**CHOGORIA - MURUGI PRE – MOCK**

**2023 END OF TERM 1 EXAM**

565/2

BUSINESS STUDIES

PAPER 2

TIME: 2 ½ Hrs

**NAME: …………………………………………….ADM.NO: …………….CLASS: ..……….**

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

**END OF TERM 1 2023**

**INSTRUCTIONS TO CANDIDATES.**

1. **This paper consist of six questions.**
2. **Answer only five questions in the writing material provided.**
3. **Indicate clearly the questions answered.**

**For Examiners use only.**

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| --- | --- | --- | --- | --- | --- | --- |
| **1**  | **2** | **3** | **4** | **5** | **6** | **Total**  |
|  |  |  |  |  |  |  |

1. (a) Explain five factors that encourage entrepreneurial development in Kenya. (10mks)

(b) Highlight five characteristics of an efficient tax system. (10mks)

1. (a) Dr Walden would like to pass a message to a firend. Explain five factors he is to

 consider in choosing the most appropriate means of communication to use. (10mks)

(b) Describe any five source of document that a business may have access to. (10mks)

1. (a) Explain five benefits of direct production. (10mks)

(b) The following information relates to Maralal Traders for the month of May 2014.

 May 1: Balance brought forward

 Cash shs 180,000

 Bank shs 450,000 (Cr)

 3: received a cheque of 1,500,000 from Mpasha, a debtor

 7: Cash sales shs 280,000

 11: Jolloimat, a creditor of shs 600,000 was paid by cheque of sh

 400,000 and the balance by cash

 14: Received commission in cash shs 150,000

 17: A debtor, Leteipa, paid his account of 185,000 by cheque less 2%

 cash discount.

 19: Paid the following expenses by cheque:

 Rent shs 75,000

 Electricity shs 32,000

 Water shs 25,000

 21: Withdrew shs 100,000 from bank for personal use.

 24: Paid cash shs 133,280 to Kinai after deducting a cash discount of

 2%

 25: Received a cheque of sh 200,000 from Kiyapi, a debtor

 28: Paid salaries shs 120,000 by cheque

 31: Banked all cash except shs 50,000

**Required:**

Record the above transactions in a three column cash book. (10mks)

1. (a) Explain five differences between private limited companies and partnerships forms of business units. (10mks)

(b) Explain clearly with aid of a diagram the change of equilibrium as a result of increase in supply of a commodity. (1omks)

1. (a) Explain five challenges that an underpopulated country may experience. (10mks)

(b) Explain five measures that a wholesaler would take to ensure smooth running of his warehouse. (10mks)

1. (a) Highlight four circumstances under which a cheque may be dishonoured. (8mks)

(b) The following trial balance related to Kimani;s business as at 31st December 2012

 DR(SHS) CR(SHS)

Stock on 1st January 2003 60,000

Purchases and sales 400,000 580,000

Returns 20,000 50,000

Debtors and creditors 65,000 40,000

Premises 540,000

Machinery 200,000

Fixtures and fittings 100,000

Carriage outwards 8,000

Wages and salaries 30,000

Discounts 25,000 32,000

Commissions 16,000 14,000

Cash in hand 70,000

Capital 818,000

 1,534,000 1,534,000

**Required:**

1. Prepare a trading profit and loss account for the period ended 31st December 2012 and a balance sheet as at that date if the closing stock was worth shs 70,000 (12mks)