



565/2 - BUSINESS STUDIES - Paper 2

Nov. 2017 - 2½ hours

Name Index Number

Candidate's Signature Date

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) Answers should be written 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** ways in which the internal environment may contribute to the success of a business enterprise. (10 marks)
- (b) Describe **five** channels of distribution that a Kenyan manufacturer would use to ensure her goods reach consumers in another country. (10 marks)
2. (a) Explain **five** differences between chain stores and departmental stores. (10 marks)
- (b) The following Trial Balance was extracted from the books of Ojwang Limited on 31 December 2013.

Ojwang Limited
Trial Balance
As at 31 December 2013

| Details | Dr (Ksh) | Cr (Ksh) |
|------------------------|----------|-----------|
| Capital | | 800,000 |
| Opening stock | 200,000 | |
| Purchases | 680,000 | |
| Returns | 50,000 | 80,000 |
| Discount | 80,000 | 45,000 |
| Carriage inwards | 42,000 | |
| Debtors and creditors | 200,000 | 105,000 |
| Sales | | 1,200,000 |
| Motor vehicles | 750,000 | |
| Furniture and fittings | 250,000 | |
| Rent | 50,000 | 60,000 |
| Bank overdraft | | 42,000 |
| Carriage outwards | 30,000 | |

Additional Information: Closing stock was valued at Ksh 80,000.

Required: Prepare a Trading, Profit and Loss account. (10 marks)

3. (a) Explain **five** benefits that a private limited company would get by converting to a public limited company. (10 marks)
- (b) Explain **five** disadvantages of using direct taxes to raise government revenue. (10 marks)

4. (a) The following transactions relate to Dagoreti Enterprises for the month of March 2016.
- March 1: Started business with Ksh 15,300 in cash and a bank overdraft of Ksh 8,200
 - March 3: Made cash purchases of Ksh 10,200 in cash
 - March 4: Harrison, a debtor settled his account of Ksh 18,000 by issuing a cheque of Ksh 13,400 and the rest by cash
 - March 5: Paid wages by cheque, Ksh 5,000
 - March 6: Received a cheque of Ksh 9,310 from Chebet
 - March 7: Received cash, Ksh 7,720 from Otieno
 - March 8: Paid Hassan Ksh 5,450 in cash
 - March 9: Deposited Ksh 6,000 from the office into the business bank account
 - March 10: Paid insurance Ksh 3,700 by cheque
 - March 11: Paid Ksh 3,900 for repairs in cash
 - March 12: Received Ksh 8,570 in cash from Mwende
 - March 13: Received a cheque of Ksh 11,200 from Makokha
 - March 14: Paid water bill Ksh 2,590 by cheque
 - March 15: Paid rent Ksh 6,500 by cheque
 - March 29: Took all the cash that was in the office and deposited it into the business bank account

Required: Prepare a two column cash book for the month of March 2016. (10 marks)

- (b) Explain **five** factors that one may consider when selecting a means for communicating. (10 marks)
5. (a) Explain **five** demerits of the output approach in measuring national income. (10 marks)
- (b) Explain **five** circumstances under which a country may realise surplus in its balance of payments. (10 marks)
6. (a) Explain **five** methods that the government may use to increase supply of goods in the market. (10 marks)
- (b) Explain **five** factors that may promote the growth of entrepreneurship in Kenya. (10 marks)