

NAMEADM NO.....

565/2

BUSINESS STUDIES

FORM THREE

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INSTRUCTIONS

- 1. THIS PAPER CONSISTS OF SIX QUESTIONS**
- 2. ALL QUESTIONS CARRY EQUAL MARKS.**
- 3. ANSWER ANY FIVE QUESTIONS.**

1.a. Explain five reasons why you would advise your friend against starting a sole proprietorship form of business.(10mks)

b.Explain five measures to be taken to reduce unemployment in the country.(10mks)

2.a.Outline five factors that you would consider when establishing a warehouse for imported goods.(10mks)

b.Explain five circumstances that may influence a firm to locate its operations near the source of raw materials(10mks)

3. a.Despite the development in the transport sector, human portorage is commonly used. Explain five reasons that account for this fact.(10mks)

b.Explain five challenges for rapid population growth in a country.(10mks)

4. a.Explain five reasons why the government is involved in Business Activities.(10mks)

b.The following balances were extracted from the books of Karimi Traders on 1st January 2011.

	Ksh.
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transaction took place during the year ended 31st December 2007.

- i. Sold furniture worth ksh.60, 000 for which ksh.40, 000 cash was received and the balance was due at the end of the year.
- ii. Purchasing goods worth ksh.100, 000 for which cash of ksh.70, 000 was paid and the balance was still outstanding at the end of the year.
- iii. Cash ksh.10, 000 was taken from the business by the proprietor to settle the spouse hospital bill.

Required :

Draw Karimi Traders' balance sheet as at 31st December 2011 showing the items in their relevant classes.(10mks)

5. a.Explain five benefits that may accrue to an organization that adopts an open office plan.(10mks)

b.Amina operates a fleet of public service vehicles (PSV_s).Explain five possible risks she can insure her business against.(10mks)

6. a.Discuss five factors that may be considered when choosing a method for promoting a product.(10mks)

b.Describe five channels of distribution of exported agricultural products.(10mks)