

NAME..... INDEX NO.....  
DATE.....  
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565/2  
BUSINESS STUDIES  
JULY/AUG 2016  
PAPER2  
TIME: 2 1/2 HOURS

**KIGUMO SUBCOUNTY CLUSTER EXAMINATION 2016**  
**KENYA CERTIFICATE OF SECONDARY EDUCATION.**

**INSTRUCTIONS TO ALL CANDIDATES:**

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

**Answer any Five questions**

- 1 (a) Explain **five** importance of trade within a country (10mks)  
(b) With **five** features differentiate between a cooperative society and a public Limited Company (10mks)
- 2 (a) On 1st December 2015, Mumbi traders had shs. 125,000 in hand and a bank overdraft of shs. 97,000.

During the month, the following transactions took place .

- Dec 2 Cash sale banked shs. 335,260  
3 Bought goods in cash shs. 10,500  
9 Paid Njeru a creditor shs. 190,000 by cheque in full settlement of his account after deducting 5% cash discount  
13 Received a cheque for sh. 158,400 from maro after allowing her a cash discount of shs. 1,600  
16 Paid salaries shs. 36,000 in cash  
24 Withdrew shs. 100,000 from bank for office use  
29 Nyangau, a debtor paid her account of 175,000 by cheque less 10% cash discount  
31 Deposited all the cash into bank except shs. 33,490

**Required :** Prepare a three column cash book and balance it off (10mks)

- (b) Explain **five** purpose of public finance (10mks)
- 3(a) Explain **four** reasons why entrepreneurs observe ethics in their business (10mks)  
(b) Explain **five** factors that contribute to income disparity in Kenya (10mks)
- 4(a) Explain **five** circumstances under which a manufacturer would prefer to sell his products direct to consumers instead of selling through middlemen (10mks)  
(b) Explain **five** importances of development planning (10mks)
- 5(a) Explain **five** advantages of free trade  
(b) Explain five reasons why the government protect consumers (10mks)
- 6(a) The following information was extracted from the books of Sahara traders for the year ended 30th April , 2013

	Shs.
Sales	480,000
Opening stock 1/5/2012	80,000
Closing stock 30/4/2012	120,000
Gross profit margin	25%

Prepare (a) Trading account for the period ended 30th April 2013 (6mks)

(b) Calculate rate of stock turnover (4mks)

- (b). The size of population of a country A has been declining . Explain **five** possible causes that may have contributed to the decline (10mks)