**Name………………………………………………………. Adm No………………**

**Stream …………………… Date ………………………….…**

**Candidate’s Signature………………………**

565/2

**BUSINESS STUDIES**

Paper 2

March - 2019

**Time: 2 Hours**

**MOMALICHE JOINT EXAM**

***Kenya Certificate of Secondary Education (K.C.S.E)***

***CYCLE 2***

## INSTRUCTIONS TO CANDIDATES

1. This paper consists of **SIX** questions

2. Answer any **FIVE** questions.

3. Write your answers in the answer booklet provided.

4. All questions carry equal marks.

For examiners use only

|  |  |  |
| --- | --- | --- |
| Question  | Maximum score  | Candidate’s score  |
|  | 20 |  |
|  | 20 |  |
|  | 20 |  |
|  | 20 |  |
|  | 20 |  |
| **Total** |  |

1. (a) Explain five benefits that may accrue to a community that is involved in trading activities (10mks)

 (b) Explain five circumstances under which a monopolist would survive in a market . (10mks)

2. (a) Explain five measures that would be taken to ensure smooth functioning of a warehouse. (10mks)

 (b) The balance below were extracted from the books of Karanja Traders as at 1st June 2017.

 Shs

 Equipment 320,000

 Stock 180,000

 Bank 104,000

 Cash 20,000

Capital 544,000

Creditors 80,000

 During the first week of June 2017 the following transactions took place

June 2 - Karanja Traders introduced additional funds into the business by depositing sh 76,00 into business bank account.

 3 - purchased a motor vehicle form CMC Motors worth shs 400,000 on credit.

 5 - Paid a creditor shs 12,000 cash

 6 - Sold goods on credit to Anita sh 50,000

 7 - Bought equipment shs 100,000 by cheque

Required

Prepare the balance sheet of Karanja Traders as at 7th June 2017 showing the items in their relevant classes. (10mks)

3. (a) Explain five contents of memorandum of association. (10mks)

(b) Discuss five functions of money (8mks)

4. a) Explain four trends in office management today (8 mks)

(b) The following balance were extracted from the books of Simba traders as at 31st December 2016.

 (12mks)

 Shs shs

Sales 980,000 Carriage outwards 28,000

Purchase 640,000 Rent and rates 10,000

Return inwards 40,000 Electricity 16,000

Return outwards 36,000 Commission received 12,000

Stock /1/2016 120,000 Bad debts 6,000

Carriage inwards 34,000 General expenses 24,000

Discount received 18,000 stock 31/12/2016 104,000

*Required*

(a) Purchase of year

(b) Net sales

(c) Cost sales

(d) Gross profit

(e) Total indirect expenses

(f) Net profit

5. (a) On 1st March 2017 Staicy Enterprises had Ksh 7,800 cash in hand and a bank overdraft of Ksh 24,300 . During the month, the following transactions took place.

2017

March 2: cash sales paid directly into the bank sh 165,000

March 4: cash sales sh. 50,000

 6 Bought goods for ksh 15,000 and paid by cheque

 7: Bought goods on credit from Jane

 9: received a cheque for sh 18,000 from Amollo

 13: Paid insurance premiums sh 16,000 in cash

 15: Paid Kamotho by cheque sh 9,700 after deducting 3% cash discount

21 Withrew sh 30,000 from a bank for office use

24: received a cheque for ksh 23,750 from Rotich having allowed him 5% cash discount

25: Paid wages in cash sh 20,000

28: A cheque that was received from Amollo was dishonoured

30: Banked all the cash , except sh 3,000

 Required :

Prepare a three column cashbook and balance it off on 30th March 2017 (12mks)

 (8 mks)

(b) ABC manufacturers who have been producing product A stopped its production and instead embarked on production of product B. Explain five factors that may have led to this decision . (10mks)

6. (a) Explain the procedure for obtaining an insurance policy. (10mks)

(b) Discuss five measures that the government of Kenya may take to reduce the level of unemployment. (10mks)