BUSSINESS STUDIES QUESTIONS P2
2009

(a) Explain **five** features of sole proprietorship form of business, (1Q marks)-

(b) Explain five measures that the government may take to improve the volume of exports.

(10 marks)

(3) Explain five demerits that may be associated with water transport (10 marks)

(b) *The* trial balance of Zakayo Traders as at 1 June 2008 is given below.

Stock		CR
Creditors	Sh	Sh
Debtors		
Bank	76,500	
Fixed assets	0	450,400
Cash		
Capital	350,000	
Lighting		
due	260,400	
	970,001	1,300,000
	20,500	27.200
		1.777.600
	1.777.600	

During the month, the following transactions took place.

2008
June 5 Paid a creditor Sh 228,000 by cheque in full settlement of a debt
after deducting 5% cash discount.

15	Withdrew Sh 100,000 from bank for office use.

28 Received Sh 160,000 cash from a debtor after allowing cash discount of Sh 40,000.

Record the above transactions in the relevant ledger accounts and balance them off.

(10 marks)

The diagram below shows an oligopolist linked demand curve DD and current price and quantity at P_o and Q_o respectively.



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(a) (i) Name the curve represented by the gap WZ.

(ii) State why the curve WZ is vertical to price axis.

(iii) Advice when the oligopolist can raise and Iower the price of the commodity.

(10 marks)

(b) Explain five ways in which the government of Kenya may reduce the level of unemployment. (10 marks)

(a) Using a diagram, explain the circular flow of income in a two sector economy.

(10marks)'

(b) Analyse the following document issued by Sheikh Traders.

Sheikh
Traders

P.OBOX235Y
Nairobi

No. 4262
12 October
2008

Debit
Samau Limited
PO BoxY125
MOLO

Terms: 10 percent one month on Furniture only

Quantity	Rate Sh	Sh	Sh

6	Dinning tables Mvuli	240,0	
0	4,000	00	
4	Beds	8,000	
5		50.00	
0	2,000	0	268,2
	Coffee Tables	298,0	00
		0029,	9,0
4	1,000	800	00
		10.00	
		0	7.5
	Less Trade discount 10%, Floor carpets	1,000	00
		Tot al	284,7
	2,500		00
	Less Trade discount		
	1*0%* Carriage		
	E & O.E		

Required:

(i) Name the document above.

(ii) Calculate the amount paid for the goods, if the debtor paid on 28 October 2008.

(iii) Determine the net profit of the business if transaction (ii) above was Sh 120.400 and the debtor paid for the goods on 15th November 2008. (10 marks)

(a) Explain four services that the Central Bank of Kenya may offer as a banker to commercial banks (8 marks)

(b) Malamu Traders had the following balances as at 31 December 2008.

Building	540,000
Bank Loan	472,500
Debtors	116,900
Creditors	227,000
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,509
Rent received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicles	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

(a) Profit and loss account for the year ended 31 December 2008. (12 marks)

(b) Balance sheet as at 31 December 2008.

(a)

(a) The following table represents the price and quantity of a commodity.

Month	Price	Quantity
January	80	2.000

(b) (i) Plot the above information on a graph. (5 marks)

(ii) Calculate the price elasticity of demand. (5 marks)

Lunga, a sole trader, does not keep a complete set of accounting records, Information extracted from the records are as follows:"

	1 January 2007	31 December 2007
	Sh	Sh
Stock	75,000	136,400
Pre-paid salaries		8,000
Creditors v	142,500	158,400
Debtors	120,000	335,000
Furniture & Equipment	820,000	754,400
18% loan from bank	200,000	

Cash summary for the year was as follows:

Cash Summary -:

Balance b/d	460,800	payment to creditors	660,500
Bad debts ;	16,000	Loan (31/12/2007)	
Receipts from debtors	750,000	Salaries	
		Purchases	1
		Interest on loan	
		Balance c/d	
	1,226,800		

Additional information:

(i) Interest charged on debtors overdue accounts amounted to Sh 2,000.
(ii) Bad debts written off amounted to Sh 4,200,

Prepare trading, profit and loss account for the year ended 31 December 2007.

(10 marks)