**NAME …………………………… INDEX NUMBER ……………**

**CANDIDATE SIGNATURE…………………**

**DATE ……………………..**

**565/2/**

**BUSINESS STUDIES**

**PAPER 2**

**JULY/AUGUST 2019**

**2 ½ HOURS**

**BUURI EAST STANDARDS**

***Kenya Certificate of Secondary Education***

**BUSINESS STUDIES PAPER 2**

**2 ½ Hours**

***INSTRUCTIONS TO CANDIDATES.***

[a] Answer **ANY FIVE (5**) questions.

[b] All questions carry equal marks

|  |  |  |
| --- | --- | --- |
| **QUESTION** | **MAXIMUM SCORE** | **CANDIDATE SCORE** |
|  | **20** |  |
|  | **20** |  |
|  | **20** |  |
|  | **20** |  |
|  | **20** |  |
| **TOTAL** | |  |

**1**.**a**) Mutwiri runs a manufacturing firm and has employed fifty workers. **Explain five reasons** why it would be beneficial to assign each worker a specific job in production. **(10mks)**

**b] Outline five differences** between gambling and insurance. **(10mks**)

**2.** **a**) **Explain five reasons** why a commercial bank may not honour a cheque. **(10mks**)

**b**) On 1stjuly 2018, Jamaal traders had cash in hand Ksh. 87,000 and cash at bank ksh.250,000. During the month, the following transactions took place.

July 2: Cash sales Ksh.50,000.

July3. Paid salaries Ksh.101,500 by cheque.

July6. Received a cheque for ksh.76,800 from Mwala after allowing him

a cash discount of 4%

July 12. Bought office furniture by chequeksh. 85,000.

July 16. Settled Kiogora’s account of Ksh. 40,000 in cash, having

deducted ksh. 800 cash discount.

July18. Received a cheque for Ksh. 150,000 in respect of cash sales .

July 21. Paid wages ksh. 24,000 in cash.

July 22. withdrew ksh.30,000 from bank for office use.

July 25. Withdrew ksh. 50,000 cash for private use.

July 28. Received ksh. 16,500 cash from kajairo in settlement of his

account less ksh. 660 cash discount.

July 30. deposited all the money into the bank except ksh.10,000.

**Required** : **Prepare a three column cashbook** and balance it off.

**(12mks)**

3.**a)** **Explain five ways** in which Kenya is likely to benefit from a properly prepared development plan. **(10mks)**

**b)** With the aid of a **suitable diagram**. **Explain the effects** of a decrease in supply on the equilibrium price and quantity. **(10mks)**

4.**a)** **Explain five measure** that can be taken by an office to safeguard the property of the organization. **(10mks)**

**b)** Kawira started a hardware business on 1st January 2016. The following is a summary of her transactions during the month.

**Invoices received:**

2016: January 2: Jirani Ltd ksh.80,000.

“ 18 chuma Ltd ksh. 140,000.

“ 26. mwanaisha traders Ksh. 160,000

**Invoices issued :**

2016: January 5: Mungi traders Ksh.50,000

“ 20: Moto Traders Ksh. 150,000

“ 25.Jua kali traders KSH. 70,000

**Credit notes issued**:

2016. January 10: Mungi traders Ksh. 6,000

28. Jua kali tradersksh. 4000

**Credit notes received**:

2016 January 12: Jirani Ltd Ksh. 3,000

“ 24: Chuma Ltd Ksh.8,000

“ 30: Mwanaisha traders Ksh. 12,000

**Required:** **Prepare relevant journals** to record the above transactions.

**(10mks)**

5**. a)** **Explain five roles** played by the Kenya external trade authority

(KETA) in promoting Kenya external trade. **(10mks)**

**b)** **Explain five factors** which determine the size of a country national

income . **(10mks)**

6. **a) Discuss five causes** of breakdown in communication. **(10mks)**

**b)** The following trial balance was extracted from the books of Njoroge traders

as at 31/12/2017.

**Dr**. **Cr.**

Opening Stock 30,000 ………..

Purchases / sales 275,000 390,000

Debtors 47,000 ………

Commission received 36,000

Returns 10,000 6,000

Carriages Inwards 16,000 ………….

Bad debts 3,000

Wages 20,000

Rates 12,000

Buildings 450,000

Furniture 180,000

Bank Overdraft 210,000

Insurance 19,000 …………

Discounts 5,000 7,000

Drawings 25,000 ……

Creditors ………. 52,000

Cash at bank 250,000 ………

Cash at hand 40,000 ……..

Capital …….. 689,000

1,390,000 1,390,000

***Additional information***.

1. Closing stock ksh. 50,000
2. Carriage outwards Ksh.8,000

**Required: (i)** Prepare Njoroge traders, **trading, profit and loss account** for the

period ended 31/12/2017 and Balance sheet as at 31/12/2017 **(10mks)**