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

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

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**FORM FOUR**

**TIME: 21 /2HOURS**

Instructions to candidates

1. Write your name and index number in the spaces provided above.
2. Sign and write the date of the examination in the spaces provided above.
3. This paper consists of **six** questions.
4. Answer any **five** questions in the spaces provided after question 6.
5. All questions carry equal marks.
6. Non-programmable silent calculators may be used.
7. **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing**.
8. **Candidates should answer the questions in English**.

|  |  |  |
| --- | --- | --- |
| Question | Maximum Score | Candidates Score |
|  | 20 |  |
|  | 20 |  |
|  | 20 |  |
|  | 20 |  |
|  | 20 |  |
| Total Score | |  |

1. (a) Office etiquette are acceptable code of behavior in an office. Explain five office etiquette that an Office staff should possess. (10 marks)

(b) Explain five factors that have limited the practice of barter trade in Kenya. (10 marks)

2. (a) The diagram below shows the population and output per capita of China.

***Output per capita***

X Y

Population.

Explain five advantages China would get if her total population is found in the part marked Y. (10 marks)

(b) Explain five sources of government revenue. (10 marks)

3. (a) On 1st September 2020, Ali Traders started a business with ksh 15,000 cash at hand and a bank overdraft of ksh 40,000.During the month the following transactions took place:

Sept 4: Kabogo a debtor settled his account of ksh 10,000 by cheque of ksh 8,000.

7: Deposited ksh 4,000 into the business bank account from the cash till.

8: Paid rent by cash ksh 4,000.

14: Cash sales ksh 14,000.

17: Purchased furniture worth ksh 3,000 paying by cheque.

18: Settled Kofi’s account with ksh 10,000 after being allowed a discount of 5%.

20: Received ksh 6,000 cash from Njeri a debtor.

22: Kambu a debtor settled his account of ksh 4,000 by cheque, having been allowed 20% discount.

25: Deposited ksh 17,000 into bank from private sources.

30: Banked the available cash except ksh 1,000.

**Required:**

Prepare a duly balanced three column cash book. (10 marks)

3. (b) Explain five challenges facing containerization as a means of transporting goods.(10 marks)

4. (a) Using a well-illustrated diagram explain the effects of increase in supply of a commodity while its demand remains constant. (10 marks)

(b) Explain five circumstances that companies may find it necessary to re-insure. (10 marks)

5. (a) The following balance sheet was prepared by the accounts clerk of Old Mogo Traders.

Old Mogo Traders

Balance Sheet

As at 31st December 2019

|  |  |
| --- | --- |
| **Fixed Assets: SH SH**  Land and buildings 300,000  Furniture and Fittings 51,500  Machinery 140,000  Motor Vehicle 190,000  **681,500**  **Current Assets:**  Stock 124,500  Debtors 103,650  Cash at bank 54,850  Cash in hand 3,650  **286,650**  **968,150** | **SH SH**  Capital 422,930  Add Net Profit 220,500  643,430  Less Drawings 175,000  **468,430**  **Long-term liabilities:**  Bank Loan **400,000**  **Current Liabilities:**  Creditors**99,720**  **968,150** |

Use the above Balance sheet to calculate the following:

(i) Working Capital. (2 marks)

(ii) Return on Capital. (2 marks)

(iii) Current Ratio. (2 marks)

(iv)Capital Employed. (2 marks)

(v) Borrowed Capital. (2 marks)

5. (b) Explain five advantages of using a cheque as a means of payment. (10 marks)

6. (a) Explain five benefits that Kenya as a country may achieve by adopting 2030 millennium developments goals. (10 marks)

(b) Explain five reasons why a public limited company may be dissolved. (10 marks)