

NAME..... ADMISSION NO. ....

CLASS .....SIGNATURE:..... DATE:.....

565/2

**BUSINESS STUDIES**

**PAPER 2**

**June 2022**

**TIME: 2 ½ HOURS.**

**SUKELEMO PRE- MOCK EXAM 2022**

*Kenya Certificate of Secondary Education (K.C.S.E)*

**INSTRUCTIONS TO CANDIDATES**

- (a) Write your name and admission number.
- (b) Sign and write the date of the examination.
- (c) This paper consists of **six** questions.
- (d) Answer **any five** questions.
- (e) Candidates should answer questions in English.

<b>Question</b>	<b>Maximum score</b>	<b>Candidate's score</b>
	20	
	20	
	20	
	20	
	20	

*Total Score*

## QUESTIONS

- 1 a). Explain five factors that may promote entrepreneurship in Kenya. (10mks)
- b). Country X has been experiencing low national income. Explain five possible reasons that may have contributed to this situation. (10mks)
2. a). Explain five circumstances under which goods may be transported by use of container. (10mks)
- b). On 1<sup>st</sup> September 2015, Miriam had sh 55,000 in hand and sh. 250,000 in bank. During the month the following transactions took place.
- Sep 2:** Cash sales banked sh 35,260
- Sep 3:** Bought ribbons in cash sh 4,500
- Sep 8:** Paid Wangila, a creditor sh 94,000 by cheque in full settlement of his account after deduction 6% cash discount.
- Sep 12:** Received a cheque for sh 58,800 from Wetu after allowing her cash discount of Sh. 1,200
- Sep 15:** Paid salaries of sh 34,000 in cash
- Sep 25:** Withdrew sh 50,000 from bank for office use.
- Sep 28:** Anyango a debtor paid her account of sh 75,000 by cheque less 10% cash discount
- Sept 30:** Deposited all the cash into the bank except sh 13,700
- Prepare a three column cash book and balance it off.** (10mks)
3. a). Explain five challenges that may be experienced by a country whose population is made up of large proportion of young people. (10mks)
- b). Explain five limitations of using a trial balance as a proof that book keeping has been carried out without errors. (10mks)
4. a). Explain five reasons for government involvement in business activities.
- b). The following Trial Balance was extracted from the books of Mwangi Traders on 31<sup>st</sup> December, 2005. (10mks)

**Mwangi Traders**  
**Trial Balance**  
**As at 31<sup>st</sup> December, 2005**

	<u>Dr (sh).</u>	<u>Cr (sh)</u>
Purchases	70,000	
Carriage Outwards	4,000	
Stock 1/1/2005	12,500	
Sales		95,000
Fixed Assets	82,000	
Creditors		8,500
Debtors	10,500	
Salaries	14,000	
Bank Overdraft		7,500
Returns	1,500	
Cash In Hand	2,500	
General expenses	5,200	
Capital		88,800
	202,200	202,200

**Additional Information**

- i). Closing stock was valued sh 6,500
- ii). Salary outstanding was sh 2,800

**Prepare the following**

- i). Trading profit and loss account for the period ended 31<sup>st</sup> December, 2005. (6mks)
  - ii). Balance sheet as at 31<sup>st</sup> December, 2005. (4mks)
5. a). Outline five circumstances under which an insured person may not be compensated in the event of loss. (10mks)
- b). Explain five non-tax internal sources of revenue to the government. (10mks)
6. a). Explain five roles of commercial banks in the development of a country's economy. (10mks)
- b). Explain five differences between private limited companies and public limited companies. (10mks)

**MARKING SCHEME**  
**BUSINESS STUDIES PAPER 2**  
**SUKELEMO JUNE, 2022**

**1.(a) Explain five factors that may promote entrepreneurship. (10marks)**

- Availability of finances which supports the growth / expansion / operation of the business.
- Availability of security that ensures safety of business property.
- Availability of market / demand where people can sell goods/services to satisfy their needs.
- Good infrastructure / roads that facilitate movement of goods to the market.
- Political stability that creates a conducive environment for starting / running a business.
- Healthy / fair competition that the owner of the business can cope with / withstand.
- Favourable government policies / government support that may encourage starting / expansion of business venture.
- Presence of role models / successful business people that inspires the youths to go into business.
- Development of positive entrepreneurial culture through early exposure to business activities / that values individuals who are successful entrepreneurs.
- Relevant education / training in the curriculum which prepares the youths to become entrepreneurs.
- Good governance that ensures accountability / transparency in conduct of business activities.
- Availability of appropriate technology that can lead to production of desired quality /quantity of goods – Need for independence / self-reliance through earning of income

**b). Country X has been experiencing low national income. Explain five possible reasons that may have contributed to this situation.**

- unskilled /low Labour supply-low quality/quantity of workforce in country lead to low productivity thus low national income
- low capital lack of machinery tools and equipment/poor quality capital leads to low quality and quantity of goods and services hence low national income
- political instability-insecurity may lead to closure of firms hence low quantity of goods produced

