**MACHAKOS COUNTY KCSE TRIAL AND PRACTICE EXAM 2015**

**565/2 - BUSINESS STUDIES**

**PAPER 2**

**TIME: 2 HOURS**

1. (a) Explain **FIVE** methods of payments offered by commercial banks in Kenya. (10 marks)
2. Highlight **FIVE** reasons as to why a high national income may not necessarily mean better welfare for the citizens of a country. (10 marks)
3. (a) Kapa Oil manufacturers have decided to eliminate wholesalers in their chain of distribution. Outline

**FIVE** possible effects that would result if wholesalers were eliminated. (10 marks)

(b) Differentiate between a perfect competition from a monopolistic competition. (10 marks)

1. (a) Explain **FIVE** causes of inflation in an economy. (10 marks)

(b) Outline **FIVE** challenges that Kenya faces when trying to implement her development plans. (10 marks)

1. (a) Explain **FIVE** reasons why a public limited company may prefer to raise finance through issue of

ordinary shares instead of debentures. (10 marks)

(b) The following balances were extracted from books of Masaku Traders for the year ended 31/12/2004

Rent 48,000

Lighting 7,200

Water 9,220

Salaries 75,000

Commission received 12,370

Discount allowed 4,600

Discount received 8,500

Gross profit 320,000

General expenses 98,000

Stock 25,250

Motor Vehicle 2,300,000

Furniture & equipment 650,000

Debtors 270,000

Creditors 396,400

Bank 200,000

Cash 50,000

Capital 3,000,000

Prepare

(i) Profit and loss a/c for the year ended 31/12/2004 (5 marks)

(ii) Balance sheet as at 31/12/2004 (4 marks)

1. (a) Explain **SIX** measures that the Government of Kenya may take to control her persistent Balance of

payment deficit. (12 marks)

(b) Outline **FOUR** differences between endowment policy and whole life policy. (8 marks)

1. (a) Explain **FIVE** factors that limit the usage of Railway as a means of transport. (10 marks)

(b) The accounts of Hakuna Matata Traders showed the following balances on 1st January 2014.

Sh.

Cash 250,000

Debtors 60,000

Creditors 42,000

Stock 30,000

Bank loan 120,000

Motor vehicle 310,000

The following transactions took place during the month of January 2014.

Jan 2: Bought stock worth Sh. 50,000 on credit.

Jan 3: Cash sales Sh. 80,000

Jan 5: Received Sh. 20,000 cash from debtors

Jan 10: Paid part of loan Sh. 70,000 cash

Jan 12: Paid creditors Sh. 52,000

Jan 16: Bought office furniture Sh. 45,000 cash

Jan 20: Paid salaries Sh. 40,000 cash

Jan 25: Deposited Sh. 100,000 into the bank

Required:

Record the above transactions in the relevant ledger accounts and balance the accounts on 31st

January 2014. (10marks)