

565/1  
**BUSINESS STUDIES**  
Paper 2  
June/July 2014  
2 Hours 30 Min



**ALLIANCE GIRLS HIGH SCHOOL**  
**Kenya Certificate of Secondary Education**  
**BUSINESS STUDIES**  
Paper 2 **MOCK 2014**  
2 Hours 30Min

**Instructions to Candidates**

**Answer any five questions**

AGHS Business Dept @2014  
565/2

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1. a) With the help of a well labelled diagram, explain the circular flow of income in a two sector economy. (10marks)  
 b) Explain any five ways in which the insurance industry contributes to the development of Kenya's economy. (10marks)
2. a) Explain five ways in which the Central Bank of Kenya regulates the operations of commercial banks in Kenya. (10marks)  
 b) Explain five negative effects of localization of firms. (10marks)
3. a) Explain five principles of government expenditure. (10marks)  
 b) Explain any five methods which the government may use to restrict its volume of trade with other countries. (10marks)
4. a) Explain five problems encountered in development planning in developing countries. (10marks)  
 b) Explain any five circumstances under which a government may find it necessary to privatize a parastatal. (10marks)
5. a) Describe five channels that may be used to distribute local agricultural produce within the country. (10marks)  
 b) On 1<sup>st</sup> August 2010, Mariah had cash at bank sh.1, 365,000. Cash in hand 32, 500  
 During the month the following transaction took place:  
 Aug 2 Cash sale sh.4, 263,000 was paid directly into bank.  
 Aug 3: received a cheque for sh.141, 000 from Whitney in full settlement of her debt.  
 Aug 8: bought goods for shs.262, 400 and paid by cheque  
 Aug 12: cash sales sh.424, 500  
 Aug 14: paid Wainaina by cheque sh.237, 500 in full settlement of his account less 5% cash discount.  
 Aug 15: Paid wages sh.240, 000 in cash  
 Aug 16: Withdrew sh.360, 000 from bank for office use  
 Aug 18: bought stationery in cash sh.7,500  
 Aug 20: cheque received from Whitney was dishonoured  
 Aug 28: paid salaries by cheque sh.486,000  
 Aug 29: received a cheque for sh.95, 000 from Abura after deducting a 5% cash discount.  
 Aug 30: all cash was banked except sh.50, 000

Prepare a three-column cash bank duly balanced.

6. a) Explain five benefits of a business plan to a business entity. (10marks)

b) Phyllis Traders started a business enterprise on 1<sup>st</sup> Jan, 2010 with a capital of sh.150,000. The following is his trial balance as 31<sup>st</sup> December, 2010.

	Dr.	Cr.
Creditors		42,000
Debtors	35,000	
Return outwards		2,000
Premises	160,000	
Repairs	6,400	
Bank	34,000	
Cash	10,000	
Commission	3,000	
Salaries	9,000	
Travelling expenses	7,000	
Furniture	8,000	
Sales		300,000
Wages	12,000	
Purchases	200,000	
Capital		150,000
Postage	600	
Carriage outwards	109,000	
Rental income		100,000
	594,000	594,000
	594,000	594,000

**Additional information**

Stock on 31<sup>st</sup> December 2010 was value at sh65, 000

**Required**

Prepare Phyllis Traders, trading, profit and loss account for the year ended 31<sup>st</sup> December 2010. (10marks)