

565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2011
TIME: 2 ½ HOURS

BUSIA DISTRICT JOINT EVALUATION TEST

Kenya Certificate of Secondary Education (K.C.S.E.)

Business Studies
Paper 2

INSTRUCTIONS TO CANDIDATES:

- *This paper consists of **six** questions*
- *Answer any **five** questions.*
- *Write your answers in the answer booklet provided*
- ***All** questions carry equal marks*

This paper consists of 2 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing

1. (a) The use of **motor cycle** transport is becoming very popular in both rural and urban areas of Kenya. Explain the limitations a business that relies on its use is likely to encounter. (10mks)
- (b) Explain **five** factors that would influence a firm to venture into producing new products. (10mks)
2. (a) Explain **five** reasons why savings and credit co-operative societies are becoming popular among Kenyan employees. (10mks)
- (b) Explain **five** principles of an efficient tax system. (10mks)
3. (a) Explain **five** roles of commercial banks in the development of a country's economy. (10mks)
- (b) Highlight **five** indicators used to evaluate a country's economic development. (10mks)
4. (a) Oria Shop sells all its goods at a margin of 20%. For the year ended 30th April 2006, the Trading activities were as follows;

Purchase	shs. 80,000
Sales	sh. 950,000
Net profit	5% of sales
Closing stock	shs.200,000

Calculate:

- a) The Gross Profit
- b) The opening Stock
- c) Mark-up percentage
- d) The net profit.
- (b) Explain **five** features that distinguish departmental stores from other large scale retail shops(10mks)
5. (a) Explain assumptions that will make a two sector economy to hold. (10mks).
- (b) Illustrate using a well labeled diagram the effect of an increase in consumer income on equilibrium price and quantity. (10mks)
6. (a) Prepare a duly balanced three column cash book from the following information extracted from the books of Jiko Traders.

Jan	1 st	Balance b/d cash shs. 4,000 bank shs. 27,000	
"	4 th	Settled Olweny creditors account of sh. 8,000 by cheque having deducted 6% cash discount.	
"	8 th	Received sh. 6,000 cash from Mutoma Traders	
"	16 th	Deposited shs. 4,500 to the bank account	
"	24 th	Withdrew sh. 9,200 from the bank for private use.	
"	29 th	Received sh.19,950 from Kawawa by a cheque after allowing 5% discount.	
"	31 st	Banked all the cash leaving shs 1,500 in the office	(8mks)
- (b) Distinguish between perfect competition and monopoly in product markets. (12mks)