

## **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)  
  
(b) Differentiate between a public limited company and a public corporation. (10mks)
2. (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)
3. (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 31<sup>st</sup> December 2012

	DR(SHS)	CR(SHS)
Stock on 1 <sup>st</sup> 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		<u>818,000</u>
	<u>1,534,000</u>	<u>1,534,000</u>

REQUIRED:

- (a) Prepare a trading profit and loss account for the period ended 31<sup>st</sup> December 2012 and a balance sheet as at that date if the closing stock was worth shs 70,000 (12 mks)
4. (a) Explain clearly the problems associated with expenditure approach method in measurement of national incomes. (10mks)
- (b) Outline five reasons why ethical practices is necessary in product promotion. (10mks)
5. (a) Jane, a petty cashier was given Sh ,2000 on 1<sup>st</sup> 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)
6. (a) Explain the role played by insurance industry in promoting the development of Kenyan economy. (10mks)
- (b) Explain clearly the tools of monetary policy used by the central bank to control inflation. (10mks)