**Name: …………………………………………………… Index no ……..…......................**

**Candidate’s sign ……………………... Date: ………………………**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**DECEMBER, 2020**

**TIME: 2 HOURS**

**INSTRUCTIONS TO CANDIDATES:**

* *This paper consists of* ***six*** *questions*
* *Answer any* ***five*** *questions.*
* *Write your answers in the answer booklet provided*
* ***All*** *questions carry equal marks*

1. a) Explain **five** ways in which private warehouses differ from public warehouses. (10marks)

b) Discuss the economic importance of natural resources. (10marks)

1. a) Explain **five** features of monopolistic competition. (10marks)

b) Discuss **five** advantages of M-banking. (10marks)

1. a) Outline **five** ways in which peace in a country may encourage entrepreneurial development. (10marks)

b) Highlight **five** factors that influence the level of national income in a country. (10marks)

1. a) Explain **five** circumstances in which a trader may offer after sales services. (10marks)

b) Identify and explain **five** methods of reprography that can be used in an office. (10marks)

1. a) Explain **four** roles of stock exchange as a market for securities in the economy. (8marks)

b) The following trial balance was extracted from the books of Kamau Traders as at 31st Dec 2011.

Kamau Traders

Trial balance

As at 31st Dec. 2011

|  |  |  |
| --- | --- | --- |
| A/C Title | Dr (Sh) | Cr (Sh) |
| Fixed assets  Current assets  Rent income  Discounts  General expenses  Carriage inwards  Purchases /sales  Returns  Stock 01/01/2011  Drawings  Current liabilities  Capital | 292,600  78,000  3,000  89,000  28,000  280,000  4,600  46,000  33,000 | 23,000  2,000  474,000  7,000  53,000  295,200 |
| 854,200 | 854,200 |

Stock on 31st Dec. 2011 was Sh. 54,000.

Required:

1. Prepare trading, profit and loss accounts for the year ending 31st December 2011. (8marks)

Calculate;

1. Rate of return on capital employed. (2marks)
2. Rate of stock turn over. (1mark)
3. Gross profit margin as a percentage. (1mark)
4. a) Explain **five** determinants of economic growth. (10marks)

b) The following transactions relate to Karanja Traders for the month of December 2011.

Dec 1: Started a business with Sh.200, 000 in the bank account.

Dec 2: Bought furniture for Sh.50, 000 and paid by cheque.

Dec 3: Sold goods on credit to Silas Sh.20,000, Kung’u Sh.10,000.

Dec 4: Bought goods on credit from Njeri Sh.30,000, Jane Sh.40,000.

Dec 5: Returned faulty goods to Njeri Sh.5,000.

Dec 6: Paid Njeri on account by cheque less 10% cash discount.

Dec 7: Received faulty goods from Kung’u Sh.2, 000.

Dec 8: Received payment due from Silas and Kung’u by cheque less 5% cash discount.

Dec 9: Cash sales Sh.100, 000.

Dec 10: Paid wages Sh.20, 000 by cash and electricity Sh.10,000 by cheque.

Dec 11: Deposited all cash in hand into the bank account.

Required:

Prepare a three column cash book duly balanced (10marks)