Name………………………… …………………………….Admission Number………………….

Student’s Signature…………………

Date…………………………………

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**Dec** 2021

21/2 HOURS

MOKASA EXAMINATIONS II

**Instructions to candidates**;

1. *Write your name and admission number in the spaces provided above.*
2. *Sign and write the date of examination in the spaces provided above*
3. *This paper consists of* ***six*** *questions.*
4. *Answer any* ***five*** *questions in the spaces provided after question six.*
5. *All questions carry equal marks*

**For Examiners use only.**

|  |  |  |
| --- | --- | --- |
| **Question** | **Maximum score** | **Candidate’s score** |
|  | **20** |  |
|  | **20** |  |
|  | **20** |  |
|  | **20** |  |
|  | **20** |  |

1. a) Explain ***five*** benefits that are likely to accrue to a firm due to its own expansion. (10marks)

b) Explain ***five*** factors that may promote entrepreneurship in Kenya. (10 marks)

2. a) Outline ***five*** principles of a good tax system. (10 marks)

b) The following information was extracted from the books of Songeto traders in the month of July 2019.

**July 1**: Had cash in hand of shs 520,600 and a bank overdraft of shs 16,000.

**July 3**: Bought goods for sale shs 15,000 on credit from Mburu

**July 7**: Amolo, a debtor settled his account of shs 250,000 by cheque after being allowed a cash discount of 5%.

**July 8**: Bought goods from Joy worth shs 138,500, he paid by cash after getting a discount of 10%.

**July 9**. Sold goods worth shs 2,300 in cash.

**July 15**: Paid electricity bills by cheque shs 1,300

**July 16**: Withdrew shs 11,000 from the bank for office use.

**July 19**: Paid wages in cash shs 5000.

**July 21**: Received a cheque of shs 18,400 from Kamau after getting a discount of shs 1,600.

**July 25**: Received a cheque of shs 23,400 from Kimeli for goods sold in January

**July 26**: The cheque received on 21st July was dishonored.

**July 30**: Took all the cash to the bank except shs.2000.

**Required**: Prepare a duly balanced three column cashbook. (10 marks)

3. a) Explain ***five*** challenges encountered when implementing development plans. (10marks)

b) Chuma owns a fleet of vehicles, and wishes to cover them against the risk of accidents. Identify the procedure he will follow in obtaining the insurance policy. (10marks)

4. a) Explain ***five*** merits of government involvement in business. (10marks)

b) Explain ***five*** forms of economic integration. (10marks)

5. a) Explain ***five*** functions of an office. (10marks)

b) Outline ***five*** circumstances under which a firm may acquire monopoly power. (10 marks)

6. a) Explain ***four*** differences between hypermarkets and departmental stores (8marks)

b) The following trial balance was extracted from the books of Ashanti’s Electronics business on 30th April 2020.

Ashanti’s Electronics

Trial Balance

As at 30th April 2020

|  |  |  |
| --- | --- | --- |
| **TITLE OF ACCOUNT** | **DEBIT (Dr)**  **SHS.** | **CREDIT(Cr)**  **SHS.** |
| Equipment  Motor vehicle  Sales  Returns Inwards  Purchases  Returns outwards  Stock (1/5/2019)  Electricity  Rent  Discount received  Salaries  Insurance  Cash at bank  Debtors  Capital  Creditors | 90,000  250,000  12,000  160,000  86,400  12,900  18,300  36,000  14,500  34,500  63,000 | 320,000  34,500  19,300  374,400  29,400 |
| **TOTAL** | **777,600** | **777,600** |

Stock on 30th April 2020 was valued at shs. 77,000.

Prepare:

* 1. A trading profit and Loss account for the year ended 30th April 2020. (8marks)
  2. A balance sheet as a 30th April 2020. (4marks)