

**NAME.....ADM.....CLASS.....**

**BUSINESS STUDIES, FORM 3, TERM 2**

**TIME: 2<sup>1</sup>/<sub>2</sub>hrs**

1. a) Discuss five factors that may influence entrepreneurial practice positively in the country. (10mks)

- **Positive / good societal attitude**
- **Government support**
- **Good peer influence**
- **Proper education and training**
- **High number of successful entrepreneurs**
- **High number of financial institutions**
- **High level of personal motivations**

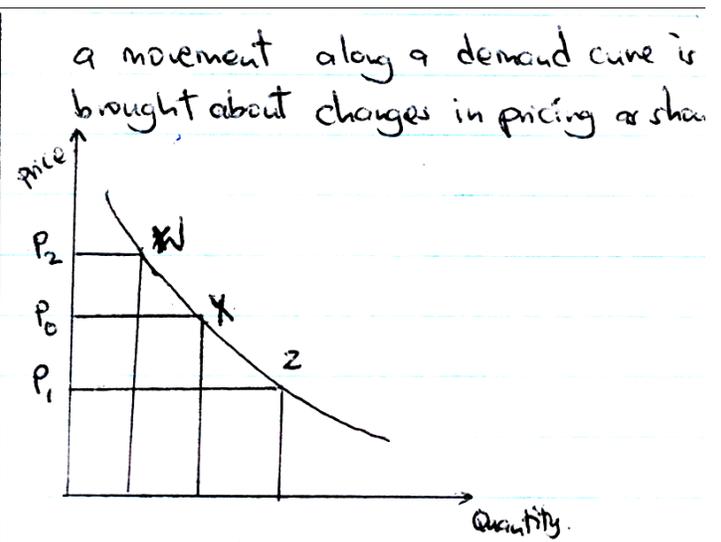
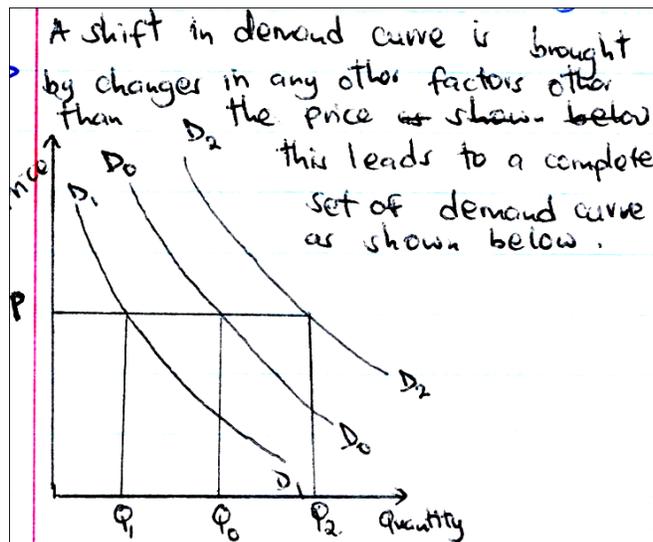
b) Explain five principals of insurance. (10mks)

- **Principal of insurable interest**
- **Principal of indemnity**
- **Principal of utmost good faith**
- **Principal of contribution**
- **Principal of subrogation**
- **principal of proximate cause**

2. a) Explain five benefits of matatu reforms in transport sector.(10mks)

- **Less congestions**
- **Reduction in accidents**
- **Adequate insurance**
- **Passengers confidence and safety**
- **More revenue to the government**
- **Order in the terminals as illegal touts evacuated**
- **Less pollutions.**

b) Using a well labeled diagram, differentiate between shift in demand curve and movement along the demand curve. (10mks)



It shows that shift from  $D_0$  to  $D_1$  shows that there is decrease in quantity demand with price remaining constant. A shift from  $D_0$  to  $D_2$  means that even if the price remained constant the quantity demand increases.

If price increase from  $P_0$  to  $P_2$  the quantity demand decreases and the price quantity combination is at point W. If price decreases from  $P_0$  to  $P_1$  the quantity demand increases and the price quantity combination is at point Z.

