

565/2  
BUSINESS STUDIES  
Paper 2  
July / August 2014  
2 ½ hours

**MMS JOINT EXAMINATION - 2014**  
*Kenya Certificate of Secondary Education (K.C.S.E)*

565/2  
BUSINESS STUDIES  
Paper 2  
July / August 2014  
2 ½ hours

**INSTRUCTIONS TO CANDIDATES:**

- This paper contain six questions. You are required to answer five questions.
- All questions carry equal marks.
- Answers should be written in the answer booklet provided.

*This paper consists of 2 printed pages  
Candidates should check the question paper to ensure that all the printed pages are printed as indicated and no questions are missing.*

1. a) Discuss five services that wholesalers offer to the retailers. (10mks)
- b) Outline five reasons that may make an insurance company refuse to compensate the insured in the event that a risk occurs. (10mks)
2. a) Explain any five current trends in banking. (10mks)
- b) Kenya seed company exhibited their products in Kitale show. However their sales did not increase significantly thereafter. Explain five reasons that may have led to the lack of significant sales increase. (10mks)
3. a) The gap between the rich and the poor is very wide in Kenya. Highlight five factors that contribute to this disparity. (10mks)
- b) Explain any five principles that guide a good tax system. (10mks)
4. a) The government of a certain country has introduced various incentives to promote and expand its exports. Explain four reasons that may account for this move. (8mks)

b) Wambere enterprises had the following transactions for the month of September 2007.

Sept 1 - Balances brought down cash in hand. Shs.10,000 cash at bank sh. 2000(Cr)

2 - Cash sales sh. 5000, cash purchases sh. 2000.

3 - (i) Mrs Makao paid sh.1000 less 1% cash discount.

(ii) Kamau paid sh. 10,000 after deducting sh.500 as cash discount.

(iii) Owino paid by use of cheque sh.2100 less 3% cash discount.

Sept. 4 - Paid wages sh. 2000 cash

6 - Received the following amounts from credit customers.

i) Ruengo paid cash sh.1200

ii) Kamenju paid cash sh. 4000

iii) Ogola pai by cheque sh.8,000

Sept. 10 - Bought motor vehicle sh. 80,000 and paid by cheque.

Sept 11 – Paid wages cash sh. 5,000

Sept 12 - Deposited cash in the bank account from the business till sh. 5000

Sept 15 – Cash sales sh. 10,000

Sept. 16 - Paid Nyambura sh. 20,000 cash after deducting sh.100 cash discount.

## Required

- Prepare a three column cash book from the above transactions. (12mks)
5. a) explain five limitations of using per capita income to compare living standards of people in different countries. (10mks)
- b) Explain five factors that may hinder economic development in Kenya. (10mks)
6. a) Despite the importance of entrepreneurship there are some factors that discourage the development of business in Kenyan communities. Explain five such factors. (10mks)
- b) Journalise the following transactions which took place in the business of W. Wanjala during the month of June 2007. (10mks)

June 1 Balance B/f from May 2007 were:  
Office furniture sh. 50,000 and motor vehicle sh. 100,000

2 Purchased office furniture on credit for shs. 65,000 from Mwema furnitures.

10 Sold an old vehicle on credit to Omwami garage for sh.200,000.

25 Discovered that a motor vehicle that had been bought on credit from Kanyere motor for shs.750,000 had been recorded in purchases account.

28 Sold an old computer to classic academy on credit for shs.15,000.

29 Sold an old tractor whose book value is sh.200,000 for shs 250,000 to Goseta farmers.

For More Free KCSE Past papers Visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

**END**