-negative attitude of citizens towards work-negative attitude towards work reduces productivity of goods hence low national income

-Large size of subsistence sector-the output-the output maybe be underestimated leading to low national income

-Lack of entrepreneurship-inability to start firms leads to low productivity hence low national income

-Low natural resource endowment-low capacity to produce

-Low level levels of foreign investment-low production low national

**2.a). Explain five circumstances under which goods may be transported by use of containers.**

a) -where goods are highly valued so as to minimize the risk of loss--containers are sealed at the source reducing risk of theft

- Where specialised machines are available-containers requires special facilities for loading and offloading equipment

-where goods to be transported are special-containerization have special facilities for carrying special goods such as flammable and perishable goods

-where the there is need to cut down insurance cost-containerization reduces risks of loss hence reducing cost of insurance

-Where goods to be transported are regular in shape-making –hence saving on space

-Where goods are bulky-bulky goods are transported using containers in sea

-where the firm can afford the the cost of containers in order to enhance operation

**(b) b).On 1<sup>st</sup> September 2015, Miriam had sh 55,000 in hand and sh. 250,000 in bank. During the month the following transactions took place.**

Sep 2: Cash sales banked sh 35,260

Sep 3: Bought ribbons in cash sh 4,500

Sep 8: Paid Wangila, a creditor sh 94,000 by cheque in full settlement of his account after deduction 6% cash discount.

Sep 12: Received a cheque for sh 58,800 from Wetu after allowing her cash discount of sh 1,200

Sep 15: Paid salaries of sh 34,000 in cash

Sep 25: Withdrew sh 50,000 from bank for office use.

Sep 28: Anyango a debtor paid her account of sh 75,000 by cheque less 10% cash discount.

Sept 30: Deposited all the cash into the bank except sh 13,700

Prepare a three column cash book and balance it off. (10mks)

### THREE COLUMN CASH BOOK

Date	Details	L.F	Discount Allowed	Cash	Bank	Date	Details	L.F	Discount Received	Cash	Bank
<b>2015</b>						<b>2015</b>					
Sep 1	Balance	b/d		55,000	250,000	Sep 3	Ribbons			4,500	
Sep 2	Sales				35,260	Sep 8	Wangila		6,000		94,000
Sep 12	Wetu		1,200		58,800	Sep 15				34,000	
Sep 25	Bank	C		50,000		Sep 25	Cash	C			50,000
Sep 28	Anyango		7,500		67,500	Sep 30	Bank			52800	
Sep 30	Cash	C			52,800						
							Balance	C/d		13,700	320,360
			<b>8,700</b>	<b>105,000</b>	<b>464,360</b>					<b>105,000</b>	<b>464,360</b>
	Balance	b/d		<b>13,700</b>	<b>320,360</b>						

3. **a). Explain five challenges that may be experienced by a country whose population is made up of large proportion of young people.**

(a) increase in crime-idleness may result to illegal means as they look for means of survival

-Dependency ratio will rise- economically active population will shoulder bigger economic burden

Reduced investment /savings-reduced –investment will decline as a result of low level of unemployment/ high dependency ratio

-low per capita income-since national income is spread through a large non-contributing population the living standards will be low

Low labour supply-many young people may not attain the working age hence low production of goods

Increased unemployment –jobs don't match the demand-

**b). Explain five limitations of using a trial balance as a proof that book keeping has been carried out without errors.**

- ) -Error of original entry- arises from misreading of figures and amount being posted in the ledger
- Error of omission-a transaction is not recorded in the books of account
- Error of commission-an entry made in in the wrong account of the same class with the correct one
- Error of principle-a transaction is recorded in the wrong account of a different class from correct
- Error of compensation-error in both the debit and credit balances are of equal magnitude so that they cancel out

Errors of complete reversal- arises from the complete reversal of the double entry of transaction i.e account too be debited is credited and vice versa

**4a). Explain five reasons for government involvement in business activities.**

-To promote general welfare of the public – Wellbeing of a country is a major concern of the government therefore the government must get involved in business activities to promote health,safety or general welfare of the public.

- Prevent monopolies- Monopoly is a situation in which there is a single producer of goods and services. It leads to unfair pricing and thus the government checks on them by getting involved in business.

- Provision of sensitive goods and services- The Kenyan government participates in business activities to provide sensitive goods services which cannot be left to the private sector e.g firearms.

- Provision of essential goods and services- The Kenyan government offers essential products if they are not profitable e.g provision of water and electricity.

- Prevent consumer exploitation- The Kenyan government gets involved in business to prevent traders from exploiting consumers in terms of wrong pricing, poor quality products and unethical business practices.

-Creating employment- Government comes up with various business projects that give jobs to the individuals of the country.

b). The following Trial Balance was extracted from the books of Mwangi Traders on 31<sup>st</sup> December, 2005.

