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565/2  
BUSINESS STUDIES PP 2  
FORM FOUR  
2<sup>ND</sup> TERM 2019  
2<sup>1/2</sup> HRS.

Kenya Certificate of Secondary Education  
BUSINESS STUDIES PP2  
FORM FOUR 2<sup>ND</sup> TERM EXAMINATION 2019

***Instructions***

- ***Answer any FIVE questions***
- ***Write your answers in the answer sheet provided***
- ***All questions carry equal marks***

1.a) As a business student, advise the Kenyan government on five measures that can be taken to control inflation (10marks)

b) Explain five functions of central bank in an economy (10marks)

2.a) Explain four negative economic implications of young population (8marks)

b) Mwaani traders had sh.63,500 in cash and sh.145,00. During the month of December the following transactions took place.

Dec 1 cash sales sh.40,000  
4 paid salaries by cheque sh.35,000  
6 received a cheque of sh.28,000 from Owino after allowing him a cash discount of 5 percent.  
8 bought office furniture by cheque sh.33,000  
10 settled Otieno's account for sh.15,500 by cash having deducted sh.500 cash discount  
18 received a cheque for sh.70,000 in respect of cash sales  
20 paid wages in cash 11,700  
25 withdrew sh.18,400 from the bank for office use.  
26 received sh.8,500 cash from Alice in settlement of her account less sh.500 cash discount.  
30 deposited all the money in the bank except sh.14,500.

**Required**

**Prepare a three column cash book duly balanced (12marks)**

3.a) Explain five benefits of product promotion to a producer. (10marks)

b) The following balances were extracted from the books of Saumu traders on 31st August 2018.

Building. 250,000  
Equipment 180,000  
Capital. 400,000  
Furniture 17,000  
Insurance 4800  
Stock. 25,000  
Commission income 35,000  
Discount allowed 5,500  
Salaries 40,000  
Creditors 90,000  
Debtors 65,500

**Required**  
**Prepare a profit and loss account for the period ended 31st August 2018 and a balance sheet as at 31st August 2018 (10marks)**

4.a) Explain five circumstances that may lead to the existence of a business opportunity to be exploited by the entrepreneur (10marks)

b) Explain five clauses that must be specified in the memorandum of association of a public company. (10marks)

5.a) Explain five essentials of a good tax system (10marks)

b) Muhando would wish to choose a filing system to be used in his office. Explain five factors that he should consider (10marks)

6.a) Illustrate with a diagram the effects of  
i) A positive shift of a demand curve on equilibrium (5marks)

ii) A negative shift of a supply curve on equilibrium (5marks)