**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**TIME: 2 HOURS**

**NZAUI SUB COUNTY FORM 4 ENTRANCE EXAM 2015**

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

**BUSINESS STUDIES**

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**Time: 2 Hours**

**INSTRUCTIONS TO CANDIDATES:**

* *This paper consists of* ***six*** *questions*
* *Answer any* ***five*** *questions.*
* *Write your answers in the answer booklet provided*
* ***All*** *questions carry equal marks*
* *This paper consists of 2 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing*

1. a) Explain five advantages of transporting oil products by use of a pipeline. (10marks)

 b) Mr. Hussein is a businessman dealing with sale of ex- Japan vehicles. Explain to him five factors to consider when drawing up a business plan. (10marks)

2. a) Explain five features that differentiate a public limited company from a partnership form of a

 business. (10marks)

 b) Explain five problems encountered in the measurement of National income using output approach in

 less developed countries. (10marks)

3. a) Identify and explain five ways in which insurance industry contributes to an economy. (10marks)

 b) Explain five benefits that a company gets from being quoted in the stock exchange market.(10marks)

4. a) With an aid of a diagram, explain how the equilibrium changes when the demand of a commodity

 increases. (8marks)

 b) Mwanzo Mpya traders started a business with sh. 400,000 in cash on 1st Jan 2014 and the following

 transactions took place:

 2014

 January 2: Deposited sh. 200,000 cash in the bank

 5: Bought stock from Amolo with worth sh. 20,000, paying sh. 10,000 in cheque and the

 balance to be paid later.

 6: Took sh.10,000 cash to pay school fees for his son .

 7: Paid salaries sh.40,000 by cheque.

 8: Sold goods for sh.40,000 cash.

 9: paid salaries sh.4000 by cheque

 Required :

 Enter the above transactions in Mwanzo Mpya traders ledger accounts and balance them off. (12marks)

5. a) Explain five reasons why a producer may sell goods through a wholesaler instead of selling directly

 to consumer (10marks)

 b) Makueni county has located fruit processing factory at Kalamba. Explain five factors that were

 considered in locating the firm. (10marks)

6. a) Explain five roles of business ethics to a business. (10marks)

 b) The following balance sheet relates to Chausiku traders.

|  |
| --- |
| Chausiku TradersBalance sheetAs at 1.1.2014 |
|  Building 120,000Debtors 50,000Cash 30,000 Motor vehicle 240,000Stock 60,000 500,000 | capital 140,000creditors 25,000Overdraft 45,000 Bank loan 290,000 500,000 |

 The following transaction took place during the month of January.

 1. Paid creditors sh. 10,000 in cash.

 2. Received cash sh. 38,000 from debtors.

 3. Bought office equipment sh. 32,000 in cash.

 4. Took goods worth sh. 10,000 from the business for personal use.

 By the end of January, Chausiku realized a net profit of sh. 84,000 and the bank loan had reduced to

 206,000.

 Required:

1. Balance sheet as at 31.1.2014 showing fixed assets current assets and short term liabilities. (10mks)