**HOLA SECONDARY SCHOOL**

**MID TERM EXAMINATION**

**BUSINESS STUDIES**

**YEAR 2013**

**TERM ONE**

**FORM 3**

**PAPER 2**

**TIME: 2 HOURS 30 MINUTES**

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

**INSTRUCTIONS: ANSWER ANY FIVE QUESTIONS**

**1A)** Explain five reasons why a manufacturer would prefer to sue the radio instead of newspaper to advertise his production. (10mks)

b) Some retailers like African Retail Traders (ART), Argos, etc sell selected products to consumers on hire purchase (HP). Explain five disadvantages of hire purchase (HP) to a buyer. (10mks)

2a) The Kenyan government is in the fore front in promoting entrepreneurs. Discuss five factors that influence entrepreneurial practices. (10mks)

b) Consumers may protect them against exploitation by farming consumer associations. However these associations are not successful. Explain five limitations of consumer associations. (10mks)

3a) The following are terms used in insurance

1. Surrender value (2mks)
2. Premium (2mks)
3. Actuaries (2mks)
4. Annuity (2mks)

b) Of late, there are many companies that have been dissolved. Discuss five circumstances under which a company may be dissolved. (10mks)

4a) Hola Secondary School wants to purchase office machines. Discuss five factors that will influence Hola secondary School to choose the office machines. (10mks)

b) The cooperative movement has played an important role in Kenya’s economic growth. However, most of them are facing many problems. Explain Five problems faced by cooperatives in Kenya. (10mks)

5a) Discuss five functions of an entrepreneur in the production process. (10mks)

b) Kaseme wants to set up a warehouse at the upcoming Lamu Port. Discuss five essential (features and resources) that he should consider before setting up the warehouse. (10mks)

6. The following information is available from the books of KAA NGUMU Traders as at 31st December, 2013.

 **SHS**

Land 230,000

Creditor 72,000

Debtors 100,000

2 yrs Loan 320,000

Capital 536,000

Building 260,000

Bank 103,000

Vehicle 65,000

Cash 160,000

Overdraft 140,000

Stock 160,000

Required:

1. Prepare a balance sheet of Kaa Ngumu Traders as at 31st December, 2012.
2. During the first week of January 2013, the following transactions took place.
3. Sold stock worth shs. 60,000 for shs. 90,000 and a received a cheque of shs. 50,000 and the balance (shs. 50,000) by cash.
4. Paid part of the 2 yrs loans shs. 80,000 by cahs.
5. Bought extra stock shs 200,000 on credit.