**Name ………………………................................................ Index number………………………………………**

**School ……………………………………………………. Candidate’s Sign…………………………………… Date………………………………………**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**TIME: 2 ½ HOURS**

***Kenya Certificate of Secondary Education (K.C.S.E.)***

**INSTRUCTIONS TO CANDIDATES**

* *Write your* ***name*** *and* ***index******number*** *in the spaces provided above*
* ***Sign*** *and write the* ***date*** *of examination in the spaces provided.*
* *Answer* ***any five*** *questions .*
* *All answers should be written in the spaces provided in this booklet.*
* *Candidates should answer* ***all*** *questions in English*
* ***This paper consists of 2 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing***

|  |  |  |
| --- | --- | --- |
| **Questions** | **Maximum score** | **Candidates score** |
| **1** | **20** |  |
| **2** | **20** |  |
| **3** | **20** |  |
| **4** | **20** |  |
| **5** | **20** |  |
| **6** | **20** |  |
| **Total Score** | |  |

1. ( a )Monopoly is a product market in which there is a single producer. Explain five factors which may give rise to this type of business. (10marks)

( b )Explain five ways in which large scale organizations are able to reduce their cost of production. (10marks)

1. ( a )Explain the factors that makes it difficult for many Kenyan to purchase houses through building societies (10marks)

( b )Explain how the Kenya National chamber of commerce and Industry (KNCCI) promotes development of business activities in Kenya. (10marks)

1. ( a )State any five advantages of using telex as a mean of communication by traders. (10marks)

( b )Explain five circumstances under which an insurance contract may be terminated (10marks)

1. ( a )Explain five measures that a government may take to encourage establishment of industries in rural areas. (10marks)

( b )Prepare a Trading profit and loss accounts for the year 31st Dec .2003 and a Balance sheet as at that date from the following Trial Balance.

JOSEPH MUTUTHO

Trial Balance 31 Dec 2003

DR CR

Capital and Drawing 31,400 150,000

Opening stock 43,400

Purchases and sales 228,200 373,300

Returns 9,900 16,400

Discounts 5,400 2,700

Wages and salaries 41,800

Rates and insurance 11,600

Carriage inwards 17,500

Carriage outward 9,100

Debtors and creditors 16,500 35,000

Furniture and fittings 58,500

Motor vehicles 65,200

Office machines 7,500

Cash at bank 28,200

Cash in hand 3,200

577,400 577,400

Closing stock was valued at sh.29, 500

1. ( a ) country X has obtained a surplus in its balance of payment. Explain the factor that could have contributed to this surplus (10marks)

( b) Record the following transactions of Tom Kanyone in the relevant cash book (10marks)

* September 16: Balance b/d cash in cash in hand ksh.652;cash at bank ksh.9847
* September 17:Paid transport in cash ksh.222
* September 18: Issued a cheque to KNTC, settling an invoice for ksh.7500 deducting 2% Cash discount.
* September 19:Sold goods for cash,ksh .2000 less 1 ½ % cash discount
* September 20: Deposited cash with the bank ksh1500
* September 21:Recieved a cheque from J. Nderi ksh .2940 after allowing him 2% cash discount
* September 22:Paid weges in cash Shs.175
* September 23:Paid telephone bill in cash ksh.594
* September 24: Withdrew cash from bank to be kept for office use, ksh.750.
* September 25: Issued a cheque of ksh.5000 to ICDC as part repayment of a loan.
* September 26: Received a cheque for ksh.4950 (after deduction of 1% cash discount )from P. Ndisi
* September 27: Paid KNTC by cheque ksh.2600 less 2% cash discount.
* September 28:Issued a cheque for salaries ksh.6114
* September 29:Sold goods for cash ksh.900 less 2% cash discount
* September 30: Paid wages in cash, ksh .488

1. ( a )Outline five ways in which the price of goods and services can be determined in the market (10marks)

( b )Highlight five reasons why budgeting is important to a business organization (10marks)