**Name**…………………………………… ………………………….. Index No:………………………….

**565/2**  Candidate’s Signature …………..……………

**BUSINESS STUDIES** Date: …………………………

**PAPER 2**

**JULY/AUGUST 2016**

**TIME: 2 ½ HOURS**

***TOP EVALUATION EXAMINATIONS – 2016***

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

**565/2**

**Business Studies**

**Paper 2**

 **2 ½ Hours**

**INSTRUCTIONS TO CANDIDATES**

* Write your **name** and **indexnumber** on the answer booklet provided.
* This paper consists of **six** questions.
* Answer ***any five*** *questions*.
* All questions carry equal marks.

**For Examiners Use Only**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Question | 1 | 2 | 3 | 4 | 5 | 6 | TOTAL |
| Marks |  |  |  |  |  |  |  |

*This paper consists of 9 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.*

1. (a) Explain any **five** sources of business ideas. (10 marks)

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

(b) Discuss **five** macro-environment factors that affect business. (10 marks)

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

1. (a) Discuss **five** factors that may make it possible for an insurance company to reinsure.

 (10 marks)

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

 (b) Study the balance sheet and answer the following questions below

 **JIRE TECHNOCRATS LTD**

 **Balance sheet**

 **As at 31st Dec 2015**

 **Fixed Assests** **Capital** 400 000

 Premises 400,000 Add Net profit 250, 000

 Furniture 50,000 Less drawings (150,000) 800 000

 Machinery 150,000

 Motorvehicle 300,000 (900,000) **LTL**

 **Current Assests** Mortage loan 300000

 Stock 300,000 Bank loan 100000 400, 000

 Debtors 130, 000 **Current liabilities**

 Cash at bank 70 000 Creditors 250 000

 Cash at hand 50 000 (550, 000)

 **1 450 0000**  **1 450 000**

 **Calculate:**

1. Working capital (WC) (2 marks)
2. Return on capital (ROC) (2 marks)
3. Borrowed capital ( 2marks)
4. Current ratio (2 marks)
5. Quick ratio ( 2 marks)
6. (a) Explain **five** factors that influence the level of income in a country. (10 marks)

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

(b) Discuss **five** factors that influence the choice of a distribution channel in business.

 (10 marks)

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

1. (a) Explain **five** reasons why a citizen has to be taxed in Kenya. (10 marks)

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

(b) Explain **five** measures taken by the central bank of Kenya (CBK) to control credit. (10 marks)

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

1. (a) Explain **five** essentials of effective communication. (10 marks)

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

 (b) Discuss **five** reasons for government involvement in training of people in business.

 (10 marks)

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

1. (a) Explain **five** importance of profit and loss account. (10 marks)

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

 (b)Kimutai had the following assets and liabilities as at 1.7.2015.

Cash at Bank 80,000

Debtors 40,000

Creditors 50,000

Stock 30,000

Cement 45,000

 **Additional information**:

 July 4: Purchased stock worth Sh.20,000 on credit.

 5: Sold some cement for Sh.20,000 by cheque.

 10: Received Sh.15,000 cash from debtors.

 20: Sold stock Sh.20,000 paid by cheque.

 Prepare the relevant **ledger accounts**. (10 marks)