

565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2014
TIME: 2½ HOURS

KIHARU/KAHURO DISTRICT JOINT EXAMINATION – 2014

Kenya Certificate of Secondary Education
BUSINESS STUDIES
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TIME: 2½ HOURS

Instructions to candidates:

- (a) *This paper consists of SIX questions.*
- (b) *Answer any five questions.*
- (c) *Write your answers in the answer booklet provided.*
- (d) *All questions carry equal marks.*

1. (a) Explain **five** functions of the central bank. (10mks)
- (b) Explain **five** advantages of sole proprietorship business. (10mks)
2. (a) Using well labelled diagrams distinguish between movement along the supply curve and a shift in the supply curve. (10mks)
- (b) Highlight **five** reasons why a firm may be located near the market for its products. (10mks)
3. (a) Highlight **five** measures that the government may use to reduce inflation. (10mks)
- (b) Describe the following types of unemployment. (10mks)
- (i) Disguised unemployment.
- (ii) Involuntary unemployment.
- (iii) Frictional unemployment.
- (iv) Urban unemployment.
- (v) Residual unemployment.
4. (a) Explain **five** services of wholesalers to producers. (10mks)
- (b) Wambua started business with Shs.250,000 cash and Shs.400,000 in one bank on January 1st 2012.
The following transactions took place in one month of January 2012.
- Jan 1: Bought stationery for the business worth Shs.20,000 cash.
- Jan 3: Paid rent for the business Shs.10,000 by cheque.
- Jan 5: Bought goods worth Shs.70,000 by cheque and was given 3.5% cash discount.
- Jan 9: Paid for water Shs.10,000 cash and Shs.5,000 by cheque.
- Jan 14: Paid Kipchoge's account of Shs.40,000 in cash less 2% cash discount.
- Jan 15: Received a cheque of Shs.57,300 from Atieno after allowing her a cash discount of 4.5%.
- Jan 20: Sold goods to Johnnie for Shs.70,000 received Shs.10,000 cash, Shs.40,000 by cheque and the rest to be paid later.
- Jan 25: Johnnie settled his account less 2% cash discount and the money was received in cash.
- Prepare a three-column cash book duly balanced on 25th Jan 2012. (10mks)
5. (a) Explain **five** ways in which the government can provide an enabling environment for business enterprises. (10mks)
- (b) Explain **five** essential of a good warehouse. (10mks)
6. (a) Describe **five** channels that a local manufacturer may use in distributing his goods in home trade. (10mks)
- (b) The following information relates to Njoki Enterprises for the period ended 30th June 2011.
- | | |
|------------------------|---------|
| | Shs. |
| Turnover | 270,000 |
| Margin | 40% |
| Rate of stock turnover | 6 times |
| Expenses | 40,000 |
- As calculate:
- (i) Mark-up fraction. (2mks)
- (ii) Gross profit. (2mks)
- (iii) Cost of sales. (2mks)
- (iv) Average stock. (2mks)
- (v) Net profit. (2mks)