

Name.....Index No...../.....

Candidate's Signature..... Date.....

BUSINESS STUDIES

565/2

PAPER 2

MID-YEAR EXAMINATION- JUNE 2017

2 ½ HOURS

SACHO HIGH SCHOOL

MID-YEAR EXAMINATIONS

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

TIME: 2½ hours

Instructions to candidates

- This paper consists of six questions
- Answer any five questions
- All questions carry equal marks
- Write your answers in the answer booklet provided

For Examiner's Use Only

Question	Maximum score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		

1. a) Explain **five** benefits enjoyed by a business that operates with a business plan (10 Marks)
- b) Describe **five** types of advertising techniques used in product promotion. (10 Marks)
2. a) Explain **five** advantages of trade liberalization. (10 Marks)
- b) Explain **five** internal diseconomies of scale to a firm as a result of expansion. (10 Marks)
3. a) Explain **five** Benefits of an enclosed office plan. (10 Marks)
- b) On 1st July, 2016 Ekalale Traders had cash in hand sh. 85,200 and cash at bank sh.40,000 (Cr). During the month, the following transactions took place:

July

- | | |
|-----|---------------------------------------------------------------------------------|
| 2 | cash sales sh. 42,630 was paid directly into the bank |
| 5 | Received a cheque of sh. 14,100 from Ruth in full settlement of her account. |
| 9 | Bought goods worth sh. 26,240 cash. |
| 12. | Cash sales sh. 42,950 payment received by cheque |
| 15 | Paid Ndoigo's account of sh. 25,000 in cash less 5% cash discount. |
| 17. | Paid wages sh. 24,000 in cash |
| 18 | Withdrew sh. 16,000 from bank for office use. |
| 20 | Bought stationery sh.850 cash |
| 22 | Cheque received from Ruth was dishonoured. |
| 28 | Received a cheque of sh. 9,500 from Kemamo after he deducted a 5% cash discount |
| 31 | All cash was banked except sh.10,000. |

Required:

Prepare a three column cash book duly balanced. (10 Marks)

4. a) With the aid of a suitable diagram, explain the effects of a decrease in supply on the equilibrium price and quantity of a product (10 Marks)
- b) Describe **five** government initiated methods that help in the protection of consumers from exploitation by dishonest traders (10 Marks)
5. a) Outline **five** differences between a partnership form of business organisation and a public limited company. (10 Marks)
- b) Explain **five** causes of cost-push inflation (10 Marks)
6. a) Explain **five** demerits of direct taxation (10 Marks)
- b) Masaku Investments operates a wholesale business. The following transactions took place in the month of May 2016.

- | | | |
|-----|----|-------------------------------------------------------------------|
| May | 3 | Sold goods on credit to Kyalo sh. 60,000 |
| | 8 | Purchased goods on Credit from Musau Stores sh. 120,000 |
| | 12 | Returned goods to Musau Stores worth sh. 6,000 |
| | 16 | Purchased goods on Credit from Musau Stores 160,000 |
| | 22 | Sold goods on Credit to Musyoki Retailers sh. 150,000 |
| | 23 | Bought a new Motor Van from Mashariki Motors worth shs. 3,200,000 |
| | 24 | Kyalo returned goods worth sh. 10,000. |
| | 29 | Sold equipment worth sh. 840,000 on credit to Chap Chap Limited. |

Required:

Record the above transaction in the relevant books of original entry for Masaku Investments.

(10 Marks)

