565/2

BUSINESS STUDIES

FORM 4 TERM TWO EXAMINATION 2018

PAPER 2

TIME 2HRS 30 MIN

ANSWER ANY FIVE QUESTIONS

1. (a) Explain five external factors that may negatively affect operation of a business enterprise.(10 mks)

(b) Outline five reasons that may influence a producer to distribute his products directly to consumers.(10 mks)

2(a) Outline five ways of improving the efficiency of a warehouse. (10 mks)

(b) The following opening balances were extracted from the books of Wafula traders on 1st January 2018

**DETAILS KSH**

Premises 500 000

Furniture 40 000

Creditors 10 000

Debtors 30 000.

Bank 60 000

Cash 5000

Vehicle 300 000

Capital 525 000

5 year loan 400 000

The following transaction took place in the course of the month

1. Took ksh 2000 cash for family use
2. Purchased furniture worth sh 5000 by cheque
3. Received a cheque of sh 20000 from a debtor
4. Bought stock for sh 50 000 on credit

Prepare Wafula Traders balance sheet as at 31st January 2018.(10 mks)

3.(a) Explain five circumstances under which a country may realize a deficit in its balance of payment.(10 mks)

(b) Outline five principles of a good development plan.(10mks)

4(a) Explain five factors that should be considered by a firm when deciding on the method to use for promoting his products.(10 mks)

(b) On 1st January 2017, Muranga Traders had sh 21 000 in cash and sh 200 000 at bank .During the month the following transaction took place;

2nd Jan –Made cash sales sh 340 000

10th Jan –Received a cheque for 530 100 from kamau Traders in full settlement of their debt after allowing a 5% cash discount.

12th Jan –Paid wages sh 110 000 in cash.

15th Jan- Withdrew sh 150 000 from the bank for office use.

20th January- Deposited sh 80 000 from cash till into the bank account.

25th January- Paid Njoro Traders sh 69 000 in cash after deducting a cash discount of sh 5000.

28th Jan-Settled Twiga Traders account of sh 190 000 by cheque less 10% cash discount.

30th Jan- Deposited all the cash into the bank except sh 52000.

**Prepare a duly balanced three column cash book.(10 mks)**

5(a) Explain five reasons why business people prefer to operate bank current account.(10 mks)

(b) Explain five sources of finances for a co-operative society.(10 mks)

6.(a) Outline five advantages of the standard gauge railway (SGR) to the Kenyan economy.(10 mks)

(b)The following balances were extracted 0from the books of Kenol traders for the year ended 31st December 2016.

shs

Debtors 150 100

Stock 80 000

Rent 16 200

Drawings 41 500

Motor vehicle 790 000

Bank loan 300 000

Salaries 260 000

Furniture 60 000

Creditors 210 000

Discount received 15 000

Gross profit 190 000

**ADDITIONAL INFORMATION;**

1. Interest on loan is charged at 14 % per year .This interest was still owing on 31st December 2016.
2. Rent unpaid on 31st December 2016 was sh 3600.
3. Motor vehicle is depreciated by sh 134 500 while furniture is to be depreciated by sh 10 080 per year ;

**PREPARE;**

(a) Profit and loss account for the year ended 31st December 2016.(7 mks)

(b)Balance sheet as at 31st December 2016. (5 mks)