

Name.....  
School.....  
Candidate's Signature.....

Index No...../  
Date .....

**565/2**  
**BUSINESS STUDIES**  
**Paper 2**  
**JULY/AUGUST 2012**  
**Time: 2 HOURS**

**TESO SOUTH DISTRICT JOINT EVALUATION TEST**  
*Kenya Certificate of Secondary Education (K.C.S.E)*

**565/2**  
**BUSINESS STUDIES**  
**Paper 2**  
**JULY/AUGUST 2012**  
**Time: 2 HOURS**

**INSTRUCTIONS TO CANDIDATES**

- All questions carry equal marks(20)
- Answer **FIVE** questions only
- All working must be clearly shown on the foolscap

*This paper consists of 4 printed pages.*

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

1. a) Epusi Entreprises are considering to market their imported products directly to consumers. Outline five reasons that may be influencing them to make this decision. (10 marks)
- b) Explain five importance of amalgamation to the merging firm. (10 marks)
2. a) Describe five benefits that accrue to a community where firms enjoying tax holidays from The government are located (10 marks)
- b) Outline five factors that may limit the use of containers as a method of transporting goods in a developing country. (10 marks)
3. a) Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)
- b) The following are transactions of Totokakile Entreprises for the month of June 2005.  
June
  - 1<sup>st</sup> Purchased stock for sh. 84,000 in cash and was given 2% cash discount.
  - 2<sup>nd</sup> paid workers' wages by cheque shs. 20,000
  - 3<sup>rd</sup> Sold goods worth sh. 240,000 and received cash after allowing 4% cash discount.
  - 4<sup>th</sup> Received sh. 400,000 by cheque from a debtor after 2% cash discount allowed.
  - 5<sup>th</sup> Bought office furniture for sh. 20,000 in cash.
  - 6<sup>th</sup> sold an old business van for sh. 320,000 receiving the money through the bank
  - 7<sup>th</sup> Purchased more stocks worth sh.20,000 by cheque.
  - 8<sup>th</sup> Withdrew sh. 40,000 from bank to cash till.
  - 9<sup>th</sup> Took sh. 80,000 to bank from the business.
  - 10<sup>th</sup> Took stock of goods worth sh. 2000 from the business for personal use.
  - 11<sup>th</sup> Paid electricity bill worth sh 3750,in cash sh. 2000 and the rest by cheque.
  - 12<sup>th</sup> Received a cheque from Mwendwa a debtor worth sh. 60,000 in settlement of his debt of sh. 66000.
  - 13<sup>th</sup> Was given a loan of sh. 100,000 in cash from his bankers.
  - 14<sup>th</sup> Received payment from a debtor Poro sh. 46,000 by cheque.
  - 15<sup>th</sup> All the cash at bank was taken to the business for office use except sh. 50,000.

Required:

Enter the above transactions in the two-column cash book. (10 marks)

- 4 a) Highlight five circumstances under which a business would prefer a private warehouse to a public warehouse. (10 marks)

- b) The following information relates to the business of Oputo for the week ended 30th May, 2004.

May 25: Started business with shs. 24,000”

” 26: Bought goods for shs. 18,000

” 27: Cash sales shs. 18,900

” 28: Paid for rent sh. 150 cash

” 29: Received cash shs. 5625 from sales

” 30: Paid commission shs. 900

Required:

i) Ledger accounts to record the transactions above.

ii) Trial balance as at 30th May, 2004. (10 marks)

5. a) Explain five ways that a government can use to finance a budget deficit. (10 marks)

b) Discuss five reasons for the continued existence of small firms in the Kenyan economy despite the advantages of large scale operations. (10 marks)

6. a) Explain five negative consequences of a rapidly increasing population. (10 marks)

b) The following information was extracted from the books of Bora Traders on 13th December, 2005.

	Sh.
Sales	600,000
General expenses	60,000
Rent expense	10,000
Commission received	20,000
Motor vehicle	600,000
Furniture	240,000
Cash	50,000
Creditors	180,000
Debtors	120,000
Purchases	400,000
Sales Returns	20,000
Capital	700,000

Additional Information:

- Stock on 31<sup>st</sup> December 2005 was valued at sh. 60,000

- Depreciation is provided as follows:

Motor vehicle 20% p.a on cost

Furniture 10% p.a on cost

Prepare:

i) Trading, Profit and Loss Account for the year ended 31<sup>st</sup> December 2005

ii) Balance sheet as at 31<sup>st</sup> December, 2005.

(10 marks)

