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BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2014
TIME: 2 HOURS

KISUMU WEST SUB-COUNTY JOINT EVALUATION-2014
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.*
- *All answers should be written 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

Answer any five questions in the answer booklet provided

1. (a) Outline **five** assumptions of monopolistic competition (10mks)
(b) Explain **five** advantages of a large population to a developing country (10mks)
2. (a) The following information relates to the business of Ofuto for the week ended 30th May 2011.
- May 2011
- | | | |
|--|---|------------------------|
| May 25 th started business with | - | shs.24, 000 bank cash. |
| 26 th bought goods for | - | shs 18000 cheque |
| 27 th cash sales | - | shs 18,900 |
| 28 th paid for rent | - | sh 150 cash |
| 29 th received cash | - | shs 5625 from sales |
| 30 th paid commission | - | shs 900 cash. |

Prepare

- (i) Ledger accounts to record the transactions above
(ii) Trial balance as at 30th May 2011 (10mks)
3. (b) Explain **five** reasons why computerized filing has been adopted by most institutions over manual (shelves) filing system. (10mks)
4. (a) Outline the benefits of pooling of risks to an insurance company (10mks)
(b) African countries are categorized as underdeveloped economies. Explain **five** characteristics of such economies (10mks)
4. (a) Using a diagram, briefly explain leakages and injections in a two sector economy. (10mks)
(b) Currently, there has been a general rise in prices of consumer goods and services in Kenya. Explain **five** negative effects of this trend (10mks)
5. (a) Outline **five** possible consequences of a poorly arranged warehouse (10mks)
(b) Explain **five** principles of government expenditure (10mks)
6. (a) Discuss **five** factors that may cause a business to fail (12mks)
(b) K. traders owns a metals fabrication business. The following balances were extracted from the ledgers of business top of the year ended 31st Dec, 2011

	Shs.
Carriage inward	27,900
Carriage outwards	29,400
Purchases	60,000
Sales	120,000
Stock (31 st Dec 2011)	26,000
Sales returns	18,000
Stock Jan 2012	35,000
Purchases Returns	4,000
Rent	10,000
Discount allowed	6,800
Salaries	14,400
Rates	15,400
Discount Allowed	36,900
Telephone	6,900
Electricity	25,000

Prepare;

Trading profit and loss account for the year ended 31st Dec, 2011. (8mks)