

## FORM FOUR CLUSTER KCSE MODEL11

### BUSINESS STUDIES PAPER 2 QUESTIONS

1. a) Explain five reasons why motorcycles (Boda Boda) are becoming a common means of transport.  
b) Outline five disadvantages of specialization.
2. a) **Discuss the importance of entrepreneurship to an economy.**  
b) Given the following trial balance of Nungari Pamoja Enterprise, draw a balance sheet showing clearly.
  - i. Capital owned.
  - ii. Capital employed.
  - iii. Working capital.
  - iv. Borrowed capital
  - v. Fixed capital

**Nungari Pamoja Enterprises**  
**Trial Balance As at 30<sup>th</sup> April 2012**

Title	Dr.	Cr.
Capital		300,000
Sales		200,000
Purchases	80,000	
Discount	4,000	16,000
Rent	2,000	
Insurance	4,000	
Transport	5,000	
Opening stock	40,000	
Postage	1,000	
Creditors		40,000
Furniture	50,000	
Loan		40,000
Debtors	150,000	
Unpaid wages		20,000
Cash	30,000	
Bank	190,000	
Motor vehicle	60,000	
	<b>616,000</b>	<b>616,000</b>

Additional information

Closing stock was valued at sh. 20,000 while net profit was valued at 100,000

3. a)i) Explain the procedure for making an insurance claim.

ii) A farmer's house valued at Ksh.1,200,000 was insured against fire for ksh.900,000 under the "with average clause". Fire occurred and damaged the house causing a loss of Ksh.500,000.

Determine the value of compensation due to the farmer.

b) Describe five features of economic resources.

4. a) By use of a diagram, show the effect of an increase in demand on equilibrium price and quantity of a product.

b) Explain five factors that may limit the operations of an open air market operator.

5. a) Outline five differences between a perfect competition market and an oligopoly market.

b) Discuss measures the government may use to create an enabling environment

6. a) Explain four reasons why personal selling is increasingly being used as a method of product promotion.

b) The following balance sheet was extracted from the books of Kirui traders on 1st April 2014

**Mr. Kirui Traders**  
**Balance Sheet As at 1<sup>st</sup> April 2014**

Equipment	200, 000	Capital	415, 000
Furniture	82,000	Mutai creditor)	27,000
Stock	140,000		
Cash	20,000		
	<u>442,000</u>		<u>442,000</u>

The following transactions took place during the month of April 2014.

4/4/14: Mr. Kirui sold his personal assets for 30,000 receiving payment by cheque which he invested in the business.

10/4/14: He purchased goods for sh.29,000 on credit from Mutai.

19/4/14: He returned goods worth sh.3000 to Mutai after they were found to be defective.

30/4/14: Sold goods for sh. 12,000 cash.

Required:

Open the relevant ledger accounts, record the above transactions and balance them off.