

**FORM FOUR CLUSTER KCSE MODEL 7**  
**BUSINESS PAPER 2 QUESTIONS**

1. a) Explain five characteristics of human wants. (10mks)  
b) Explain five agency services that commercial banks provide on behalf of their clients. (10mks)
2. a) Explain five differences between a public company and a state corporation. (10 mks)  
b) Kenya's population has grown substantially over the last 10 years. Explain five problems the country is likely to encounter following this rapid increases in her population. (10 mks)
3. a) A buyer has ordered for goods from a seller. Describe five documents that may be send by the seller before the buyer makes payment for the goods. (10mks)  
b) Discuss five reasons why a country computes national income statistics. (10mks)
4. a) Explain the following methods that a trader can use to promote his products:
  - i) Guarantees.
  - ii) Loss leaders.
  - iii) Public relations.
  - iv) After sale services. (8 mks)b) Kawai had the following assets and liabilities on 1st March, 2012:  
Shs.  
Buildings 880,000  
Furniture 25,500  
Stock 40,000  
Loan from Mavisi 15,000  
Ahmed (a creditor) 14,000  
Otieno (a debtor) 18,200  
Bank overdraft 22,200

**Cash in hand 6,000**

**Prepaid insurance 1,600**

**The following transactions took place during the month:**

**March 3 Received a loan of sh 10,000 from Mavisi by cheque.**

**March 5 Received a cheque of sh 18,000 from Otieno in full settlement of his account.**

**March 10 Paid rent sh 2,000 in cash**

**March 14 Bought goods on credit from Ahmed, sh 5,000**

**March 20 Cash sales, sh 7,000**

**March 26 Paid Ahmed sh 18,000 by cheque, having deducted a cash discount of sh 1,000**

**March 30 Banked cash sh 5,000**

**March 31 Sold goods for cash sh 2,000**

**Required:**

**i) Enter the opening balances in the general journal to determine the capital (5 mks)**

**ii) Prepare a three column cashbook for the month of March 2012, duly balanced (7 mks)**

**5. a) Describe five factors that may lead to improvement in the terms of trade for a country. (10 mks)**

**b) Explain five reasons why a good road transport network is beneficial to a country (10 mks)**

**6. a) The Kenya government has an elaborate development plan of being an industrialized state by the year 2030. Explain four reasons why this vision may not be achieved. (8 mks)**

**b) The following balances were extracted from the books of Longhorn Ltd as at 31<sup>st</sup> December 2012**

**Kshs.**

**Purchases 380,000**

**Carriage inwards 12,000**

**Return outwards 18,000**

**Sales 550,000**

**Stock (1.1.2012) 42,200**

**Returns inwards 14,400**

**Salaries 28,000**

**Electricity 5,000**

**Airtime 4,500**

**Carriage outwards 9,900**

**General expenses 28,400**

**Commission received 15,500**

**Discount received 8,600**

**Stock (31.12.2012) 19,300**

**Required:**

**Prepare a Trading, Profit and Loss account for the year ended 31st December, 2012. (12mks)**