2,000 to a church by cheque
- 25: Received sh. 4,000 from Mueni by cheque
- 27: Sold goods worth sh. 26,000 of which sh. 6,000 was paid in cash and the rest to be paid later by cheque.
- 28: Banked all the cash into the bank account except 4,500