**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**JULY/AUGUST - 2015**

**TIME: 2 ½ HOURS**

**TRANS-NZOIA COUNTY JOINT EVALUATION EXAM – 2015**

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

**BUSINESS STUDIES**

**PAPER 2**

**2 ½ HOURS**

**INSTRUCTIONS TO THE CANDIDATES**

* Answer ***any five* questions.**
* Write your answer in the answer booklet provided.
* **All** questions carry equal marks.

**For Examiner’s Use Only:-**

|  |  |
| --- | --- |
| **Question** | **Marks** |
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |
| 5 |  |
| 6 |  |
| **TOTAL MARKS** |  |

*This paper consists of 2 printed pages.*

*Candidates should check the question paper to ascertain that all pages are printed as indicated.*

*And that no questions are missing.*

**1.** (a) Explain **five** features of a sole proprietorship form of a business. (10 mks)

(b) Discuss **five** measures that the government may take to improve the volume of exports. (10 mks)

**2.** (a) With aid of a diagram, explain how equilibrium price and quantity is affected when supply

increases followed by a proportionate decrease in demand. (10 mks)

(b) Highlight **five** negative effects of the general increases in prices in a country. (10 mks)

**3.** (a) The following information related to KIBOMET HARDWARE for the month of June 2014.

**Date** **Transaction**

7/06/2014 : Credit sales to Wafula sh. 70,000 and Njoroge sh. 60,000

10/06/2014 : Credit purchase from Kipran sh. 30,000 and Sossy sh. 20,000

12/06/2014 : Goods returned to Kipran sh. 2,000 and Sossy sh. 5,000

13/06/2014 : Goods returned by Wafula sh. 3,500 and Njoroge sh. 1,000

25/06/2014 : Wafula and Njoroge settled their accounts by cheque after deducting

5% cash discounts in each case.

28/06/2014 : Settled Kipran and Sossy’s account in cash after deducting 5% cash

discount in each case.

**Required:** Record the above transaction in relevant books of original entry. (10 mks)

(b) Explain **five** benefits of ”pooling of risks” to the insurance industry. (10 mks)

**4.** (a) Explain **five**  reasons why high per capita income is not an indicator of a better living standard

in an economy. (10 mks)

(b) The central bank is a banker to the government. Explain **five** banking services it provides to the Kenya government. (10 mks)

**5.** (a) KHWESA TRADERS had the following balances as at 31st December 2014.

**Item** **Shs**.

Building 540,000

Bank loan 472,000

Debtors 116,900

Creditors 227,000

Furniture 408,170

Gross profit 520,600

Motor vehicle 900,000

Discount allowed 142,000

Lighting 25,200

Interest on loan 1,200

Closing stock 72,500

Rent received 120,000

Repairs on buildings 60,000

Repairs on furniture 72,030

Repairs on motor vehicle 300,000

General expenses 102,100

Capital 1,400,000

**Prepare:**

1. Profit and Loss Account for the year ended 31/12/2014.
2. Balance sheet as at 31/12/2014. (10 mks)

**6.**  (a) Some developed countries have a huge population made up of ageing persons. Explain **five**

problems this situation could present to such countries. (10 mks)

(b) Distinguish between oligopoly market and perfect competition market situations. (10 mks)