**END-TERM TWO EXAMINATIONS**

**565/1- Business Studies - Paper – 2**

**FORM FOUR**

**Time – 2 ½ Hours**

**Name …………………………………………….……… Admission Number …………….**

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

**INSTRUCTIONS TO CANDIDATES**

1. Write your name and Admission number in the spaces provided above.
2. Write the date of examination in the spaces provided above.
3. Answer **ANY FIVE** questions from this paper.

**FOR EXAMINER’S USE ONLY**

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

1. (a) Outline **five** benefits of transporting petroleum by pipeline transport to our country. (10mks)

 (b) Describe **five** factors that lead to a higher level of national income in a country. (10mks)

2. (a) Recently there has been a general rise in the price of consumer goods and services in Kenya. Explain five negative effects of this trend. (10 marks)

(b) The table below shows the terms of trade for country A from the year 2006 to 2009.

|  |  |
| --- | --- |
| Year | Terms of trade (%) |
| 2006200720082009 | 80777468 |

Explain five factors that may have accounted for the trend in terms of trade of country A above. (10 marks)

3. (a) Explain five factors that influence the amount of money held by an individual for transactional motive. (10 marks)

(b) On 1st June 2018 Happy Traders had cash in hand shs.5,000 and cash at Bank shs7,500.

The following transactions took place during the month.

June 2: Bought goods in cash sh750

June 4: Paid salaries by cash shs. 3,750

June 5 Received cheques from the following debtors after allowing a 2% discount in each case, Kamau sh. 490, Jane Sh. 980.

June 8: Paid the following accounts by cheque in each case deducting a 5% discount Otieno sh.1,500, Wanjiku sh.600.

June 12: Bought office machinery by cheque shs.2,500

June 20: Withdrew cash sh.500 for private use.

June 25: Cash sales sh.1000

June 26: Banked cash amounting to sh.500

June 29: Received shs.1,500 cash from Wanjohi a debtor.

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

4. a) Highlight five channels for distributing fish from Lake Victoria to the Kenyan consumer. (10 marks)

b) Explain five benefits that will accrue to a trader who sells goods on a cash basis only (10 marks)

5. a) Explain five reasons why mobile banking services are becoming increasingly popular in Kenya (10 marks)

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

6. (a) Highlight four differences between a public limited company and a public corporation. (8 marks)

(b) The following trial balance was extracted from Milka traders on 31st Dec 2020.

|  |  |  |
| --- | --- | --- |
|   | Dr | Cr |
|  | Sh | Sh |
| Capital |   |  280,000.00  |
| Stock |  25,000.00  |   |
| Machinery |  250,000.00  |   |
| Motor vehicle |  87,000.00  |   |
| Purchase |  360,000.00  |   |
| Sales |   |  600,000.00  |
| Returns inwards |  40,000.00  |   |
| Returns outwards |   |  20,000.00  |
| Discount received |   |  5,000.00  |
| Carriage inwards |  2,000.00  |   |
| Carriage outwards |  3,000.00  |   |
| Sales Commission |  80,000.00  |   |
| General expenses |  88,000.00  |   |
| Debtors |  18,000.00  |   |
| Creditors |   |  49,000.00  |
| Rent |  1,000.00  |   |
|  |  954,000.00  |  954,000.00  |

Additional information; Closing stock was sh. 22000

Prepare Milka traders Trading, profit, and loss account for the year ending 31/12/2020. (12 marks)