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# BUSINESS STUDIES

Paper 2



Mar. 2022 – 2½ hours

672

Name ..... Index Number .....

Candidate's Signature ..... Date .....

### Instructions to candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above.
- (c) This paper consists of **six** questions.
- (d) Answer any **five** questions in the spaces provided after question 6.
- (e) All questions carry equal marks.
- (f) Non-programmable silent electronic calculators may be used.
- (g) **This paper consists of 16 printed pages.**
- (h) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**
- (i) **Candidates should answer the questions in English.**

### For Examiner's Use Only

Question	Maximum Score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
<b>Total Score</b>		

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1. (a) Explain **five** circumstances under which a producer may sell goods directly to the consumer. (10 marks)  
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- (b) Explain each of the following terms of sale as used in international trade: (10 marks)
- (i) Ex-works
  - (ii) Cost and Freight
  - (iii) FOB
  - (iv) Landed
  - (v) In Bond
2. (a) Explain **five** factors that may discourage entrepreneurship in Kenya. (10 marks)
- (b) Explain **five** demerits of indirect taxes. (10 marks)
3. (a) Explain **five** errors that may **not** be detected in a trial balance. (10 marks)
- (b) Explain **five** documents prepared by the seller after receiving an order up to the point of delivery. (10 marks)

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4. (a) Explain **five** reasons that may make a firm operate on a small scale. (10 marks)

(b) **PDF Compressor Free Version**  
The following information was extracted from the books of Ushirika Traders as at 31st December 2020.

Details	Ksh
Gross profit	94,000
Commission Received	32,000
Carriage Outwards	8,000
General Expenses	15,000
Discount Received	29,000
Total Fixed Assets	1,110,000
Insurance	17,000
Capital	490,000
Drawings	37,000
Long Term Liabilities	610,000
Discount Allowed	12,000
Commission Allowed	4,000
Current Liabilities	162,000
Current Assets	192,000
Salaries	22,000

(i) Prepare a Profit and Loss Account. (6 marks)

(ii) Determine:

I. Working capital (1 mark)

II. Return on Capital Employed. (3 marks)

5. (a) Explain **five** reasons that make it necessary for the Government to train business people. (10 marks)

(b) Explain **five** problems that the Kenyan Government may experience when implementing the Vision 2030. (10 marks)

6. (a) Explain **five** advantages of written communication. (10 marks)
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- (b) Use the transaction given below to prepare Patel Traders Two Column Cash Book for the month of February 2020. (10 marks)

1st Feb. : Had Ksh 1,200 cash in hand and a bank overdraft of Ksh 1000  
 2nd Feb. : Used cash to pay water bill Ksh 200, electricity Ksh 100 and wages Ksh 400  
 3rd Feb. : Received a cheque of Ksh 14,000 from Daisy.  
 5th Feb. : Sold goods worth Ksh 7,000 in cash.  
 7th Feb. : Paid for goods bought for resale worth Ksh 5,000 by cheque.  
 9th Feb. : Received a cheque of Ksh 10,000 from the Cooperative Society as earning from dividends.  
 10th Feb.: Withdrew Ksh 2,000 from the bank for family use.  
 13th Feb.: Received a cheque of Ksh 10,000 from Petro.  
 15th Feb.: Deposited Ksh 1,000 from the office into the business bank account.  
 17th Feb.: Paid Manu by cheque Ksh 1,000  
 27th Feb.: Used the money in the bank to purchase furniture leaving only a balance of Ksh 2,000



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