**NAME: …………………………………………………….. SCHOOL……………............**

**ADM NO:………………………… DATE:……………….. SIGNATURE………….……**

**565/2**

**BUSINESS STUDIES**

**THEORY**

**PAPER 2**

**FORM FOUR**

**TIME: 2 ½ Hours**

**CATHOLIC DIOCESE OF KAKAMEGA EVALUATION TEST.**

**AUG/SEPT EXAM 2022,**

**INSTRUCTIONS**

1. *This paper consists of six questions.*
2. *Answer any five questions.*
3. *All questions carry equal marks.*
4. *Candidates should answer questions in English.*

**FOR EXAMINERS USE ONLY**

|  |  |  |
| --- | --- | --- |
| **QUESTION** | **MAXIMUM SCORE** | **CANDIDATE’S SCORE** |
|  | 20  |  |
|  | 20 |  |
|  | 20  |  |
|  | 20 |  |
|  | 20  |  |
|  | 20 |  |

1(a) Explain five differences between a public corporation and a public limited company. (10 mks)

 (b) Explain five factors that would lead to increase in the level of National income. (10 mks)

2(a) Explain five factors that hinder entrepreneurial activities in a country.

 (10 mks)

 (b) Makhisa traders started a business on 1st January 2022 with cash in

 hand sh. 50,000 and cash at bank sh. 19,000. His transactions during

 the month of January, 2022 were as follows:

 Jan 1 : Bought furniture worth sh. 10,000 by cash.

 Jan 2 : Deposited sh. 5,000 cash in the business bank

 account from the cash till.

 Jan 5 : Sold goods to Michael worth sh. 7,900 on credit.

 Jan 12 : Makhisa disposed off a van at sh. 70,000 receiving

 Payment of sh. 27,000 by cheque and a balance in

 cash.

 Jan 15 : Paid rent sh. 1,700 cash.

 Jan 16 : Paid salaries sh. 2,200 by cheque.

 Jan 20 : Received donations sh. 15,000 by cheque.

 Jan 22 : Withdrew cash sh. 10,000 for personal use.

 Jan 28 : Transferred all cash into the bank except sh. 1,000.

Required:

Prepare a two column cash book for Makhisa traders for the month of January, 2022. (10 mks)

3(a) Explain five roles of middlemen in the chain of distribution. (10 mks)

 (b) Explain five principles of insurance. (10 mks)

4(a) Explain five benefits of mobile banking to customers. (10 mks)

 (b) The following trial balance was extracted from the books of Atiti traders

 for the year ended 31st December 2021.

Atiti Traders

Trial Balance

As at 31/2/2021

|  |  |  |
| --- | --- | --- |
| DetailsCapitalDrawingsStock (1/1/2021)PurchasesSalesReturnsCarriage outwardsCarriage inwardsDiscountsMotor vehicleFurnitureCreditorsPremisesDebtorsBad debts | Dr (Shs) 33,000 47,000300,000  4,000 10,000 28,000 4,000130,000 25,000 100,000 50,000 15,000 746,000 | Cr (Shs)250,000420,000  7,000 14,000 55,000  746,000 |

Additional information.

Stock at 31st December 2021 was valued sh. 55,000.

Required

Prepare

1. Trading, profit and loss account for the year ended 31st December 2021.
2. Balance sheet as at 31/12/2021.

5(a) Explain five ways in which inflation can be controlled by the government. (10 mks)

 (b) Explain five barriers to effective communication. (10 mks)

6(a) Explain five disadvantages of using direct taxes to raise government revenue.

(10 mks)

 (b) Explain five circumstances in which a firm may acquire monopoly Power. (10 mks)