Name……………………………………..………………Index No……………………/……….

Candidate’s Signature……………… Date…………………………………..

**BUSINESS STUDIES FORM FOUR**

**PAPER 2**

**END OF TERM 1 EXAM**

**2 ½ HOURS**

**Kenya Certificate of Secondary Education**

FORM FOUR BUSINESS STUDIES

**Paper 2**

2½ hours

**Instructions to candidates**

* *This paper consists of* ***six*** *questions*
* *Answer any* ***five*** *questions*
* *All questions carry equal marks*
* *Write your answers in spaces provided.*

**For Examiner’s Use Only**

|  |  |  |
| --- | --- | --- |
| **Question** | **Maximum score** | **Candidate’s Score** |
| **1** | 20 |  |
| **2** | 20 |  |
| **3** | 20 |  |
| **4** | 20 |  |
| **5** | 20 |  |
| **6** | 20 |  |
|  | **TOTAL SCORE** |  |

1. a) Highlight **four** ways in which the economic environment may positively influence the activities of a business. (8 marks)

(b) On 1st July 2021, Shujaa Traders had Shs.36,500 at bank and cash in hand Shs. 250. During the month the following transactions took place.

|  |  |
| --- | --- |
| July 2 | Cash sales Shs.42,630 paid directly to the bank. |
| July 3 | Received a cheque for Shs.14,100 from Mkora in full settlement of a debt. |
| July 7 | Credit sales Shs. 15,500 to Otonglo |
| July 8 | Bought goods for Shs.26,240 on credit from Mali Mali Enterprises. |
| July 12 | Cash sales Shs.42,450. |
| July 14 | Paid Mwema by cheque Shs.23,750 in full settlement of his account after deducting 5% cash discount. |
| July 15 | Paid wages Shs.24,000 in cash. |
| July 16 | Withdrew Shs.36,000 from the bank for office use. |
| July 17 | Cleared Mali Mali account of Shs. 26,240 in cash less 12.5% discount. |
| July 18 | Otonglo cleared her account of Shs 15,500 in cash less 11.5% discount. |
| July 20 | Cheque received from Mkora was dishonoured. |
| July 28 | Paid salaries by cheque Shs.48,600. |
| July 30 | All cash was banked except Shs.5,000. |

**Required:** Prepare a three-column cash book. (12 marks)

2. a) Zeraki is launching a new Bookshop for schools in Kenya. If you are their marketing manager what five factors would you consider when choosing an appropriate media for promoting the bookshop. (10 marks)

b) Highlight five accounting documents used in home trade. (10 marks)

3. a) Explain five factors that influence entrepreneurial practices in Kenya. (10 marks)

b) With the aid of a well labelled diagram, show the effects of increase in supply on equilibrium price and quantity. (10 marks)

4. a) Nyalego is an importer of assorted goods from different countries. Explain five advantages he may enjoy while his goods are stored in a bonded warehouse. (10 marks)

b) The following information relates to Msafi traders.

**MSAFI TRADERS**

**TRIAL BALANCE**

**AS AT 31/12/2021**

|  |  |  |
| --- | --- | --- |
| **Details** | **Dr. (Shs.)** | **Cr. (Shs.)** |
| Capital |  | 200,000 |
| Motor vehicle | 10,000 |  |
| Machinery | 16,000 |  |
| Stock (1/1/2021) | 12,000 |  |
| Debtors | 83,500 |  |
| Cash | 68,000 |  |
| Bank | 112,800 |  |
| Creditors |  | 45,000 |
| Sales |  | 280,000 |
| Purchases | 120,000 |  |
| Carriage inwards | 2,000 |  |
| Returns | 1,200 | 1,000 |
| Carriage on sales | 4,000 |  |
| Discount | 3,000 | 4,000 |
| Salaries | 2,000 |  |
| Rent |  | 21,500 |
| Insurance | 10,000 |  |
| Electricity | 17,000 |  |
|  | **551,500** | **551,500** |

Closing stock Shs.8,000.

**Required:** Prepare Trading and Profit and Loss Account. (10 marks)

5. a) The graph below represents population and output levels of three countries, A B and C



(i) State the type of population found in each country

Country B......................................................................... (1 mark)

Country C......................................................................... (1 mark)

(ii) Explain **four** challenges that country C may be facing (8 marks)

(b) Explain **five** circumstances under which an insurance contract may be terminated. (10 marks)

6. a) Explain five activities that may be carried out in the process of distributing goods. (10 marks)

(b) Outline five internal diseconomies of scale that a firm that grows in size is likely to encounter. (10 marks)