NAME \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ INDEX NO. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SCHOOL \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ SIGNATURE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

JULY, 2017

**TIME: 2½ HOURS**

565/2

BUSINESS STUDIES

PAPER 2

TIME: 2½ HOURS

INSTRUCTIONS TO CANDIDATES

1. Write your name, school and index number in the spaces provided above.
2. Write the date of examination and sign in the spaces provided above.
3. This paper consists of **6** questions.
4. Answer **any five** questions.
5. Write your answers in the answer booklet provided.
6. All questions carry equal marks.
7. This paper consists of **3** printed pages.
8. Candidates should check to ensure that all pages are printed as indicated and no questions are missing.

FOR EXAMINER’S USE ONLY

|  |  |  |
| --- | --- | --- |
| Question | Maximum score | Candidate’s score |
| 1 | 20 |  |
| 2 | 20 |  |
| 3 | 20 |  |
| 4 | 20 |  |
| 5 | 20 |  |
| 6 | 20 |  |
|  | Total score |  |

1. a) Discuss **five** causes of unemployment in Kenya today. (10 marks)

b) Explain **five** roles of transport to the economy of a country. (10 marks)

2. a) Discus **five** roles of public finance. (10 marks)

b) Explain **five** barriers to effective communication. (10 marks)

3. a) Highlight **four** problems likely to be faced by consumers when a firm operates as a

Monopoly. (8 marks)

b) The following trial balance was extracted from the books of Tumaini Traders as at 30th June 2015.

|  |  |  |
| --- | --- | --- |
| DETAILS | DR | CR |
| Stock on 1st July 2014  Debtors and creditors  Discounts  Sales and purchases  Premises  Carriage outwards  Returns  Fixture and fittings  Carriage inwards  Machinery  Commissions  Capital  Wages & salaries  Cash in Bank  Rent income | 180,000  195,000  75,000  1,200,000  1,630,000  24,000  60,000  300,000  100,000  600,000  48,000  90,000  420,000 | 120,000  96,000  1,740,000  150,000  42,000  2,454,000      110, 000 |
|  | 4,712,000 | 4,712,000 |

Additional information

Closing stock was valued at sh 210,000.

Required

1. Prepare a trading, profit and loss account for the year ended 30th June 2015. (8 marks)

ii) Prepare Tumaini Trades balance sheet as at 31st June 2015. (4 marks)

4. a) Explain **five** ways in which the nature of a commodity may influence its distribution. (10 marks)

b) Outline **five** differences between a public limited company and partnership form of a

business. (10 marks)

5. a) Explain **five** reasons for continued existence of small firms alongside large firms. (10 marks)

b) Explain **five** benefits enjoyed by a firm that has expanded its scale operations. (10 marks)

6. a) Explain **five** instruments of monetary policy a central bank may use to reduce money

supply in a country. (10 marks)

b) On January 2005 Njeri traders had the following transactions.

2005

January 1: Started business with capital sh.80,000 cash and sh.200,000 at the bank

2: Bought furniture by cheque sh.20,000

3: Bought goods by cheque sh.70,000

8: Received cash from Chemai sh.19,000 having allowed him a cash discount of sh.1,000

9: Paid the following accounts by cheque:-

Muthoni sh.30,000, Salim sh.15,000 and Kiptoo sh.26,000 having deducted 10% discount in each case

12: Cash sales sh.14,000, paid for postage in cash sh.2,000

16: Received a cheque of sh.27,500 from Ngondi in full settlements of his account of sh.30,000

20: Received cheque of the following amounts from: Adijah sh.18,000, Adongo

sh.28,800 and Maranga sh.12,600. The business had allowed each of them a discount of 10%

Required*:*

Prepare a three column cashbook and balance it off. (10 marks)