**FORM FOUR BUSINESS STUDIES**

**END TERM ONE**

**565/2**

**PAPER 2**

**Instructions to the candidates.**

Choose any five questions. All questions carry equal marks.

1. (a) Highlight five characteristics of an efficient tax system. (10mks)
2. Differentiate between a public limited company and a public corporation. (10mks)
3. (a) Explain clearly the malpractices by traders against which consumers may need protection by the government. (10mks)

(b) Explain clearly with the aid of a diagram the change in equilibrium as a result of a change in demand of a commodity. (10mks)

1. (a) Discuss five benefits that a customer may get by using Automated Teller Machine (ATM) for financial transactions. (8 mks)

(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 (12 mks)
2. (a)Explain clearly the problems associated with expenditure approach method in measurement of

 national incomes. (10mks)

1. Outline five reasons why ethical practices is necessary in product promotion. (10mks)
2. (a) Jane,a petty cashier was given Sh ,2000 on 1st June 2005. During the month, she

made the following payments:

2005

 June 2 Stationery Sh 100, staff tea Sh 80.

5 Telephone bill Sh 50, postage stamps Sh 100.

8 Travelling Sh 200, telephone Sh 100.

10 Stationery Sh 50, staff tea Sh 100.

15 Postage stamps Sh 50, travelling Sh 100.

20 Sundry expenses Sh 100.

23 Stationery Sh 80, telephone Sh 40.

25 Travelling Sh 50, sundry expenses Sh 100.

28 Envelopes Sh 20, staff tea Sh 50.

30 Adhiambo, a creditor, was paid Sh 100.

Use the following analysis columns to prepare a petty cash book:

Stationery, Staff tea, Travelling. Telephone, Sundry expenses. Ledger accounts. (12 mks)

 (b) Explain five demerits that a country may suffer when the government becomes a major investor

 in business. (8 mks)

1. (a) Explain the role played by insurance industry in promoting the development of Kenyan economy. (10mks)
2. Explain clearly the tools of monetary policy used by the central bank to control inflation. (10mks)