



**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)