

NAME ..... INDEX NO. ....  
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565/2

BUSINESS STUDIES

PAPER 2

JULY/ AUGUST, 2014

TIME: 2½ HOURS

**MBOONI WEST SUB - COUNTY JOINT EVALUATION TEST, 2014**

*Kenya Certificate of Secondary Education (K.C.S.E)*

**INSTRUCTIONS TO CANDIDATES**

- Answer any **FIVE** questions
- ALL questions carry equal marks
- This paper consists of 2 printed pages. Candidates should check the question paper to ensure that all pages are printed as indicated and no questions are missing

**FOR EXAMINER'S USE ONLY**

Question No	1	2	3	4	5	6	TOTAL
Marks							

1. a) Explain five reasons that may account for the continued use of hand carts as a mode of transport (10marks)
- b) The East African countries are moving towards an integrated economy. Explain five benefits that may accrue to the citizens due to this development (10marks)
2. a) By the use of diagram, explain the effects of excess supply over demand on quantity demanded and supplied (10marks)
- b) Explain five reasons why countries prepare development plans (10marks)
3. a) Explain four shortcomings of using internet services in communication (8marks)
- b) The following information relates to Butere traders limited for the year 2010.

Net sales	sh	320,000
Margin		25%
Expenses	shs	35,000
Rate of stock turnovers		6 times
Capital	shs	180,000

From the information given above calculate:

- (i) Gross profit (3marks)
- (ii) Cost of goods sold (2marks)
- (iii) Net profit (2marks)
- (iv) Average stock (3marks)
- (v) Rate of return on capital (2marks)
4. a) Maryline and Caroline are two lawyers who want to start a law firm. Explain five limitations they may face during the operations of their business (10marks)
- b) Explain five negative effects of high taxation in an economy (10marks)
5. a) Discuss five challenges that may be faced when comparing standards of living between countries that have the same amount of national income ? (10marks)
- b) Highlight five reasons why Kenyan government encourages the development of micro-business enterprise (10marks)
6. a) Highlight four ways in which the Central Bank acts as a banker to the government (8marks)
- b) The following information relates to Bahari retailers for the month of January 2013.

Invoices received:

Jan 6 Mandella ltd	sh	70,000
“ 12 Othiambo traders	shs	150,000
“ 18 Jua kali enterprises	sh	50,000

Invoices issued:

Jan 5 Jambini traders	shs	10,000
10 Fedha ltd	shs	100,000
15 Kalu works ltd	shs	120,000

Credit note issued:

Jan 5 Jambini traders	shs	12,000
13 Fadhili ltd	shs	6,000

Credit note received:

Jan 7 Mandela ltd	shs	5,000
14 Othiambo traders	shs	1,000

Additional information

Jan 8	sold machinery on credit to Kwetu retailers shs 50,000
9	bought electronic equipment on credit from lowland retailers shs 8,000
10	bought shs 5000 cash into the business from own sources.

Required: Record the above transactions in the appropriate dairy books (10marks)