

565/2  
BUSINESS STUDIES  
PAPER 2  
JULY / AUGUST 2013  
TIME: 2½ HOURS

## NANDI SOUTH, NANDI EAST AND TINDIRET DISTRICTS JOINT 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.

1. (a) Describe **five** means of payment facilitated by commercial banks that a trader can use to settle business debts. (10mks)
- (b) Explain **five** reasons for the exiguous employment opportunities in Kenya. (10mks)
2. (a) Explain the meaning of the following statements as used in entrepreneurship. (10mks)
- (i) Identifying a business opportunity.
  - (ii) Evaluation of risks.
  - (iii) Mobilizing resources
  - (iv) Innovative and creative
  - (v) Starting successful business.

(b) Explain **five** disadvantages of international trade to a country. (10mks)

3. (a) The following information relates to Tinderet Traders for the month of June 2011.

June 1: Bought goods on credit from Koech shs. 10,000, Rono shs. 5,000, Omondi sh. 3,000 and Kamau sh. 1,000.

2: Sold goods on credit to Joyce shs. 4,000, Grace shs. 2,000, Jane shs. 1,000 and Mary shs. 1,000.

Required:

(i) Record the above transactions in their respective books of original entry. (7mks)

(ii) Post the transactions to the relevant ledger accounts. (8mks)

(b) Describe the procedure of taking an insurance policy. (5mks)

4. (a) Ordinary shares and debentures are both sources of capital to limited liability companies. Outline five differences between the two. (10mks)

(b) Explain any **five** factors that may cause a decrease in supply of a commodity in the market. (10mks)

5. (a) Explain **five** ways in which commercial banks help in facilitating business activities in a country. (10mks)

(b) The following Table shows the percentage CONTRIBUTION in each of the three levels of production in generating INCOME to a country.

FACTORS OF PRODUCTION	PRIMARY	SECONDARY	TERTIARY
% INCOME CONTRIBUTION	55	30	15

Explain **five** factors that may have led to a higher proportion of income contributed at the primary level. (10mks)

6. (a) Explain **four** circumstances under which the government may find it necessary to reduce its involvement in business activities. (8mks)

(b) The following trial balance was extracted from the Ledgers of Ashioya's electronics business on 30th April 2010.

Ashioya's Electronics  
Trial Balance  
As at 30th April 2010

TITLE OF ACCOUNT	DEBIT (Dr) SHS.	CREDIT(Cr) SHS.
Equipment	90,000	
Motor vehicle	250,000	
Sales		320,000
Returns Inwards	12,000	
Purchases	160,000	
Returns outwards		34,500
Stock (1/5/2009)	86,400	
Electricity	12,900	
Rent	18,300	
Discount received		19,300
Salaries	36,000	
Insurance	14,500	
Cash at bank	34,500	
Debtors	63,000	
Capital		374,400
Creditors		29,400
<b>TOTAL</b>	<b>777,600</b>	<b>777,600</b>

Stock on 30th April 2010 was valued at shs. 77,000.

Prepare:

- (i) A trading profit and Loss account for the year ended 30th April 2010.(8mks)
- (ii) A balance sheet as a 30th April 2010. (4mks)