**Name………………………………………………………………………… Adm. No………………………………………......**

**Stream…………………………………………….…………………………**

**Candidate’s Signature.................................... Date:........................................................**

**565/2**

**Business Studies**

**Paper 2**

**OCT/NOVEMBER**

**Time: 2 ½ Hours**

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

**Business Studies**

**Paper 2**

**OCT/NOVEMBER**

**Time: 2 ½ Hours**

**FOR EXAMINERS’ USE ONLY**

*Answer* ***ANY FIVE*** *questions. All questions carry equal marks.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Questions** | **a** | **B** | **Totals** |
| **1** |  |  |  |
| **2** |  |  |  |
| **3** |  |  |  |
| **4** |  |  |  |
| **5** |  |  |  |
| **6** |  |  |  |

1. a) Explain **five** methods used by central bank to increase money supply in the economy. (10mks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

b) Explain **five** principles of insurance. (10mks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

2. a) Explain **five** negative effects of inflation. (10mks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

b) The following trial balance was extracted from the books of Carson Traders on 31 December

2005 after preparing the trading account.

**Dr**  **Cr**

Capital 130,000

Drawings 27,000

Debtors and creditors 25,350 22, 500

Stock 31 Dec. 2005 25,000

Wages and salaries 31,650

Gross Profit 58,920

Discount 3,540 3,300

Advertising 3,130

Bad debts 1,100

General expenses 5,100

Rates 2,750

Cash in land 800

Cash at bank 3,300

Motor vehicles at cost 11,000

Premises. 75, 000

214,720 214 720

The following additional information is provided.

(a) Wages due shs. 5,400

(b) Rates paid in advance shs 650

(c) Motor vehicles to be depreciated 20% on cost.

***You are required to prepare***

(i) Profit and loss account for the year ended 31 Dec. 2005 (6mks) (ii) Balance sheets as at 31st Dec. 2005 ( 4mks)

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

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3 a) Discuss any **five** documents used in recording transactions in books of original entry

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

b) Discuss five factors that may influence entrepreneurial practices positively in the country. (10mks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

4 a) Explain **five** benefits of matatu reforms in transport sector. (10mks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

b) Using a well labeled diagram, explain shift in demand and supply curve respectively

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

5 a) Muema is planning to construct a warehouse for renting. Explain **five** measures that he may take to ensure its smooth operation. (10 Marks

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

b) Outline **five** measures that the Kenya government may take to reduce unemployment. (10 Marks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

6 a) Explain **five** methods used to distribute imported manufactured goods. (10mks)

i)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

ii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iii)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………. v)………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

b) The following transactions relates to Konate Traders for the month of December 2010.

Dec 1st Started a business with sh. 200,000 in the Bank account.

2nd Bought furniture for sh, 50,000 and paid by cheque

3rd  Sold goods on credit to Tila shs, 20,000; Katu 10,000

4th Bought goods on credit from Kahama sh 30,000; Kanga shs. 40,000

5th  Returned faulty goods to Kahama sh 5,000

6th  Paid Kahama on account by cheque less 10% cash discount.

7th  Received faulty goods from Katu shs. 2000

8th  Received payment due from Tila and Katu by cheque less 5% cash discount.

9th  Cash sales shs. 100,000

10th Paid for wages shs. 20,000 by cash and electricity shs.10,000 by cheque.

11th Deposited all the cash in hand into the bank account.

***Required:***

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