

School

Name.....Index no

565/2

BUSINESS PAPER 2 2018

TIME 2HOURS

Instructions to candidate;

(i) This paper consists of six questions

(ii) Answer any five questions in the spaces provided

For examiners use only

Question	1	2	3	4	5	6	Total
Marks							

1. (a) Explain five factors that an entrepreneur would consider before investing in a business opportunity (10mks)
- (b) Explain five circumstances under which a firm can acquire monopoly power (10mks)
2. (a) Explain five benefits that a member country may get from economic integration (10mks)
- (b) Outline the trends in product promotion (10mks)
3. (a) Outline five reasons why a farmer would choose to transport his produce by rail rather than road (10mks)

(b) On 1st January 2010 Mutunga traders had Shs 130,000 cash in hand and bank credit balance of Shs. 134,000. During the month, the following transactions took place.

Jan 2, Cash sales Shs 215,000

Jan 5, A debtor settled his account of Shs. 800,000 by cheque less 5% cash discount

Jan 15, Paid salaries Shs 40,000 in cash

Jan 20, Settled creditors account Shs 80,000 by cheque less 2% cash discount.

Jan 24, Deposited Shs 100,000 into bank from office cash

Jan 25, Cash sales banked directly Shs 200,000

Jan 26, Withdrew Shs 760,000 for private use.

Jan 31, Banked all the cash except Shs 50,000

Required,

Prepare three column cash book duly balanced.

(10mks)

4. (a) Outline four demerits of progressive tax (8mks).

(b) The following balances were extracted from the books of Bindii traders on 31/12/2017.

	Ksh
Land	4,64250,000
Sales	330,000
Opening Stock	35,000
Purchases	300,000
Commissions received	36,000
Carriage outward	30,000
Returns outwards	25,000
Carriage inwards	15,000
Returns inwards	10,000
Closing Stock	?
Debtors	65,500
Bank	200,000
Capital	783,250
Creditors	105,500
Cash	60,000

Additional information,

Margin stated at 20%

Prepare

i) Trading profit and loss a/c for the year ended 31st Dec 2017 (8 Marks)

ii) Balance sheet as at 31st Dec 2017. (4 Marks)

5. (a) Highlight five principles that guide the operations of a cooperative society (10mks).

(b) With an aid of a well labeled diagram, explain the effect on the equilibrium price and quantity due to increase in demand and supply and supply respectively (10mks).

6. (a) Explain five monetary policies that can be used to control inflation (10mks).

(b) Highlight five differences between a single shop and a tied shop (10mks).