**NAME \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_INDEX NO\_\_\_\_\_\_\_\_\_\_\_**

**DATE\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**MARCH /APRIL 2019**

**TIME 2 Hours**

**MAU LINK JOINT EVALUATION EXAM 2019**

***Kenya Certificate of Secondary Education (K.C.S.E)***

**FORM FOUR**

***INSTRUCTIONS TO CANDITATES***

* Answer any **five** the questions in section .

1. (a) Explain **five** roles of enterpreneurship to the economy of Kenya. (10 mks)

(b) Explain **five** principles that govern the operations of insurance industry. (10 mks)

2. (a) Highlight **four** features of circular flow of income in a two sector economy. (8 mks)

(b) The following trial balance was extracted from the ledgers of Gathioro's mobile phones business for the year ended 31st October 2013.

**Gathioro's mobile phones**

**Trial Balance**

**As at Gathioro's 31st October 2013**

|  |  |  |
| --- | --- | --- |
| **Details** | **Dr.****(shs)** | **Cr.** **(shs)** |
| Sales |  |  855,000 |
| Purchase |  420,000 |  |
| Sales returns |  12,000 |  |
| Purchase returns |  |  20,000 |
| Creditors |   |  165,000 |
| Debtors |  63,000 |  |
| Motor vehicle |  480,000 |  |
| Cash in hand |  65,000 |  |
| Furniture |  190,000 |  |
| Carriage inwards |  14,000 |  |
| Stock |  280,000 |  |
| Capital |   |  626,250 |
| Drawing |  88,000 |  |
| Telephone |  6,400  |  |
| Insurance |  8,200 |  |
| Postage |  3,850 |  |
| Rent |  19,600 |  |
| Discounts received |   |  4,000 |
| Advertising |  12,900 |  |
| Discount allowed |  7,300 |  |
|  | 1,670,250 | 1,670,250 |

On 31st Oct. 2013 , the business had closing stock valued at Shs. 60,000.

Required

1. The trading profit and loss A/C for the year ended 31st October 2013. (8 mks)
2. Prepare Balance sheet as at 31st Otober 2013. (4 mks)

3. (a) Explain **five** external environment factors that may influence the operations of a business positively. (10 mks)

(b) Explain **five** factors considered in the choice of a means of transport (10 mks)

4. (a) Explain **five** benefits of high population to a country. (10 mks)

(b) Explain **five** circumstances that may make a bank to reject a cheque. (10 mks)

5. (a) Outline **five** differences between a sole proprietorship and a public limited company. (10 mks)

(b) Despite the economies of scale , small firms have continued to exist. Explain five reasons which account for their survival. (10 mks)

6. (a) Explain **five** characterstics of good money . (10 mks)

(b) On 1st November 2016 , Mambo traders had cash in hand sh 4,250 and cash at bank sh 140,500. During the month the following transaction took place. (8 mks)

Nov 2nd cash sales directly banked sh.38,700.

" 3rd received a cheque for sh 14,000 from Murungi in full settlement for a debt of ks 5,000.

" 8th bought goods for sh 25,300 by cheque.

" 12th cash sales sh 42,450.

" 14th paid Omwange by cheque sh 23,750 in full settlement on his account less 5% discount.

" 15th paid wages sh 34,000 in cash.

" 16th bought stationary in cash sh 950.

" 24th paid salaries by cheque sh 45,800.

" 28th paid electricity in cash sh 2,500.

" 30th all cash was banked except sh 4,000

Required : Prepare a three column cashbook.