**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.*

1. (a) Explain **five** circumstances under which an Insurance Company may not compensate the

 insured in the event of a loss (10mks)

(b) Explain **five** features of a perfect market (10mks)

2. (a) Explain **five** problems associated with depreciation of currency in an economy (10mks)

 (b) Explain **five** ways in which the Kenyan government can encourage entrepreneurship in

 Kenya (10mks)

3. (a) Sori Traders made the following credit sales in the month of August 2010

 1/8/10 Onyango Sh.2000, Pamzo Sh.6000

 5th /8/2010 Chacha Shs.5000

 10/8/2010 Kavuludi Sh.2500

 Onyango Sh.3000

 15/8/2010 Onyango Shs.4500

 Pamzo Sh.5000

 30th /8/2010 Otieno Sh. 8000, Ndugu Shs.1500

Enter the above transactions in the relevant journals, post the entries to the relevant ledgers and balance off the accounts (12mks)

(b) Explain **four** public sector activities aimed at attracting foreign investment (8mks)

4. (a) Explain **five** methods which the central bank may use to reduce money circulation in the economy (10mks)

 (b) Explain **five** benefits of privatizing government parastatals (10mks)

5. (a) Explain **five** problems which consumers may face where warehouses do not exist (10mks)

(b) High national income may nor necessarily mean better welfare for the citizens of that country. Explain the above statement giving five reasons (10mks)

6. (a) Explain **five** reasons why demand for a commodity may not significantly rise with a

 decrease in price (10mks)

(b) The following balances were extracted form the books of Panyako traders for the year

 ended 31st /July/2010

 Stock 31/6/09 80,000

 Sales returns 6000

 Purchase returns 4000

 Sales 600 000

 Stock 31/7/2010 60,000

 Purchases 360,000

 Carriage inwards 12000

Calculate

(i) Margin (3mks)

(ii) Rate of stock turnover (3mks)

(iii) Mark-up (3mks)

(v) Net purchases (3mks)