**Mwangi Traders**  
**Trial Balance**  
**As at 31<sup>st</sup> December, 2005**

	<u>Dr (sh).</u>	<u>Cr (sh)</u>
Purchases	70,000	
Carriage Outwards	4,000	
Stock 1/1/2005	12,500	
Sales		95,000
Fixed Assets	82,000	
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Returns	1,500	
Cash In Hand	2,500	
General expenses	5,200	
Capital		88,800
	<b>202,200</b>	<b>202,200</b>

**Additional Information**

- i). Closing stock was valued sh 6,500
  - ii). Salary outstanding was sh 2,800
- Prepare the following



**i). Trading profit and loss account for the period ended 31<sup>st</sup> December, 2005. (6mks)**

**Mwangi Traders  
Trading Profit and Loss Account  
For the period ended 31/12/2005**

<b>Dr</b>			<b>Cr</b>	
	<b>Sh</b>	<b>Sh</b>		
Opening Stock		12500	Sales	95,000
Add Purchases	7000		Less Returns Inwards	1,500
Less Returns Outwards	2400	67600	Net sales	93,500
Cogas	80,100			
Less Closing Stock	6,500			
Cost of Sales	73,600			
Gp c/d	19,900			
	93,500			<u>93,500</u>
General Expenses	5,200		G.P b/d	19,900
Carriage outwards	4,000			
Salaries	14,000			
Outstanding salaries	<u>2,800</u>		Net Loss c/d	<u>6,100</u>
	<u>26,000</u>			<u>26,000</u>
Net loss b/d	6,100			

**ii). Balance sheet as at 31<sup>st</sup> December, 2005.**

**(4mks)**

**Mwangi Traders  
Balance Sheet  
As At 31/12/2005**

Fixed Assets	82,000	Capital	88,800
Current Assets		Less net loss	6,100
Stock	6,500		82,700
Debtors	10,500	Current Liabilities	
Cash in hand	2,500	Creditors	8,500
	19,500	Bank Overdraft	9,500
		Outstanding Salaries	2,800
	101,500		18,800
			<u>101,500</u>

**5. a). Outline five circumstances under which an insured person may not be compensated in the event of loss.**

(10mks)

-If the insured has no insurable interest in the property at the time of loss hence did not suffer the financial loss directly.

-If the policy was not in-force due to non-payment of premiums at the time the loss occurred.

-if the insured purposely caused the loss i.e if the loss occurred due to willful action.

-If the insured fails to claim compensation within the stipulated period of time.

-If the insurer is insolvent hence unable to meet financial obligations.

-Failure to observe the principle of utmost good-faith- if the insured did not disclose all the relevant facts and it is discovered.

-If the insured fails to follow the laid-down procedure for claiming compensation

**b). Explain five non-tax internal sources of revenue to the government. (10mks)**

-Fees-Amounts received by the government after rendering direct services to its citizens e.g licensing businesses

-Fines and penalties- Imposed by judicial system (courts and tribunals) on individuals or the firms who break the law of the land

Incomes from government owned properties- These include land for which rates are charged and houses for which rent is charged.

-Profits and dividends from public corporations- When revenue is earned from these corporations the profits go to the government.

-Loan repayment- Recovery of principal amount and interest on loans lent out by government financial agencies e.g KIE

-Escheats- If a person dies without a proper will and has no legal heirs, the property of such a person revert to the government

-Income from sale of government property and ownership in companies (shares)

**6. a). Explain five roles of commercial banks in the development of a country's economy.**

-Promotes savings- savings provide funds which can be changed into useful development projects.

-Source of capital- Commercial banks give loans to firms and individuals that are used in financing various business projects.

-Stimulating economic activities- Commercial banks may do this by giving business advices to its clients and also by lending to them.

-Provision of employment- Commercial banks provide employment opportunities to individuals who work in various departments of the bank hence earn income.

-Act as guarantors and referees- Banks acts as guarantors on behalf of their clients who wish to engage in credit transactions or secure loans from other financial institutions

-Effect foreign exchange payment- Commercial banks provide foreign exchange and the means through which traders who engage in international trade may effect payments.

**b). Explain five differences between private limited companies and public limited companies.**

<b>Private Ltd Co.</b>	<b>Public Ltd Co.</b>
i) Formed by a minimum of 2 and a maximum of 50 shareholders	i) Formed by a minimum of 7 shareholders with no set maximum
ii) Restricts transfer of shares	ii) Shares are freely transferable
iii) Do not invite subscription for shares and debentures from members of public	iii) Invites subscription for shares and debentures from members of public
iv) Can be managed by one director	iv) Managed by board of directors
v) Start business after receiving certificate of registration/ incorporation	v) Start business after receiving certificate of trading
Vi) Audited financial statements need not be published and filed with the registered of companies	vi) Audited financial statements must be published and filed with register of companies