

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2013
TIME: 2 HOURS

NANDI NORTH DISTRICT JOINT MOCK EVALUATION TEST 2013

Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
TIME: 2½ HOURS

INSTRUCTIONS TO CANDIDATES:

1. This paper consists of **six** questions.
2. Answer any FIVE questions.
3. Write your answers in the answer booklet provided.
4. All questions carry equal marks.
5. This paper consists of 3 printed pages.
6. candidates should check the question paper to ascertain that all pages are printed as indicated and no questions are missing.

1. (a) Explain **five** reasons why it is important for a business to prepare a business plan. (10mks)
- (b) Explain **five** features that differentiate a perfect competition market from a monopoly market structure. (10mks)
2. (a) Explain **five** challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya. (10mks)
- (b) Advise the Minister for Trade and Industry why Kenya should be a member of the East African Community (E.A.C.). (10mks)
3. (a) Despite the announcement by the government that the country has achieved 6% economic growth translated to economic development. Discuss **five** indicators of underdevelopment being experienced in Kenya. (10mks)
- (b) Ijara Investments operates a wholesale business. The following transactions took place in the month of May 2010. (10mks)

May	3	Sold goods on credit to Ayimba sh. 60,000
"	8	Purchased goods on Credit from Mjuaji stores sh. 120,000
"	12	Returned goods to Mjuaji stores worth sh. 6,000
"	16	Purchased goods on Credit from Mjuaji stores 160,000
"	22	Sold on Credit to Mafala retailers sh. 150,000
"	23	Bought a new Motor Van from Mashariki Motors worth shs. 3,200,000
"	24	Ayimba returned goods worth sh. 10,000.
"	29	Sold equipment worth 840,000 on credit to Chap Limited.

Required:

Record the above transaction in the relevant books of original entry for Ijara Investments. (10mks)

4. (a) Explain **five** importance of National Income Statistics to an economy. (10mks)

(b) As at 1st July 2008, the cash book of Emori enterprise showed the following balances: Cash – Shs. 20,000 and a Bank overdraft – Shs. 8,600.

During the month the following transactions took place:

3/07/08: Nafula settled her account of sh. 16,000 by a cheque of sh. 15,000

6/07/08: Paid rent by cash sh. 8,000

10/07/08: Deposited sh. 6,000 into the business bank account from the cash till.

15/07/08: Settled Wakulis account of sh. 20,000 and he allowed a discount of 1% by cheque.

18/07/08: Deposited sh. 28,000 in the bank from private sources.

21/07/08: Cash sales sh. 12,000

24/07/08: Otieno a debtor settled his account by cheque of sh. 8,00 having been allowed a discount of 20%.

26/07/08: Purchased furniture of sh. 5,200 paying by cheque.

28/07/08: Received sh. 3,600 cash from Nduta.

30/07/08: Banked the crucible cash except sh. 1,600.

Required:

Draw up a three-column cash book. (10mks)

5. (a) State and explain **five** limitations of using per capita income as a measure of standard of living. (10mks)

(b) With the help of a diagram, describe excess supply and excess demand. (10mks)

6. (a) Explain **five** factors that would make a producer to build his own warehouse rather than rely on a public one. (10mks)

(b) Explain **five** circumstances under which a client may not be compensated when an insured risk occurs. (10mks)