

**K.C.S.E 2007 BUSINESS STUDIES
PAPER 2 (565/2)**

1. (a) Explain **six** reasons why a new business may fail. (12 marks)
- (b) Explain **four** advantages of transacting business through e-commerce. (8 marks)
2. (a) Explain **six** sources of Government revenue for development expenditure. (12 marks)
- (b) Karani does not keep a complete set of accounting records. During the year ended 30 June 2006, the following balances were extracted from the books of accounts.

	Sh.
Stock	140000
Motor vehicle	500000
Land and buildings	2500000
Cash in hand	120000
Cash at bank	240000
Debtors	80000
Creditors	120000
Long-term loan	1400000
Plant and machinery	600000

Additional information:

- Karani drew sh. 140000 from the business for private use.
 - Opening capital was sh. 2000000 as at 1 July 2005.
 - Additional capital during the year was sh. 120000.
- (i) Prepare statement of affairs for the year ended 30 June 2006. (6 marks)
- (ii) Determine profit or loss for the year ended 30 June 2006. (2 marks)
3. (a) Explain **five** ways in which the Agricultural Finance Corporation (AFC) contributes to economic development in Kenya. (10 marks)
- (b) Explain **five** factors that could affect the quantities of cabbages supplied in a market. (10 marks)
4. (a) Explain **five** strategies that a small scale firm could adopt to expand so as to enjoy economies of scale. (10 marks)

(b) Explain **five** benefits that could accrue to a customer who buys goods from a departmental store. (10 marks)

5. (a) Discuss **five** reasons why Less Developed countries are reluctant in implementing free trade agreement. (10 marks)

(b) Draw a diagram to show how equilibrium price and output are determined under monopoly. (10 marks)

6. (a) Explain **five** features that you would consider in establishing a warehouse for imported goods. (10 marks)

(b) The following Trial Balance was prepared from the books of Mugambi Traders for the year ended 31 December 2005.

**Mugambi Traders
Trail Balance**

	DR Sh.	CR Sh.
Land and Buildings	500000	
Capital		940000
Plant & Machinery	200000	
Motor vehicles	300000	
10 year bank loan		200000
3 year ICDC loan		100000
Stock	100000	
Debtors	60000	
Creditors		60000
Accrued expenses		20000
Cash at bank	100000	
Cash in hand	20000	
Drawings	40000	
	<u>1320000</u>	<u>1320000</u>

Prepare

(i) A balance sheet for the year ended 31 December 2005.

(ii) Determine:

- Working Capital
- Capital Employed
- Borrowed Capital

(10 marks)