

Name ..... Index Number .....

565/2  
BUSINESS STUDIES  
Paper 2  
Nov. 2016  
2½ hours

Candidate's Signature .....

Date .....



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**  
**Kenya Certificate of Secondary Education**  
**BUSINESS STUDIES**  
**Paper 2**  
2½ hours

**Instructions to candidates**

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

**For Examiner's Use Only**

Question	Maximum Score	Candidate's Score
1	20	
2	20	
3	20	
4	20	
5	20	
6	20	
<b>Total Score</b>		

1. (a) Explain **five** factors that may promote entrepreneurship in Kenya. (10 marks)
- (b) Explain **five** circumstances under which a partnership may be dissolved. (10 marks)
2. (a) Explain **five** advantages of government involvement in business. (10 marks)
- (b) Traders are required to observe ethical practices when carrying out product promotion. Explain **five** reasons for observing such ethical practices. (10 marks)
3. (a) Explain **five** methods of determining the price of a product other than price control. (10 marks)
- (b) Explain **five** benefits that may be realised by a country as a result of government policy to relocate industries to rural areas. (10 marks)
4. (a) On 1<sup>st</sup> January 2015, Ndovu Traders had Ksh 30,000 in cash and Ksh 75,000 at the bank.

During the month, the following transactions took place:

- January 2: Bought goods in cash worth Ksh 15,500.
- 5: Received cash from Chui Ksh 23,750 after allowing 5% cash discount.
- 8: Withdrew Ksh 8,900 from the bank for personal use.
- 11: Maro, a debtor settled her account of Ksh 16,800 by a cheque of Ksh 16,000.
- 15: Sales amounted to Ksh 24,250 in cash.
- 17: Paid Furaha traders Ksh 29,100 in cash in full settlement of their account less 3% cash discount.
- 20: Withdrew Ksh 15,000 from the bank for business use.
- 22: Koko a debtor settled her account of Ksh 40,000 by cheque less 2.5% cash discount.
- 25: Paid wages Ksh 21,000 cash.

**Required:** Prepare a duly balanced three column cash book. (12 marks)

- (b) The following balances were extracted from the books of Rehema Traders on 1<sup>st</sup> January 2015.

	<b>Ksh</b>
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31<sup>st</sup> December 2015:

- (i) Sold furniture worth Ksh 60,000 for which Ksh 40,000 cash was received and the balance was due at the end of the year.
- (ii) Purchased goods worth Ksh 100,000 for which cash of Ksh 70,000 was paid and the balance was still outstanding at the end of the year.
- (iii) Cash Ksh 10,000 was taken from the business by the proprietor to settle the spouse's hospital bill.

**Required:** Outline the effect of each transaction on the items of the balance sheet.

(8 marks)

5. (a) Explain **five** guidelines that may be used by the government of a country to promote efficient use of her resources. (10 marks)
- (b) Explain **five** disadvantages that a country may face if she restricted trade with other countries. (10 marks)

6. (a) On 1<sup>st</sup> September 2015, Gondi had Ksh 55,000 in hand and Ksh 250,000 at bank. During the month, the following transactions took place:

September 2	Cash sales banked Ksh 35,260
3	Bought ribbons in cash Ksh 4,500
8	Paid Wangila, a creditor Ksh 94,000 by cheque in full settlement of his account after deducting 6% cash discount
12	Received a cheque for Ksh 58,800 from Wetu after allowing her a cash discount of Ksh 1,200
15	Paid salaries Ksh 34,000 in cash
25	Withdrew Ksh 50,000 from bank for office use
28	Anyango, a debtor paid her account of Ksh 75,000 by cheque less 10% cash discount
30	Deposited all the cash into bank except Ksh 13,700

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

- (b) Outline **five** reasons that may influence the government to start a parastatal. (10 marks)



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