3. a) Muema is planning to construct a warehouse for renting. Explain five measures that he may take to ensure its smooth operation. (10mks)

- Suitable location to receive and issue goods
- Proper building suitable to the type of goods to be stored
- Equipment and facilities for handling goods such as forklifts
- Safety equipment for personal protection
- Accessibility to its users near transport system
- Enough space for easy movement and accommodation of goods
- Well trained staff for proper management
- Required of the law

b) Explain five methods used to distribute imported manufactured goods. (10mks)

- Foreign manufacturer → Local consumer
- Foreign manufacturer → Foreign agent/ exporter → Local agent → Local consumer
- Foreign manufacturer → Foreign agent → Local agent → local consumer
- Foreign manufacturer → local agent → local consumer
- Foreign manufacturer → foreign agent → local agent → local wholesaler → local consumer
- Foreign manufacturer → own retail outlet → local consumer

4. a) Outline five measures that the Kenya government may take to reduce unemployment. (10mks)
- **Increase government expenditure to stimulate aggregate demand hence the level of production**
  - **Encourage local private investment to increase productivity**
  - **Diversify the Kenyans economy**
  - **Protect local industries from foreign competition in order to maintain employment level**
  - **Find market for locally produced goods through aggressive export promotion in order to expand production capacities of local industries.**
- b) Explain five measures that the government may take to increase supply of maize in the market. (10mks)
- **Increase subsidies the government parts of the pretition cost, making production move affordable.**
  - **Eliminating quotas on production – by not limiting the quality of good to be produced/ producers are free to supply as much as they can to the market**
  - **Favourable price control – the government fixes the prices of produce at high level which encourages emergence of new producers**
  - **Improving acces to credit – the government extends loans to producers through bodies like KIE/IDDG/ICDG to boast investment in production**
  - **Facilitate marketing – the government may form agencies that buy produce to cushion producer.**
5. a) Describe any five types of business activities. (10mks)
- The following are the main type of business activities**
- **Extraction – Obtaining goods from their natural settings involved farming lumbering fishing etc**
  - **Processing – Making resources move usefull without combining them with other eg maize milling.**
  - **Manufacturing – Combining a number of resources to come up with a final product such as banking.**
  - **Construction – Building of structures houses roads etc**
  - **Direct personal services – Teaching nursing etc**
  - **Commercial services – banking warehousing etc**
- Any five business practices well elaborated @2mks.**

b) Munguti, who runs a retail store, had the following assets and liabilities as at 31<sup>st</sup> March 2016.

Premises	Sh. 100,000
Debtors	Sh. 4,000
Creditors	Sh. 16,000
Stock	Sh. 2,000
Cash at bank	Sh. 60,000
Cash in hand	Sh. 20,000
Loan from AFC	Sh. 50,000

During the month of April 2015, the following transactions took place

April 1<sup>st</sup> sold goods at cost Sh. 2000 cash

April 2<sup>nd</sup> Paid creditors Sh. 8000 cash

April 10<sup>th</sup> received Sh. 2000 from his debtors in cash

April 15<sup>th</sup> Bought a motor van for Sh. 35,00 paying by cheque

April 25<sup>th</sup> purchased goods worth Sh. 15000 and paid by cheque

Required: Prepare a balance sheet as at 25<sup>th</sup> April 2015. (10mks)

MUMUGUTI RETAIL STORES	
BALANCE SHEET ✓✓	
AS at 25 <sup>th</sup> APRIL 2015	
<b>ASSETS</b>	<b>CAPITAL + LIABILITIES</b>
<u>Fixed Assets</u>	Capital 120,000 ✓
Premises 100,000 ✓	
Motor Van 35,000 ✓	<u>Long term liabilities</u>
135,000	Loan from AFC 50,000 ✓
<u>Current Assets</u>	<u>Short term liabilities</u>
Stock 15,000 ✓	creditors 8,000 ✓
Debtors 2,000 ✓	
Bank 10,000 ✓	
Cash 16,000 ✓	
43,000	
<u>178,000</u>	<u>178,000</u> ✓

20 ✓ each 1/2 (10 marks)

6. a) Describe the following terms as used in accounting.

