

**565/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**JULY/AUGUST, 2016**  
**TIME: 2½ HOURS**

**KIRINYAGA CENTRAL SUB-COUNTY EFFECTIVE FORTY**  
**JOINT EXAMINATION – 2016**

**Kenya Certificate of Secondary Education**  
**BUSINESS STUDIES**  
**PAPER 2**  
**TIME: 2½ HOURS**

**INSTRUCTIONS TO CANDIDATE'S**

1. This paper consists of **SIX** questions.
2. Answer **ANY FIVE** questions.
3. All questions carry equal marks.
4. All answers must be written in **English**.
5. All questions to be answered in the answer booklet provided.

1. (a) Kibugi Wholesalers intends to construct a warehouse. Explain **five** measures that Kibugi wholesalers should take to ensure smooth functioning of the warehouse. (10 marks)
- (b) Explain **five** ways in which commercial banks facilitate payment on behalf of their customers. (10 marks)
2. (a) Your school intends to place an order with Elimu Company limited for the supply of some urgently required laboratory equipment. Explain **five** reasons why it would be advisable for the school to use e-mail instead of telephone when placing the order. (10 marks)
- (b) Most third world countries have been experiencing inflation. Explain **five** negative effects of inflation in the countries. (10 marks)
3. (a) Country X is experiencing high levels of unemployment. Explain **five** measures that she may take to solve the unemployment problems. (10 marks)
- (b) Explain **five** advantages of buying goods on hire purchase terms. (10 marks)
4. (a) Karoki a newly employed Clerk has been assigned the task of filing documents. Explain to him **five** characteristics he should consider when choosing a filing system. (10 marks)
- (b) Using a diagram illustrate the effects of a positive shift of a demand curve on the equilibrium point, price and quantity. (10 marks)
5. (a) Explain **five** circumstances under which a manufacturer would prefer to sell his products direct to consumers instead of selling through middlemen. (10 marks)
- (b) The headline for yesterday's newspaper was "Mwangaza company limited has been dissolved!" Explain **five** circumstances that could have led to the dissolution. (10 marks)

6. (a) Explain any **five** reasons why the government and other organizations are engaged in consumer protection. (10 marks)
- (b) The following trial balance was extracted from the books Mzalendo traders on 30<sup>th</sup> April 2005.

	<b>Dr(shs)</b>	<b>Cr(shs)</b>
Sales		115,560
Stock 1/5/2004	37,760	
Carriage outwards	3,260	
Carriage inwards	2,340	
Return inwards	4,400	
Return outwards		3,550
Salaries	24,470	
Electricity	6,640	
Rent	5,760	
Sundry expenses	12,020	
Equipment	24,000	
Furniture	6,000	
Debtors	45,770	
Creditors		30,450
Bank	38,760	
Cash	1,200	
Drawings	20,500	
Capital		128,440
	<b><u>348,440</u></b>	<b><u>348,440</u></b>

Stock at 30<sup>th</sup> April 2005 was 19,980

**Required:**

Prepare: (a) Trading, profit and loss account for the year ended 30<sup>th</sup> April 2005.

(10 marks)