

NAME INDEX NO.Admission no.....

CLASS: Signature.....DATE.....

565/2

BUSINESS STUDIES

PAPER 2

JULY/AUG 2016

TIME: 2½ HOURS

KAMDARA JET - 2016

INSTRUCTION TO CANDIDATES

- (a) This paper consists of six questions
- (b) Answer any five questions
- (c) All questions carry equal marks

FOR EXAMINER'S USE ONLY

QUESTIONS		MAXIMUM SCORE	CANDIDATES SCORE
1	a		
	b		
2	a		
	b		
3	a		
	b		
4	a		
	b		
5	a		
	b		
6	a		
	b		
TOTAL SCORE			

- 1.(a) Explain **five** factors that may contribute to low level of National Income. (10 mks)
 (b) Explain **five** reasons for trade restriction (10 mks)
2. (a) Explain **five** advantages that may be associated with operating a tied shop. (10 mks)
 (b) Explain **five** challenges of a young population. (10 mks)
- 3.(a) Explain **five** circumstances under which a pro-forma invoice may be used (10 mks)
 (b) Kisii Traders had the following balances as at 31st December 2014.

	Shs
Bank Loan 3 years	472,500
Buildings	540,000
Creditors	227,000
Debtors	116,900
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent Received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicle	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

- (i) Profit and loss account for the year ended 31st December 2014.
 (ii) Balance sheet as at 31st/12/2014. (10 Marks)
4. (a) Explain **five** reasons that may make an insurance company refuse to compensate the insured in the event that a risk occurs. (10Marks)
 (b) Explain **five** circumstances under which a manufacturer would sell his goods directly to a consumer. (10 Marks)
5. (a) Explain **five** differences between direct tax and indirect tax. (10 Marks)
 (b) Explain **five** ways in which advertising agencies assist in sales promotion. (10Marks)
6. (a) The use of **motor cycle** transport is becoming very popular in both rural

and urban areas of Kenya. Explain the limitations a business that relies on its use is likely to encounter. (10Marks)

(b) The following information relates to Malindi Traders for the year ended 31st December 2015.

	Shs
Total current assets	587,500
Total Fixed assets	720,000
Total current liabilities	32,500
Total long term liabilities	357,500
Net Profit	50,000
Capital	625,000
Sales	1,000,000
Opening stock	50,000
Closing stock	25,000
Margin	20%

Calculate:

- (i) Working capital (2 mks)
- (ii) Current ratio (2 mks)
- (iii) Mark-up percentage (2 mks)
- (iv) Rate of stock turnover (2 mks)
- (v) Return on capital (2 mks)