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

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

**BUSINESS STUDIES** Date: …………………………

**PAPER 2**

**JULY/AUGUST 2014**

**TIME: 2 ½ HOURS**

***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 **index number** 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 2 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.*

***Answer any five questions****.*

1. (a) Explain **five** importance of a business plan to an entrepreneur (10 mks)

(b) Explain **five** ways in which commercial banks help in facilitating business activities in a

country (10 mks)

1. (a) Describe **five** factors that contributes to increasing rate of inflation in Kenya today. (10 mks)

(b) Distinguish between public corporation and public limited company (10mks)

3. (a) Under what **five** circumstances would an office manager replace existing machine with a modern one. (10mks)

(b) The following information relates to Mavuno Traders for the month of January 2014.

2014

Jan 1st : Bought goods on credit from Mwatate sh. 40,800 Longi sh.36,380.

5th: Credited sales to Asumbi sh. 68,720 Tumo sh. 46,200

7th : Returned goods to Londi sh: 4,200 Mwatate sh. 20**5**0

12th : Bought goods on credit from Mawe sh. 16,**5**00.

15th : Credited sales to Motomoto sh.37,100;Netto sh.7950.

20th : Goods returned by Motomoto sh.1,900.

1. Enter the above transactions in respective books of original entry,
2. Prepare general ledger extract. (10mks)

4. (a)Under what **five** circumstance would a firm be located near the market for its products (10mks)

(b) Outline **five** factors that may lead to the shift of a demand curve from right to left. (10mks)

5. (a) Highlight **five** advantages of government involvement in business (10 mks)

(b) Explain **five** reasons why businesses find it necessary to promote their products (10mks)

6. (a) Explain factors that may lead to a rise in the level of a country’s national income. (10mks)

(b) Kahawa Traders had the following balances as at 31st 03.2013

Sh.

Capital 20,000

Sales 240,000

Purchases 90,000

Closing stock (31st03.2013) 70,000

7 years bank loan 30,000

General Expenses 12,000

Insurance 25000

Debtors 25,000

Cash at bank 20,000

Creditors 75,000

Cash at hand 10,000

Premises 95,000

**Additional information:**

Stock 1.4.2014 160,000

**Calculate**

1. Mark – up
2. Margin
3. Rate of stock turn – over
4. Current ratio (10 mks)