**HOLA SECONDARY SCHOOL**

**BUSINESS STUDIES**

**MID TERM EXAMINATION**

**YEAR 2012**

**TERM TWO**

**FORM THREE**

**PAPER TWO**

**TIME: 2 HOURS 30 MINUTES**

**NAME\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_CLASS\_\_\_\_\_\_\_\_\_ADM/NO.\_\_\_\_\_\_\_\_\_\_\_**

**INSTRUCTIONS:** Answer any five questions

1a). Outline five measures that the government of Kenya has put in place to protect consumers from unscrupulous business practices. (10mks)

b) Explain five problems that farmers encounter when they sell their products through marketing boards. (10mks)

2a) A company wants to launch its products in the local Kenyan market. Highlight five factors that should be considered by the Company when choosing the appropriate media through which to advertise its products. (10mks)

b) Highlight five ways in which an entrepreneur contributes to the production of goods. (10mks)

3a) The table below illustrate the demand and supply of a commodity.

|  |  |  |
| --- | --- | --- |
| ***Price (Shs)*** | ***Quantity Demanded (in Kg) per month.*** | ***Quantity Supplied (in Kg) per month*** |
| 15 | 80 | 30 |
| 20 | 70 | 40 |
| 25 | 60 | 50 |
| 30 | 50 | 60 |
| 35 | 40 | 70 |
| 40 | 30 | 80 |

Draw a DD-SS Curve and label it. (6mks)

What is the equilibrium price? (2mks)

What is the equilibrium quantity? (2mks)

b) Explain the meaning of the following terms as used in insurance. (10mks)

1. Uberrimae fidei. (2mks)
2. Indemnity (2mks)
3. Third party motor vehicle. (2mks)
4. Subrogation (2mks)
5. Contribution (2MKS)

4a) Explain any five factors that contribute to entrepreneurial practices in Kenya. (10mks)

b) Explain five advantages of a bonded warehouse to the importer. (10mks)

5a) Explain five disadvantages of containerization as a method of transporting products. (10mks)

b) Explain five reasons why a person would send a message by mail rather than by telephone. (10mks)

6a) Highlight three reasons that account for predominant direct production. (6mks)

b) The following trial balance was obtained from the books of Maringo traders on 30/6/2012.

**Dr Cr**

Gross profit 380,000

Closing stock 274,000

Capital 259,000

Drawings 83,000

Creditors 93,000

Premises 103,000

Debtors 123,000

Cash at Bank 33,000

Bank loan (1 year) 50,000

General Expenses 54,000

Commission received 20,000

Wages and salaries 132,000

**802,000 802,000**

**Prepare:**

Profit and Loss a/c for the year ended 30/6/2012.

Balance sheet as at 30/6/2012. (8mks)