Name……………………………………………… Index No……………………….

Sign……………………...

Date……………………..

565/2

BUSINESS STUDIES

PAPER 2

TIME: 2 ½Hours

**FORM 4**

**Kenya Certificate of Secondary education**

**565/2**

**Paper 2**

**BUSINESS STUDIES**

**2 ½ HOURS**

**INSTRUCTIONS TO CANDIDATES**

1. This paper consists of **six** questions
2. Answer any **five** questions
3. Answers should be written on the spaces provided after question **six**
4. All questions carry equal marks
5. This paper consists of **9** printed pages
6. Candidates should check the question paper to ascertain that all pages are printed as indicated and that no questions are missing
7. Candidates should answer the questions in English
8. (a) Explain **five** circumstances that can cause a business to succeed in their activities. (10marks)

(b) Explain **five** problems facing the savings and credit cooperative societies in Kenya. (10marks)

1. (a) A prudent tax system must meet certain essential qualities. Explain **five** indicators of a good tax system . (10marks)

(b) Describe the procedure an insured must take when making an insurance claim. (10marks)

1. (a) Ondari intends to promote his products. Explain **five** factors that he must take into account

when deciding on which method to use. (10marks)

(b) Explain **five** weaknesses of using national income statistics as a measure of social welfare.

(10marks)

1. (a) Explain **five** factors that justify the existence of small scale firms in an economy. (10marks)

(b) Bartenge Enterprises started business on 1st May 2014 with Shs. 250,000 consisting of:

Cash at bank Shs.200,000, Cash in Hand Shs. 30,000 and Furniture Shs. 20,000.

The following transactions took place during the month of May.

3rd May 2014, Motor Van worth Shs. 85,000 and stock of Shs. 25,000 were bought on credit

6th May 2014, more stock worth shs.10,000 was bought by cash

9th May 2014, withdrew money from bank sh 50,000 for office use

15th May 2014, Sold stock at cost to a customer on credit for shs. 18,500

19th May 2014, received a cheque for the full settlement of a debt owed from the transaction

of 15th may 2014

23rd May 2014, paid Shs. 65,000 by cheque for the motor van bought earlier on credit

31st May 2014, paid Shs. 20,000 cash for the stock bought on credit

**Required:**

Prepare the balance sheet of Bartenge Holdings as at 31st May 2014. (10marks)

1. (a) Explain **five** problems that are faced by a country with a big population of ageing persons.

(10marks)

(b) Explain **five**difference between banking and non-banking financial institutions . (10marks)

1. (a) Explain **four** reasons why upward communication should be encouraged in an organization.

(8marks)

1. The following trial balance was extracted from the books of Lule Traders on 30th April 2015

**Lule Traders**

**Trial Balance**

**As at 30th April 2015**

Dr (Kshs.) Cr (Kshs.)

Sales 186,000

Purchases 115,560

Stock 1.5.2014 37,760

Carriage outwards 3,260

Carriage inwards 2,340

Returns 4,400 3,550

Salaries 24,470

Electricity 6,640

Rent 5,760

Sundry expenses 12,020

Equipment 24,000

Furniture 6,000

Debtors 45,770

Creditors 30,450

Bank 38,760

Cash 1,200

Drawings 20,500

Capital 128,440

348.440 348,440

Stock as at 30.4. 2015 Shs. 49,980

**Required:**

1. Trading, profit and Loss account for the year ended 30th April 2015 (8mks)
2. Balance sheet as at 30th April 2015 (4mks)

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