

565/2  
**BUSINESS STUDIES**  
Paper 2  
July/August 2014  
**Time: 2 Hours**

**TRANS-MARA WEST ASSESMENT TEST (TWAT)**  
*Kenya Certificate of Secondary Education (K.C.S.E)*

**BUSINESS STUDIES**  
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**INSTRUCTIONS TO CANDIDATES:**

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

*This paper consists of 3 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing*

**Answer Any Five Questions**

1. (a) Explain **five** external factors that influence the success of a business. (10mks)  
(b) Discuss **five** advantages of a bonded warehouse (10mks)
2. (a) Draw **five** differences between a partnership and a public limited company. (10mks)  
(b) Discuss **five** strategies that can be used by the government to control inflation (10mks)
3. (a) Briefly explain the meaning of the following forms of advertising (8mks)  
(i) Celebrity advertising  
(ii) Product advertising  
(iii) Informative advertising  
(iv) Institutional advertising  
(b) Describe **six** causes of unemployment in Kenya (12mks)
4. (a) Explain **five** importance of an efficient transport system in a country (10mks)  
(b) Give **five** contributions of commercial banks in Kenya (10mks)
5. (a) Discuss **four** factors that determine the level of a country's national income (10mks)  
(b) Most countries in the world are under-developed. Give **six** characteristics of these countries (12mks)
6. (a) Explain **four** ways in which man uses clothing to satisfy his wants (4mks)  
(b) The following trial and balance relates to business of Mali Ngumu traders as at 30<sup>th</sup> June 2008.

**Mali Ngumu Traders,  
Trial balance,  
As at 30<sup>th</sup> June 2008**

	Shs.	Shs
Land and Buildings	750, 000	
Cash at bank	45, 000	
Prepaid rent	5, 000	
Debtors/creditors	10, 000	15, 000
Opening stock	22, 500	
Discounts	3, 000	1, 000
Purchases/sales	70, 000	16, 000
Wages	25, 000	
Furniture	13, 500	
Capital		771, 850
Carriage outwards	1, 150	
Carriage inwards	2, 700	
Returns	7, 500	9, 500
Lighting	6, 000	
Commissions		4, 000
	<u>961, 350</u>	<u>961, 350</u>

Closing stock was valued at shs 11, 000.

Required:

- (a) Prepare a trading profit and loss account as at 30<sup>th</sup> June 2009. (8mks)

(b) Calculate the following ratios:-

(4mks)

- (i) Rate of return on capital
- (ii) Margin
- (iii) Quick ratio
- (iv) Rate of stock return over

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