THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
2\(\frac{1}{2}\) hours

Instructions to Candidates

(a) Write your name and index number in the spaces provided above.
(b) Sign and write the date of the examination in the spaces provided above.
(c) This paper consists of six questions.
(d) Answer any five questions.
(e) Write your answers in the spaces provided after question six.
(f) All questions carry equal marks.
(g) This paper consists of 16 printed pages.
(h) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
(i) Candidates should answer the questions in English.

For Examiner’s Use Only

<table>
<thead>
<tr>
<th>Question</th>
<th>Maximum Score</th>
<th>Candidate’s Score</th>
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<td>Total Score</td>
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1 (a) Explain five uses of National Income Statistics to a country. (10 marks)
(b) Discuss five principles that would lead to effective use of government resources. (10 marks)

2 (a) Explain five ways in which the consumer may benefit from warehousing. (10 marks)
(b) The following information was extracted from the books of Mamboloe Traders in the month of September, 2014.

- September 1 Had cash in hand, Shs15,500 and a bank overdraft of Shs 9,700.
- September 3 Bought goods for sale Shs 12,300 on credit.
- September 5 Sold good in cash Shs 8,500.
- September 9 Sold goods on credit Shs 10,000.
- September 12 Received a cheque of Shs 9,000 from a debtor.
- September 15 Paid a creditor Shs 10,000 in cash.
- September 17 Paid wages Shs 2,600 in cash.
- September 19 Received a cheque Shs 23,400 from Samson for goods sold in January.
- September 20 Received Shs 6,700 from a debtor in cash.
- September 23 Withdrew Shs 7,700 from the bank for office use.
- September 24 Paid electricity bills by cheque Shs 1,200.
- September 25 Received a cheque of Shs 11,500 from a debtor.
- September 26 Made cash sales of Shs 12,800.
- September 27 Purchased goods worth Shs 8,950 in cash.
- September 28 Deposited personal cash Shs 3,500 into the business account.
- September 30 Paid water bills by cheque Shs 2,800.

Required:

Prepare a two column cash book. (10 marks)

3 (a) Describe five characteristics of a monopolistic competitive market. (10 marks)
(b) Explain five features of human wants. (10 marks)
4 (a) The following trial balance relates to Chui Traders as at 31st December, 2014.

Chui Traders
Trail Balance
As at 31st December 2014

<table>
<thead>
<tr>
<th>Details</th>
<th>Dr (Ksh)</th>
<th>Cr (Ksh)</th>
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<tbody>
<tr>
<td>Stock</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>3,500</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>28,000</td>
</tr>
<tr>
<td>Returns</td>
<td>800</td>
<td>1,100</td>
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<tr>
<td>Rent</td>
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<td>580</td>
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<tr>
<td>Insurance</td>
<td>950</td>
<td>450</td>
</tr>
<tr>
<td>Creditor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage in</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>Discounts</td>
<td>300</td>
<td>1,620</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,750</strong></td>
<td><strong>31,750</strong></td>
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</tbody>
</table>

Additional Information:
- Closing stock was valued at Ksh 2,500.
- Carriage out was Ksh 1,200.

Required

Prepare Trading, Profit and Loss Account. (10 marks)

(b) Explain five methods of determining the price of a product other than price control. (10 marks)

5 (a) Explain five trends in office management. (10 marks)

(b) Explain five advantages of government involvement in business. (10 marks)

6 (a) Explain five benefits which may accrue to Kenya by being a member of the African Development Bank (ADB). (10 marks)

(b) Explain five features that are common to underdeveloped countries. (10 marks)