

**BUSINESS STUDIES.–**  
**PAPER 2**  
**FORM 3**  
**END TERM EXAM - 2021**  
**TIME: 2 ½ HOURS**

**Instructions.**

**Answer any five questions.**

1. a. Explain five features of sole proprietorship form of business. (10mks)  
b. Explain five demerits that maybe associated with water transport. (10mks)
2. a. State and explain five measures that maybe taken by the Kenyan government to reduce the level of unemployment. (10mks)  
b. Explain five circumstances which would make an office manager to replace an existing machine with a modern one. (10mks)
3. a. Give and explain five reasons why an increase in per capita income may not lead to a rise in standard of living. (10mks)  
b. Explain five reasons for the popularity of hypermarkets in Kenya. (10mks)
4. a. There are numbers of circumstances under which business enterprises may choose to merge. Explain five of them. (10mks)  
b. The government of Kenya has decided to sell her poorly performing businesses to private investors. Explain five reasons for this kind of move. (10mks)
5. a. With the aid of a diagram show the effect of an increase in the supply of a commodity, while demand remains constant. (10mks)  
b. Explain five ways in which commercial attaches promotes a country's trade with other countries. (10mks)
6. a. Explain five problems linked to rapid population growth. (10mks)  
b. The following balances were extracted from the books of Umoja Traders on 1<sup>st</sup> October 2020 (10mks)  
details shs.  
Capital 80,000  
Furniture 56,000  
Debtors 25,000  
Creditors 20,000  
Cash 8,000  
Bank 11,000

The following transactions took place in the course of the month.

- i. Took shs. 3000 from bank for family use.
- ii. Paid a creditor shs. 4500 in cash.
- iii. Purchased land worth shs. 82,000 paying by cheque.
- iv. Acquired a ten year bank loan shs. 165,000 which was credited to the business bank account.
- v. Converted a family table worth shs. 5,500 to business use.
- vi. Received shs. 7,300 in cash from debtors.

**Required:**

Prepare Umoja traders balance sheet at the end of October 2020.