



565/ 2

Business Studies
(Theory)
T2 -2024 – 2 hours

Paper 2

**POST MOCK,
2024**

Name Adm Number.....

Candidate's Signature Date

INSTRUCTIONS TO CANDIDATES

1. Write your name, Adm No and index number in the spaces provided above.
2. Write the date of examination and sign in the spaces provided above.
3. This paper consists of **6** questions.
4. Answer **any five** questions.
5. All questions carry equal marks.
6. Candidates should check to ensure that all pages are printed as indicated and no questions are missing.

FOR EXAMINER'S USE ONLY

Question	Maximum score	Candidate's score
1	20	
2	20	
3	20	
4	20	
5	20	
6	20	
Total score		

1. (a) Highlight five ways in which Kenyan government can provide an enabling environment to the local traders. (10 marks)

(b) Explain five problems encountered in calculating national income using the output approach (10 marks)

2. a) Explain five factors that may be considered morally right when carrying out business. (10 marks)

b) Explain five challenges that may face a firm due to its expansion. (10 marks)

3. a) Explain five types of indirect taxes that are levied in Kenya. (10 marks)

(b) The following transactions relate to Koko Traders for the month of May 2021:

May 2: Sold goods on credit to Chui shs.12,000 and Jane shs.16,000

May 8: Bought goods on credit from Shah Traders shs.40,000

May 12: Chui returned goods worth shs.2,000

May 15: Purchased goods on credit from Koki sh.34,000 and Peter shs.31,050

May 20: Goods worth sh.6,000 were returned to Shah traders and goods worth sh. 3,000 to Koki

May 23: Goods sold on credit to Chui sh.8,000, Tom sh. 11,000 and Joseph shs.13,000

May 25: Bought goods on credit from Koki shs.17,000 and Shah Traders shs.25,000.

May 27: Goods returned by Boyo shs.2,000

May 30: Purchased a motor car on credit worth sh.500,000 from KVM

Prepare the relevant journals and balance them off. (10 marks)

4. (a) Explain five purposes of public finance in an economy. (10 marks)

(b) Highlight five circumstances that allow the existence of a monopoly in an economy. (10 marks)

5. a) Explain **five** circumstances under which a country may restrict international trade. (10marks)

b) Explain five types of direct taxes. (10marks)

6.a) The following Trial Balance was extracted from the books of Kamau Traders as at 31st December 2020.

Details	<u>Dr (sh)</u>	<u>Cr (sh)</u>
Opening stock	30,000	
Purchases / sales	275,000	390,000
Debtors	47,000	
Commission received		36,000
Returns	10,000	6,000
Carriage	24,000	
Advertising	3,000	
Salaries	19,000	
Rates	12,000	
Premises	450,000	
Machinery	180,000	
Loan		210,000
Insurance	20,000	
Discounts	5,000	7,000
Drawings	25,000	
Cash in hand	40,000	
Cash at bank	250,000	
Creditors		52,000
Capital		<u>698,000</u>
	<u>1,390,000</u>	<u>1,390,000</u>

Additional information:

1. Closing stock sh 50,000
2. Carriage outwards was $\frac{1}{3}$ of total carriage.

Required:

(i) Prepare Kamau traders trading, profit and loss account for the period ended 31.12.2020. (6 marks)

(ii) Balance sheet as at 31.12.2020. (4 marks)

b) Labour is one of the basic factors of production. Outline five measures that a business can take to increase the productivity of its labour force. (10 marks)

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