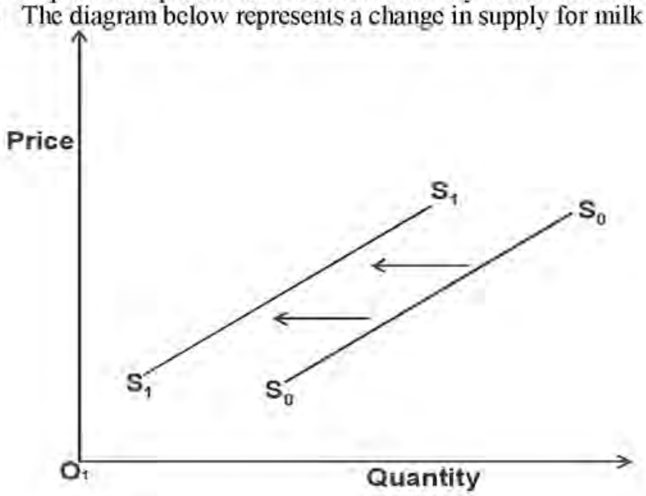
GUCHA SOUTH EVALUATION TEST (GSET)
565/2
BUSINESS STUDIES
PAPER 2

Answer any five questions.

1. a) Explain five challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya. (10 marks)
   b) Explain five measures that the government can take to reduce income inequalities among citizens in a country. (10 marks)
2. a) Explain five roles played by the insurance industry in the economy of Kenya. (10 marks)
   b) Explain five methods that can be used by a country to solve the problem of deficit balance of payment (10 marks)
3. a) Explain five problems that consumers may encounter as they try to satisfy their wants. (10 marks)
   b) The diagram below represents a change in supply for milk in Nyamarambe market.



   Explain five factors that may be responsible for the change in the above diagram. (10 marks)
4. a) Explain five limitations of using oral communication. (10 marks)
   b) Prepare a duly balanced three column cash book from the following information extracted from the books of Omwami traders. (10 marks)

   Jan 1st Balance b/d cash sh.4,000, Bank Sh.27,000
   Jan. 4th Settled Olweny creditors account of shs.8000 by cheque having deducted 6% cash discount
   Jan 8th Received shs.6,000 cash from Mutoma traders
   Jan 16th Deposited shs.4,500 to bank account
   Jan 24th Withdrew shs.9200 from bank for private use
   Jan 29th Received shs.19950 from Kahawa by cheque after allowing 5% discount
   Jan 31st Banked all the cash leaving shs.1500 in the office

5. a) Discuss five ways of improving the efficiency of a warehouse. (10 mark)
   b) Most African countries are categorised as underdeveloped economies. Explain five characteristics that justify this statement. (10 marks)
6. a) Many youths in Kenya remain unemployed. Explain six measures that can be taken to solve unemployment in Kenya. (12 marks)
   b) The following balances were extracted from the books of Ongware traders as at 31st December 2015
   Sales during the year amounted to Ksh.2,000,000
   Stock on 1st Jan. 2015 was shs.100,000
   Stock on 31st Dec. 2015 was shs.200,000
   Creditors shs.250,000
   Bank overdraft shs.400,000
   Cash in hand shs.150,000
   Gross profit margin was 20%

   Calculate :
   i) Current ratio
   ii) Cost of goods sold
   iii) Mark up
   iv) Rate of stock turnover (8 marks)