- i) Assets - **Property of all kind owned by an individual, business or any other organization may be fixed or current (allow relevant examples)**
- ii) Credit transactions. - **Where goods or services are bought or sold and payment is made at a later date**
- iii) Networth of a Business. - **refers to owner claim what the owners of a business have contributed in running and sustaining business it constitutes owners contribution plus profits less drawings. (2mks)**
- iv) Ledger.- **a book of accounts where all transactions are recorded (2mks)**

b) Muinamo started a business on 1<sup>st</sup> March 2012 with a capital of 240,000 consisting of Sh. 130,00 in bank, Sh. 50,000 in cash and furniture worth Sh. 60,00. Transactions for the first week were as follows;

2012: March 2<sup>nd</sup> purchased a typewriter by cheque Sh. 20,000

March 3<sup>rd</sup> bought delivery van for Sh. 450,000 from Mwangaza motors on Credit

March 4<sup>th</sup> Bought stock worth Sh. 15,000 for cash

March 5<sup>th</sup> Purchased goods worth Sh. 18,000 from Kinyua on credit

March 6<sup>th</sup> sold goods worth Sh. 30,000 on credit to Menge

March 7<sup>th</sup> paid 12,000 to Kinyua by Cheque

March 7<sup>th</sup> received Sh. 4,000 for rent by cheque

Required: Record the above information in the relevant ledger accounts and balance them off on 7<sup>th</sup> March 2012. (10mks)

Capital a/c				Bank a/c			
Date	Details	L-F	Amount	Date	Details	L-F	Amount sh
				2002 March 1	Bank		130,000
				"	Cash		50,000
				"	Furniture		60,000
March 7 <sup>th</sup>	Balance c/d		240,000	March 7 <sup>th</sup>	Balance b/d		240,000
							240,000

Bank a/c				Typewriter			
Date	Details	L-F	Amount	Date	Details	L-F	Amount
2002 March 1 <sup>st</sup>	Capital		130,000	2002 March 2 <sup>nd</sup>	Typewriter		20,000
" 7 <sup>th</sup>	Rent		4,000	" 7 <sup>th</sup>	Kinyua		12,000
				" 7 <sup>th</sup>	Balance c/d		102,000
			134,000				134,000
March 7 <sup>th</sup>	Balance b/d		102,000				

Cash a/c				Purchases			
Date	Details	L-F	Amount	Date	Details	L-F	Amount
2002 March 1 <sup>st</sup>	Capital		50,000	2002 March 4 <sup>th</sup>	Purchases		15,000
				March 7 <sup>th</sup>	Balance c/d		35,000
			50,000				50,000
March 7 <sup>th</sup>	Balance b/d		35,000				

Dr. Furniture a/c				Cr.			
Date	Details	Folio	Amount shs	Date	Details	Folio	Amount shs
2002 March 1	Capital		60000				
			60000				
March 7	Balance	b/d	60000	March 7	Balance	c/d	60000
							60000

Dr. Typewriter a/c				Cr.			
Date	Details	Folio	Amount shs	Date	Details	Folio	Amount shs
2002 March 2	Bank		20000				
			20000				
March 7	Balance	b/d	20000	March 7	Balance	c/d	20000
							20000

Dr. Mwangaza Motors Creditors a/c				Cr.			
Date	Details	Ledger Folio	Amount shs	Date	Details	Ledger Folio	Amount shs
			450,000	2002 March 3	Delivery van		450000
			450,000				450,000
						b/d	450,000

Dr. Delivery van a/c				Cr.			
Date	Details	Ledger Folio	Amount shs	Date	Details	Ledger Folio	Amount shs
2002 March 3	Mwangaza cars motors		450000				
			450,000				
march 7	Balance	b/d	450,000	march 7	Balance	c/d	450,000
							450,000

Dr. Purchases Serek a/c				Cr.			
Date	Details	Ledger Folio	Amount shs	Date	Details	Ledger Folio	Amount shs
2002 March 4	Cash		15000				
March 5	Kinyua		18000				
			33000				
march 7	Balance	b/d	33000	march 7	Balance	c/d	33,000
							33000