

BUSINESS STUDIES  
PAPER TWO 565/2  
TIME: 2 ½ HOURS

SCHOOL BASED FORM FOUR EXAMINATION  
JULY – AUGUST 2017

**INSTRUCTIONS TO CANDIDATES**

- (i) This paper consists of six questions
- (ii) Answer any five questions in English
- (iii) All Questions carry equal marks

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**Answer any five questions**

- 1 a) Explain **five** factors that would influence the amount of money an individual may hold for transaction. **(10mks)**
- b) Outline **five** services that wholesalers can offer to a producer **(10mks)**
- 2 a) Explain **five** ways of making face to face communication effective **(10mks)**
- b) Since the year 2013 many small business in Kenya have expanded and grown into large Enterprises. Discuss **five** causes of business success **(10mks)**
3. a) With help of a well labeled diagram , explain the effect of the shift of the demand curve towards the right on the equilibrium price and quantity **(12mks)**
- b) Explain the following types of Inflation
- Demand pull inflation
  - Cost push inflation
  - Imported inflation
  - Structural inflation
- (8mks)**
- 4.(a) Explain **five** characteristics of property Insurance **(10mks)**
- b) Discuss **five** measures that the government may take to improve the volume of exports in the country, **(10mks)**
- 5.(a) Explain at least **five** advantages of an open plan office layout **(10mks)**
- (b) Kiriko traders started a business with shs 300,000 cash at bank on 1<sup>st</sup> July 2016  
During the first week ended on 7<sup>th</sup>  
July 2016 the following transaction took place
- July 2<sup>nd</sup> withdrew shs 100,000 from the bank for office use
  - July 4<sup>th</sup> Bought stock on credit worth shs. 53,000 from Musa traders
  - July 6<sup>th</sup> Withdrew shs. 10,000 from the bank for private use
  - July 8<sup>th</sup> Purchased a computer worth shs. 20,000 by cheque
  - July 10<sup>th</sup> Paid Musa traders shs. 12,000 by cash

***Required***

Open the relevant ledger, accounts and record the above transactions.

Balance the ledger accounts

**(10mks)**

6(a) Explain five circumstances under which a partnership may be dissolved (10mks )

(b) The following trial balance was extracted from the books of Sagana Enterprises on 31<sup>st</sup> May 2014

SAGANA ENTERPRISE  
TRIAL BALANCE  
AS AT 31<sup>ST</sup> MAY 2014

|                     | Dr.          | Cr.           |
|---------------------|--------------|---------------|
| Gross Profit        |              | 36000         |
| Carriage Inwards    | 4000         |               |
| Debtors             | 70000        |               |
| Premises            | 95000        | 60,000        |
| Creditors           |              |               |
| Motor vehicles      | 113000       |               |
| Drawings            | 55 000       |               |
| Salaries            | 28 000       |               |
| General Expenses    | 53,000       |               |
| Bank                | 55 000       |               |
| Commission received |              | 12000         |
| Capital             |              | 390 000       |
| Stock               | <u>25000</u> |               |
|                     | 498000       | <u>498000</u> |

***Required to prepare***

- (i) Profit and loss account for the year ended 31<sup>st</sup> may 2014 (3mks)
- (ii) Balance sheet as at 31<sup>st</sup> may 2014 (9mks)