



# MASENO SCHOOL

Name: ..... Index Number: .....

Candidate's Signature: ..... Date: .....

## THE MASENO SCHOOL MOCK EXAMINATIONS

### BUSINESS STUDIES

#### PAPER 2

565/2

JULY 2019

2 ½ Hours

#### INSTRUCTIONS TO CANDIDATES

- This paper consists of six questions
- Answer any **FIVE** questions
- Answers should be written on the spaces provided after question six
- All questions carry equal marks
- This paper consists of 14 printed pages
- Candidates should check the question paper to ascertain that all pages are printed as indicated and that no questions are missing
- Candidates should answer the questions in English

| Question | 1 | 2 | 3 | 4 | 5 | 6 |
|----------|---|---|---|---|---|---|
| Marks    |   |   |   |   |   |   |
|          |   |   |   |   |   |   |

This paper consists of 14 printed pages. Candidates should check the question paper to ensure that all pages are printed as indicated and no questions are missing.

1. a) County X is experiencing a population mainly composed of 65 years and above. Explain any FIVE implications of the composition to the country. (10mks)

b) Explain any FIVE circumstances that may necessitate re-insurance of Insurance Company. (10mks)

2. a) Explain any five differences between enclosed office layout and landscape office layout (10mks)

b) Explain any five reasons why the government of Kenya levies taxes on Individuals income and production activities in the economy. (10mks)

3. a) Explain Four advantages of electronic banking to a customer. (8mks)

b) The following information relates to Maseno Traders as at 1st January 2017

| <b>Item</b>       | <b>Amount</b> |
|-------------------|---------------|
| Land              | 700,000       |
| Premises          | 650,000       |
| Furniture         | 70,000        |
| Bank overdraft    | 80,000        |
| Debtors           | 15,000        |
| Creditors         | 100,000       |
| 2-year K.C.B loan | 90,000        |
| Cash              | 200,000       |

During the month, the following transactions took place:

13<sup>th</sup> January 2017: received Cash Shs.5000 from a debtor

14<sup>th</sup> January 2017 took Shs.60, 000 cash to repay part of the K.C.B loan

16<sup>th</sup> January 2017: converted personal car worth Sh.250, 000 to be used in the business

17<sup>th</sup> January 2017: Purchased stock worth Shs75.000 on credit

28<sup>th</sup> January 2017: Cash sales Shs.50, 000

**Required:**

i) Open the relevant ledger accounts of Maseno Traders and balance them off.

ii) Extract a trial balance as at 31<sup>st</sup> Jan 2017.

(12mks)

4. a) Explain any **Five** importance of takeovers as a trend in forms of business units. (10mks)

b) Achevi traders had the following transactions in the month of January 2018.

Jan 1<sup>st</sup> Sold goods on credit to Libendi Ksh.25,000, InvoiceNo. 0361  
 Jan 6<sup>th</sup> Sold 50 bags of maize on credit to Ayaga at Kshs.5,500 per bag on credit invoice No.0362.  
 Jan 10<sup>th</sup> Purchased goods worth Ksh.25,000 on credit from Imbukwa traders, invoice NO.0072  
 Jan 12<sup>th</sup> Bought 110 bags of beans from Okuthe on credit. Each bag costed Kshs8,500, invoice No.640.  
 Jan 15<sup>th</sup> issued credit note no 006 to Ayaga for two bags of maize  
 Jan 18<sup>th</sup> Purchased goods worth Ksh.150,000 on credit from Ogoti Enterprises.  
 Jan 20<sup>th</sup> Issued credit note no 007 to Libendi worth ksh.1800  
 Jan 22<sup>nd</sup> Returned to Okuthe six bags of maize having been found to be unfit for consumption and received credit note No.116.  
 Jan 25<sup>th</sup> Goods purchased from Ogoti worth Kshs.15,200 were returned to him, credit Note No.790 received.

**Required:** Enter the above transactions into relevant Journals (10mks)

5. a) Explain any FVE methods that may be used by central Bank of Kenya (CBK) to control deflation in the economy. (10mks)

b) Company X has been operating for five years, of late the production and the output are reducing which are signs of failure. Explain any FIVE causes of decline in the production and output of the firm. (10mks)

6. a) Explain five benefits of economic planning to a country (10mks)

b) Chapa Kazi traders had the following balances as at 31<sup>st</sup> March 2013. (10mks)

| Item               | Amount  |
|--------------------|---------|
| Capital            | 20,000  |
| Sales              | 305,000 |
| Purchases          | 90,000  |
| Closing stock      | 45,000  |
| 7 year bank loan   | 30,000  |
| Insurance expenses | 25,000  |
| General expenses   | 12,000  |
| Debtors            | 25,000  |
| Creditors          | 75,000  |
| Casdh at bank      | 20,000  |
| Cash in hand       | 10,000  |
| Premises           | 95,000  |
| Opening stock      | 160,000 |
| Carriage inwards   | 5,000   |
| Returns Outwards   | 10,000  |
| Returs inwards     | 5,000   |

**Required:**

- i. Mark - up
- ii. Margin
- iii. Rate of stock turnover
- iv. Return on capital employed
- v. Current ratio

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