

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

**TRANS-NZOIA COUNTY JOINT EVALUATION EXAMINATION-2014**  
*Kenya Certificate of Secondary Education*

**BUSINESS STUDIES**  
**PAPER 2**  
**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) Discuss **five** negative effects of inflation in an economy. (10 marks)
- (b) Explain **five** differences between monopolistic market structure and monopoly market structure. (10 marks)
2. (a) Since the year 2005 many small business in Kenya have expanded and grown into large enterprises. Explain **five** causes of business success in Kenya. (10 marks)
- (b) Explain **five** principles of public expenditure. (10 marks)
3. (a) Explain **five** principles of insurance. (10 marks)
- (b) On 1<sup>st</sup> February 2010, Juma traders had cash in hand of Shs.10,000 and cash at bank of Shs.15,000. The following transactions took place during the month.
- Feb 2: Bought goods in cash Shs.1,500.
- Feb 5: Received cheques from the following debtors after allowing a 2% discount in each case Luka Kshs.980 and Reja Shs.1,470.
- Feb 7: Paid the following accounts by cheque in each case deducting a 5% discount Milo Shs.3,000 and Mango Kshs.1,200.
- Feb 12: Jambi settled her account of Kshs.2,000 in cash and deducted 2% cash discount.
- Feb 14: Cash sales Shs.2,000.
- Feb 15: Received cash from Abdul Shs.2910 after having allowed him a 3% cash discount.
- Feb 16: Banked all the cash a part from Shs.1,000.
- Required:  
Prepare a **three** column cashbook and balance it off. (10 marks)
4. (a) Explain **five** advantages enjoyed by a customer who utilizes M-banking. (10 marks)
- (b) Explain **five** measures that Kenya can take to solve the problem of unemployment. (10 marks)
5. (a) Explain **five** uses of national income statistics to an economy. (10 marks)
- (b) Explain **five** reasons why countries prepare development plans. (10 marks)

6. (a) Explain **five** differences between public corporation and public limited companies. (10 marks)
- (b) The following balances were extracted from the books of accounts of Mambo Leo Enterprises as at 31<sup>st</sup> December 2010.

	Shs.
Stock (31 <sup>st</sup> December 2010)	294,600
Carriage outwards	20,000
Carriage inwards	31,000
Return outwards	32,200
Purchases	1,187,000
Sales	1,851,000
Discounts received	19,000
Salaries and wages	362,800
Discounts allowed	30,400
Insurance	36,800
Stock (1 <sup>st</sup> January 2010)	236,000

**Required**

Prepare the trading, profit and loss account for the year ended 31<sup>st</sup> December 2010. (10 marks)