

Term 2 - 2022
BUSINESS STUDIES (565/2)
FORM FOUR (4)
Time: 2½ Hours

Name: Adm No:
School: Class:
Signature: Date:

INSTRUCTIONS TO CANDIDATES

- a) Write your name, and Index number in the spaces provided after the questions.
- b) Sign and write the date of examination.
- c) This paper consists of **Six** questions.
- d) Answer **any five** questions in the spaces provided after the questions.
- e) All questions carry equal marks
- f) **Candidates should answer the questions in English.**
- g) **This paper consists of 3 printed pages, candidates should check to ascertain that all pages are printed as indicated and that no question is missing.**

FOR EXAMINER'S USE ONLY

Question	Maximum Score	Candidate's Score
1	20	
2	20	
3	20	
4	20	
5	20	
6	20	
Total Score	100	

1.
 - a) Explain **five** circumstances that can cause a business to succeed in their activities.
(10 marks)
 - b) Describe the procedure an insured must take when making an insurance claim.
(10 marks)
2. (a) Mzalendo Enterprises started business on 1st July 2010 with Shs. 250,000 consisting of:
 Cash at bank Shs.200,000, Cash in Hand Shs. 30,000 and Furniture Shs. 20,000.
 The following transactions took place during the month of July 2010.
 3rd July 2010, Motor Van worth Shs. 85,000 and stock of Shs. 25,000 were bought on credit
 4th July 2010, more stock worth shs.10,000 was bought by cash
 10th July 2010, withdrew money from bank sh 50,000 for office use
 15th July 2010, Sold stock at cost to a customer on credit for shs. 18,500
 19th July 2010, received a cheque for the full settlement of a debt owed from the transaction of 15th July 2010
 23rd July 2010, paid Shs. 65,000 by cheque for the motor van bought earlier on credit
 29th July 2010, paid Shs. 20,000 cash for the stock bought on credit

Required:

Prepare the balance sheet of Mzalendo Enterprises as at 30th July 2010. (10marks)

- (b) Explain **five** reasons why upward communication should be encouraged in an organization.
(10 marks)
3. (a) On 1st March 2020, Yawa had cash in hand shs. 7,800 and a bank overdraft of shs 23,400. During the month of the following transaction took place.
 March 3: Cash sales sh. 6500 paid directly into the bank.
 March 4: Bought goods for sh. 15,000 by cheque.
 March 6: cash sales sh. 50,000
 March 9: Received a cheque for sh. 18,000 from Amolo in full settlement of his account of sh. 20,000.
 March 13: Paid insurance premiums sh. 16,000 in cash.
 March 14: Paid Kimotho by cheque sh. 9,700 in full settlement of his debt of sh. 10,000.
 March 17: Cash sales sh. 150,000 paid directly into the bank.
 March 21: Withdrew shs. 30,000 from bank for office use.
 March 23: Received a cheque of sh. 23,750 from Rotich after having deducted 5% cash discount.
 March 25: Paid wages shs. 20,000 in cash.
 March 26: The cheque received by Amolo was dishonoured.
 March 30: Banked all cash except sh. 3,000.

Required: Prepare a three-column cashbook.

(10mks)

- (b) Explain five challenges that may be experienced by a country whose population is made up of a large proportion of young people. (10mks)
4. (a) Explain five circumstances under which personal selling may be appropriate as a method of product promotion. (10mks)
- (b) Explain five factors that may hinder entrepreneurial activities in a country. (10mks)
5. a.) As business expands, it experiences economies of scale such as division of labour and specialization. Explain Five benefit of the economy of scale mentioned to the business (10mks)
- b.) Kamau operates a large hardware business in a town in Kenya. Apart from motor vehicle insurance policies, highlight giving reasons, five insurance policies that may be beneficial for this business. (10mks)
6. a) Explain **five** advantages of M-pesa (10 mks)
- b) Using a well labeled diagram, illustrate, the effect of reduced cost of production on equilibrium price and output (10mks)