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**BUSINESS STUDIES**

**PAPER 2**

**JULY/AUGUST 2013**

**TIME: 2 ½ HOURS**

## **KAKAMEGA COUNTY JOINT EVALUATION EXAMINATION-2014**

**Business Studies**

**Paper 2**

**2 ½ hours**

### **INSTRUCTIONS TO CANDIDATES:**

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

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

1. (a) Clearly outline **five** differences between insurance and gambling (10mks).  
 (b) Explain any **five** characteristics of underdeveloped countries. (10mks)
2. (a) Explain **five** importance of entrepreneurship to an economy (10mks).  
 (b) Discuss **five** reasons why many countries tend to prefer free trade (10mks)
3. (a) Highlight any **five** trends in office management (10mks).  
 (b) Highlight **five** areas in which consumers need to be protected in. (10mks).
4. (a) Explain four ways in which the price of goods and services can be determined in the market other than through the forces of demand and supply curve. (10mks)  
 (b) Explain the meanings of the following terms as used in business studies (10mks).
- (i) Loss leader.
  - (ii) Psychological selling.
  - (iii) Coupon.
  - (iv) Direct mail advertising.
  - (v) Catalogue
5. (a) Highlight five disadvantages of division of labour and specialization (10mks).

(b) The following information relates to Mama Dina Traders for the year ended Dec. 31, 2011

Turnover	270,000
Margin	40%
Rate of stock turnover	6 times
Expense	40,000

**Calculate:**

Gross profit	(3mks)
Cost of sales	(2mks)
Net profit	(1mk)
Average stock	(2mks)

6. (a) On March 1, 2013, Fredrick had cash in hand shs.78,000 and cash at bank shs.340,000. During this month, the following transactions took place:

**March 2<sup>nd</sup>** : Cash sales shs.34,000

**3<sup>rd</sup>**: Paid salaries shs.13,000 by cheque

**7<sup>th</sup>** : Received a cheque of shs.76,000 from Palky after allowing a cash discount of 5%

**13<sup>th</sup>** : Bought office furniture by cheque shs.86,000

**17<sup>th</sup>**: Settle marita's account for shs.23,000 in cash having deducted shs.8,000 cash discount

**20<sup>th</sup>**: Received a cheque for shs.157, 000 in respect for cash sales

**22<sup>nd</sup>**: Paid wages shs.25,000 in cash.

**24<sup>th</sup>**: Withdrew shs.45,000 from bank for office use

**25<sup>th</sup>** : Withdrew shs.12,000 cash and used for paying hospital bill to his child.

**29<sup>th</sup>**: Received shs.17,000 cash from Aggrey in settlement of his account less shs.1000

cash discount

**31<sup>st</sup>** : Deposited all the money into the bank except shs.24,000

### Required

Prepare a three column cash book duly balanced (10mks)

(b) Explain **five** measures that a government may take to encourage establishment of industries in rural area.

(10 marks)