**NAMES..................................................................................................INDEX NO. ...........................**

**SCHOOL...............................................................................................................................................**

**CANDIDATE’S SIGNATURE.................................................................... DATE............................**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**MARCH 2019**

**TIME: 2½ HOURS**

**BURAMU JOINT EVALUATION**

**BURAMU - 1**

**Kenya Certificate of Secondary Education (K.C.S.E)**

**INSTRUCTIONS TO CANDIDATES**

* Write your **name** and index number in the spaces provided above.
* **Sign** and write the **date** of the examination in the spaces provided above.
* Answer **any five** questions.
* All answers must be written in the answer sheets provided.

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTIONS** | **A** | **B** | **TOTAL** |
| **1.** |  |  |  |
| **2.** |  |  |  |
| **3.** |  |  |  |
| **4.** |  |  |  |
| **5.** |  |  |  |
| **6.** |  |  |  |

**TOTAL MARKS**

1. a) Explain **FIVE** characteristics of economic resources. (10 marks)

b) Explain **FIVE** factors that encourage entrepreneurship in Kenya. (10 marks)

1. a) Highlight **FIVE** differences between whole life policy and endowment policy. (10 marks)

b) Outline **FIVE** benefits of a bonded warehouse to the government. (10 marks)

1. a) Explain **FIVE** features of an efficient transport system. (10 marks)

b) On 1st January 2012 Manga traders had Shs. 180,000 cash in hand and a bank credit balance of

Shs.57, 500.

During the month the following transactions took place;

3rd Jan: Cash sales Shs. 2,800

4th Jan: A debtor settled his account of sh. 90,000 by cheque

10th Jan: Paid Salaries Shs. 40,000 in cash.

12th Jan: Took cash Sh. 35,000 to settle on personal debt.

23rd Jan: Received a cheque Shs. 8460 from Ouru distributors after deducting 6% cash discount.

24th Jan: Deposited Shs. 10000 in the bank from office cash.

25th Jan: Purchased stock worth shs.8950 on credit from Ngumo distributors

26th Jan: Cash sales banked directly shs.38000

27th Jan: A cheque received on 4th from a debtor was dishonored. The bank charged him

shs. 2500.

29th Jan: Settled creditors account Shs. 6,000 by cheque less 3% cash discount.

31st Jan: Banked all cash except shs.40, 000

**Required:** Prepare a three column cash book duly balanced. (10 marks)

1. a) With the aid of a diagram, describe the effect on equilibrium price and quantity due to an increase in demand. (10 marks)

b) Explain **FIVE** reasons why most commercial banks are encouraging their clients to adopt

*M-Banking.* (10 marks)

1. Explain **FIVE** benefits of a good infrastructure to a country. (10 marks)

Explain **FIVE** roles of the Nairobi Security Exchange in the Kenyan economy. (10 marks)

1. Explain **FIVE** factors that a farmer of Avocadoes should consider when choosing a distribution channel. (10 marks)

b) The following balances were extracted from the books of Ibokolo Traders for the year ended 31 Dec 2017, having prepared a trading account.

|  |  |  |
| --- | --- | --- |
|  | **Dr. (Sh)** | **Cr. (Sh)** |
| Gross profit |  | 38100 |
| Cash | 125060 |  |
| Motorvan | 603 000 |  |
| Capital |  | 653560 |
| Equipment | 220800 |  |
| Furniture | 134400 |  |
| Creditors |  | 74300 |
| Debtors | 75900 |  |
| Discount received |  | 26400 |
| Salaries | 12400 |  |
| Carriage outward | 14400 |  |
| Rent: income |  | 12600 |
| Advertising | 22200 |  |
| Insurance | 9400 |  |
| Bank overdraft |  | 412600 |
|  | 1,217560 | 1,217560 |

**Required**:

a) Prepare a profit and loss account of IbokoloTraders for the year ended 31st Dec 2017 (5mks)

b) A balance sheet as at that date. (5mks)