

Name Index Number/.....

565/2
BUSINESS STUDIES
Paper 2
Oct./Nov. 2014
2½ hours

Candidate's Signature

Date



THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
2½ hours

Instructions to Candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above.
- (c) This paper consists of six questions.
- (d) Answer any **five** questions.
- (e) Write your answers in the spaces provided after question six.
- (f) All questions carry equal marks.
- (g) This paper consists of 16 printed pages.
- (h) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
- (i) Candidates should answer the questions in English.

For Examiner's Use Only

Question	Maximum Score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		

- 1 (a) Explain **five** benefits that a firm may enjoy by preparing a business plan. (10 marks)
- (b) Explain **five** demerits that a country may suffer when the government becomes a major investor in business. (10 marks)

- 2 (a) On first January 2012, Ndovu Traders had shs 30,000 in cash and shs 75,000 at the bank. During the month, the following transactions took place:

January 2nd: Bought goods in cash worth shs 15,500

5th: Received cash from Chui shs 23,750 after allowing 5% cash discount.

8th: Withdrew shs 8,900 from the bank for personal use.

11th: Maro, a debtor settled her account of shs 16,800 by a cheque of shs 16,000.

15th: Sales amounted to shs 24,250 in cash.

17th: Paid Furaha traders shs 29,100 in cash in full settlement of their account less 3% cash discount.

20th: Withdrew shs 15,000 from the bank for business use.

22nd: Koko a debtor, settled her account of shs 40,000 by cheque less 2.5% cash discount.

25th: Paid wages shs 21,000 in cash.

Required:

Prepare a duly balanced three column cash book. (12 marks)

- (b) Explain **four** reasons for which traders observe ethical practices in product promotion. (8 marks)
- 3 (a) Explain **five** objectives that may be achieved by establishing firms in different parts of the country (10 marks)
- (b) Describe **five** accounting documents that are used in home trade. (10 marks)

- 4 (a) The following information relates to Bahati enterprises:

Details	Shs
Stock 1 st January, 2012	430,000
Purchases	930,000
Sales	1,155,000
Carriage outwards	25,000
Carriage inwards	10,000
Returns outward	20,000
Returns inwards	30,000
General expenses	100,000
Insurance	25,000
Stock 31 st December 2012	470,000

Calculate:

- (i) Turnover (1 mark)
- (ii) Rate of Stock Turnover (3 marks)
- (iii) Mark up (2 marks)
- (iv) Margin (2 marks)
- (v) Net profit (2 marks)
- (b) Explain **five** guidelines that should be followed by the government in its expenditure. (10 marks)
- 5 (a) Explain **five** disadvantages that a developing country may suffer by liberalizing foreign trade. (10 marks)
- (b) Explain **five** features of monopolistic competition. (10 marks)
- 6 (a) Apart from selling shares, explain **five** sources of finance for a public limited company. (10 marks)
- (b) There has been a decline in the demand for wooden furniture. Explain **five** factors that may have caused this trend. (10 marks)

