

FORM 4 MID TERM 2 2020

BUSINESS STUDIES PAPER 2

Answer any five questions.

1. (a) Explain **five** importance of a business plan to an entrepreneur (10 mks)
(b) Explain **five** ways in which commercial banks help in facilitating business activities in a country (10 mks)
2. (a) Describe **five** factors that contributes to increasing rate of inflation in Kenya today. (10 mks)
(b) Distinguish between public corporation and public limited company (10mks)
3. (a) Under what **five** circumstances would an office manager replace existing machine with a modern one. (10mks)
(b) The following information relates to Mavuno Traders for the month of January 2014. 2014
Jan 1st : Bought goods on credit from Mwatate sh. 40,800 Longi sh.36,380.
5th : Credited sales to Asumbi sh. 68,720 Tumo sh. 46,200
7th : Returned goods to Londi sh: 4,200 Mwatate sh. 2050
12th : Bought goods on credit from Mawe sh. 16,500.
15th : Credited sales to Motomoto sh.37,100;Netto sh.7950.
20th : Goods returned by Motomoto sh.1,900.
(i) Enter the above transactions in respective books of original entry,
(ii) Prepare general ledger extract. (10mks)
- 4.(a)Under what **five** circumstance would a firm be located near the market for its products (10mks)
(b) Outline **five** factors that may lead to the shift of a demand curve from right to left. (10mks)
- 5.(a) Highlight **five** advantages of government involvement in business (10 mks)
(b) Explain **five** reasons why businesses find it necessary to promote their products (10mks)
- 6.(a) Explain factors that may lead to a rise in the level of a country's national income. (10mks)
(b) Kahawa Traders had the following balances as at 31st 03.2013

	Sh.
Capital	20,000
Sales	240,000
Purchases	90,000
Closing stock (31 st 03.2013)	70,000
7 years bank loan	30,000
General Expenses	12,000
Insurance	25000
Debtors	25,000
Cash at bank	20,000
Creditors	75,000
Cash at hand	10,000
Premises	95,000
Additional information:	
Stock 1.4.2014	160,000

Calculate

- (i) Mark – up
- (ii) Margin
- (iii) Rate of stock turn – over
- (iv) Current ratio

(10 mks)