**565/2**

**BUSINESS STUDIES**

**Paper 2**

**Time: 2 ½ Hours**

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

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**Business Studies**

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**2 ½ Hours**

**INSTRUCTIONS TO CANDIDATES**

* Write your **name** and **index number** on the answer booklet provided.
* This paper consists of **six** questions.
* Answer ***any five*** *questions*.
* All questions carry equal marks.

*This paper consists of 5 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.*

1. a) Labour is an important factor of production. Explain five barriers that may hinder mobility as a factor

of production. (10mks)

b) Insurance is based on several principles. Explain five principles of insurance. (10mks)

2. a) Explain **five** benefits that will accrue to a trader who sell goods on cash basis only (l0 mks)

b) A potential manufacturing firm of domestic products would like to introduce new products in the

market.

Explain **five** factors that would influence their decision on what goods to produce. (10 mks)

3 a) Hussein Traders had the following balances as at June 1st 2009.

Cash shs 10,000

Bank shs 4300.

During the month of June, the following transactions took place.

June 3. Fatuma a debtor settled her account of shs 8.000 by cheque of shs 7,500

6. Paid rent in cash shs 4,000.

10. Deposited shs3000 into the business Bank account from the cash box.

15. Settled Obama’s account of shs 10,000and allowed him a discount of 1%.

18. Deposited shs 14,000 in the Business Bank account from private sources.

21. Cash sales shs 6,000.

24. Wanjiku a debtor settled her account of shs 4,000 having been allowed a discount of 20%.

26. Purchased furniture shs 2,600 by cheque.

28. Received shs 1,800 cash from Mohammed.

30. Bank all the cash in the cash box except shs 800.

***Required***

a) Prepare a **three** column cash book and balance it off. (10mks).

b) The Kenya government is in the process of establishing a new rail service in the country.

Explain **five** reasons why the government is involved in business activities in the country. (l0mks)

4. a) Outline **five** differences between a parastatal and a co-operative society. (l0mks)

(b) Explain **five** reasons why mobile banking services are becoming increasingly popular in

Kenya (10mks)

5 a) Discuss **five** factors that will influence the choice of office layout to be adopted by a firm (l0mks)

(b) Explain **five** challenges that may be experienced by a new entrepreneur who has just

established a business in Kenya. (l0mks)

6. a) Advertising in the newspaper is one way of promoting sales of goods. Highlight limitations

of advertising goods in newspapers (10mks)

b) The following transactions relate to Expert Traders for the month of may 2005.

May 5: Sold goods on credit to Paul sh. 12,000 and Jane sh. 16,000

8: Bought goods on credit from Shah traders sh. 40,000

10: Purchased goods on credit from Grace sh. 34,000 and Peter traders sh. 31,050

16: Goods worth sh. 6,000 were returned to Shah traders and goods worth sh. 3,000 to Grace.

20: Goods sold on credit to Paul sh. 8,000 Tom sh, 11,000 and Joseph sh. 13,000.

26: Goods returned by Betty sh. 2000

***Required***: Prepare the relevant journals.