**Term 1- 2023 OPENER EXAM**

**BUSINESS STUDIES (565/2)**

**FORM FOUR (4)**

**Time:**

**Name**: …………………………………………………………. **Adm** **No**: ……………….

**School**: ……………………………………………………….. **Class**: …………………..

**Signature**: …………………………………………………….. **Date**: …………………...

1. (a) Explain **five** advantages that may be associated with operating a tied shop.(10 Marks)

(b) Explain **five** challenges of a young population. (10 Marks)

1. (a) Explain five factors that may have led to the increasing use of *boda boda* as a means of passenger transport in Kenya (10 Marks)

(b) With the aid of a diagram, explain the effects of an increase in supply to the equilibrium price and quantity. (10marks)

1. (a) Explain five benefits of entrepreneurship to the Kenyan economy (10 Marks)

(b) On 1st March, 2021, Faulu Traders had sh. 18,000 in cash and a bank overdraft of sh. 6,700. During the month, the following transactions took place:

March 2: Made cash sales sh. 14,500

3: Kimani, a debtor settled his account of sh. 45,000 by cheque less 5% cash

discount

4: Paid salaries sh. 5,000 by cash

6: Sold goods worth sh. 3,000 to Mumo on credit

8: Settled Rehema’s account of sh. 6,000 by cheque less 3% cash discount

12: Bought goods worth sh. 4,000 on credit from Otieno

18: Received a cheque of sh. 8,460 from Achieng after deducting 10% cash discount

22: Withdrew sh. 9,500 from the bank for office use

24: Cash sales paid direct into bank sh. 3,400

28: Withdrew sh. 2,500 from the bank for family use

31: Banked all the money except sh. 3,600

**Required**: Prepare a duly balanced three column cash book (10marks)

1. (a) Explain five reasons that may make an insurance company refuse to compensate the insured in the event that a risk occurs. (10Marks)

(b) Explain five circumstances under which a manufacturer would sell his goods directly to a consumer. (10 Marks)

1. (a) Explain five factors which constitute the external business environment which may negatively affect the operations of a business (10 Marks)

(b) Explain five differences between a private limited company and a public corporation (10 Marks)

1. (a) Explain 5 advantages of written communication (10 Marks)

(b) The following balances were extracted from the books of Onyonka Traders on 1st January 2021.

Ksh

Capital 600,000

Creditors 180,000

Motor van 200,000

Furniture 200,000

Stock 60,000

Debtors 80,000

Cash 240,000

The following transactions took place during the year ended 31st December 2021:

Sold furniture worth Ksh 60,000 for which Ksh 20,000 cash was received and the balance was due at the end of the year.

Brought 35,000 cash from private sources into the business

Purchased goods worth Ksh 200,000 for which cash of Ksh 40,000 was paid and the balance was still outstanding at the end of the year.

Cash Ksh 10,000 was taken from the business by the proprietor to buy a present for the daughter

Required:

Outline the effect of each transaction on the items of the balance sheet (10 marks)