**TEACHER.CO.KE**

**OPENER TERM ONE EXAMS**

**2022**

**565/2**

**FORM FOUR BUSINESS STUDIES PAPER 2**

**NAME……………………………………………………………..CLASS……………ADM………….**

**INSTRUCTIONS**

*1. This paper consist of six questions.*

*2. Answer any* ***five*** *questions*.

1a) There has been a decline in the demand for New cloths in the market recently. Explain five factors that may have caused this trend. (10mks)

 b) Explain the procedure for obtaining an insurance policy. (10mks)

2a) Explain five measures that would be taken to ensure smooth functioning of a warehouse. (10mks)

 b) The balances below were extracted from the books of Karanja Traders as

 at 1st June 2017.

 shs.

Equipment 320,000

Stock 180,000

Bank 104,000

Cash 20,000

Capital 544,000

Creditors 80,000

During the first week of June 2017 the following transactions took place.

2017:

June 2 - Karanja Traders introduced additional funds into the business by depositing sh. 76,000 into business bank account.

 3 -Purchased a motor vehicle from CMC Motors worth sh. 400,000 on credit.

 5 -Paid a creditor sh. 12,000 cash.

 6 -Sold goods on credit to Anita sh. 50,000

 7 -Bought equipment sh. 100,000 by cheque.

Required:

Prepare the balance sheet of Karanja Traders as at 7th June 2017 showing the items in their relevant classes. (10mks)

3a) Highlight **five** reasons why the government may find it necessary to participate in business activities. (10mks)

 b) Explain five reasons why it is hard to fully satisfy human wants. (10mks)

4a) Explain five reasons why it is important for an entrepreneur to have a business plan. (10mks)

 b) Explain five ways in which the stock exchange market facilitates the growth of the country’s economy. (10mks)

 5a) Despite the economies of scale enjoyed by large firms, some firms continue to operate on small scale basis. Explain five reasons. (10mks)

 b) Explain five factors that a trader should consider before giving credit. (10mks)

6a) Explain **four** benefits that will accrue to the Kenyan government when drilling of Turkana oil wells will be completed. (8mks)

 (b) On 1st’March 2014,Kendi had cash in hand sh.7800 and a bank overdraft of shs.23,400.During the month, the following transactions took place:

March 3: Cash sales sh6,500 paid direct into the bank.

 “ 4: Bought goods for shs.15,000 and paid by cheque.

 “ 6: Cash sales sh.50,000.

 “ 9: Received a cheque for Sh.76,500 from Amolo in settlement of his debts.

 “ 13: Paid insurance premium sh. 16,000 in cash.

 “ 14: Paid Kamotho by cheque Sh.9,700 in full settlement of his account having deducted 3% cash discount.

 “ 17: Cash sales Sh.150, 000 paid direct to bank.

 “ 21: Withdrew Sh 30,000 from bank for office use.

 “ 23: Received a cheque of sh 23,750 from Rotich in full settlement of his account less 5% cash discount.

 “ 25: Paid wages of shs. 20,000 in cash.

 “ 26: Cheque received fromAmolo was dishonored.

 “ 30:Banked all cash except Sh 3,000.

Prepare a three-column cash book duly balanced. (12mks)