**MURANG’A EXTRA COUNTY SCHOOLS (MECS) CLUSTER EXAMINATION**

**BUSINESS STUDIES PAPER 2- 565/2**

**FORM 4 END TERM 1 2023**

**TIME: 2 HOURS**

**NAME…………………………………………………….ADM………………..CLASS……..**

**CANDIDATE’S SIGNATURE…………………………….DATE……………………………**

**INSTRUCTIONS TO CANDIDATES**

1. Write your name and admission number in the spaces provided above.
2. Sign and write the date of the examination in the spaces provided above.
3. Answer any five questions in the spaces provided
4. This paper consists of 3 printed pages. Candidates should check carefully to ascertain that all the pages are printed as indicated and that no questions are missing.
5. Candidates should answer the questions in English.

**FOR EXAMINERS USE ONLY**

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

1. (a) Explain five reasons why people prefer to start a partnership business.

(10 marks)

(b) Explain the importance of business studies to the society. (10 marks)

1. (a) Illustrate using a diagram the circular flow of income in a two-sector economy and give three assumptions (10 marks)

(b) Explain five distinguishing features between a current account and a savings account (10 marks)

1. (a) Explain five reasons why hypermarkets are becoming popular in Kenya today

(10 marks)

(b) On 1st May, 2020, Kihenjo Limited had cash in hand sh. 178,000 and a bank overdraft of sh. 23,400. During the month, the following transactions took place.

**2020**

May 3: Cash sales sh. 16,500 paid direct to the bank

4: Bought goods for sh. 15,000 and paid by cheque

6: Cash sales sh.50, 000

9: Received a cheque sh. 76,500 from Mwikali

12: Bought goods sh.10, 000 on credit from Juma

13: Paid insurance premium sh.16, 000 in cash

14: Paid Otieno by cheque sh. 9, 700 in full settlement of his account having deducted a 3% cash discount

16: The owner took sh. 1,000 cash from the business to pay hospital bill for spouse

20: Withdrew sh. 30, 000 for office use.

23: Received a cheque of sh. 23, 750 from Kim in full settlement of his account less 5% cash discount

25: Paid wages of shs. 20, 000 cash

26: The cheque received from Kim was dishonoured

30: Banked all the cash except sh. 3, 000

**Required**: A duly balanced three-column cash book (10 marks)

1. (a) Describe five channels that can be used when exporting Agricultural products.

(10 marks)

(b) Explain any five circumstances under which a business may prefer open office

layout (10 marks)

1. (a) Describe the procedure of making an insurance claim. (10 marks)

(b) Kenya has been experiencing a challenge of unemployment. Explain five

measures that the government has taken in her effort to curb the unemployment

problem.

(10 marks)

1. (a) Ouma is a businessman who is intending to increase his volumne of sales through promoting his products. State and explain any four factors that he must put into consideration before deciding on the method that he should use. (8 marks)

(b) The following trial balance relates to Uchumi Traders as at 31st December, 2022.

Uchumi Traders

Trial Balance

As at 31st December, 2022

|  |  |  |
| --- | --- | --- |
| Particulars | Dr. (Shs) | Cr. (Shs) |
| Stock on 1st Jan. 2022  Purchases and Sales  Returns  Debtors and creditors  Premises  Machinery  Fixtures and fittings  Carriage outwards  Wages and salaries  Discounts  Commissions  Cash in hand  Capital | 60,000  400, 000  20, 000  65, 000  540, 000  200, 000  100, 000  8,000  30,000  25,000  16, 000  70,000 | 580, 000  50,000  40,000  32, 000  14, 000  818, 000 |
|  | 1, 534,000 | 1,534,000 |

Additional Information: Closing stock was valued at sh. 70, 000

Required:

1. Trading profit and loss account for the period ended 31st December, 2022

(8 marks)

1. Balance sheet as at 31st December, 2022 (4 marks)