**Kenya Certificate of Secondary Education 2019**

**565/ 2 Business Studies Paper 2**

**END TERM 1 Time : 2 Hrs.**

**Name …………………………………………….……… Index Number…………………………..**

**Candidate’s Signature ………………….…...……….. Date ……………………………………**

**INSTRUCTIONS TO CANDIDATES**

1. Write your name and Index number in the spaces provided above.
2. Write the date of examination in the spaces provided above.
3. Answer **ALL** the questions.
4. **ALL** answers must be written in the spaces provided in this booklet.
5. Do not remove any pages from this booklet.
6. This paper consists of **8**  printed pages.
7. Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

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| QUESTION | 1 | 2 | 3 | 4 | 5 | 6 |  | TOTAL SCORE |
| SCORE |  |  |  |  |  |  |  |  |

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Turn over

1. a) Describe **five** methods which may be used by commercial banks to advance money

to customers (10mks)

b) Explain **five** factors that influence the choice of a channel distribution (10mks)

2. a) Differentiate between a co-operative society and a public limited company (10mks)

b) Explain **five** importance of entrepreneurship in Kenya. (10mks)

3. a) Discuss five ways the Kenyan economy benefits from indirect production. (8mks)

b) The following trial balance was extracted from the books of Gatukiyu Enterprises for the

year ended 2009.

**GatukuyuEnterprises**

**Trial Balance as at 31st Dec 2009**.

|  |  |  |
| --- | --- | --- |
|  | **Dr (Shs.)** | **Cr (Shs.)** |
| Capital  Drawings  Opening stock  Purchases  Sales  Return inward  Return outward  Carriage inward  Carriage outward  Discount allowed  Furniture  Motor vehicle  Creditors  Divided income  Premises  Debtors | 32,500  46,100  284,400  3,600  27,900  10,000  3,400  25,000  144,700  100,000  48,500 | 250,000  415,300  6,700  54,250  1,900 |
|  | **728,150** | **728,150** |

**Additional information:**

Closing stock was valued at Shs.55,300

Depression is to be written off on fixed assets as follows;

15% on motor vehicle and 10% on furniture, both to be calculated on cost

**Prepare**

i) Trading profit and loss account for the year ended 31st Dec 2009. (7mks)

ii) Balance sheet as at 31st Dec 2009. (5marks)

4. (a) Explain any FOUR factors that may be used in determining the size of a firm. [8 marks]

(b) The following information relates to Kagendo Trader as per the dates shown.

**1/1/2006 31/12/2006**

Motor vehicles 80,000 145,000

Debtors 25,000 28,000

Creditors 18,000 20,000

Outstanding standing 6,000 8,000

Rent received in advance 10,000 4,000

Office machine &equipments 35,000 31,000

Stock 6,000 8,000

Premises 150,000 150,000

Kagendo had prepared a summary of cash transaction for the year 2006 as shown below.

**Cash book summary**

Cash in hand b/d 5,000 Salaries 101,000

Cash at bank b/d 46,000 Drawings 12,000

Debtors 90,000 Creditors 50,000

Cash sales 102,000 Cash purchases 70,000

Rent 116,000 Motor vehicle 85,000

Insurance & rates 15,000

Cash in hand c/d 8,000

359,000 Cash at bank b/d 18,000

**359,000**

**Required**: Prepare Kagendo’s trading profit and loss a/c for the year ended 31st Dec. 2006 and a balance sheet as at 31st Dec. 2006. [12 marks]

5. (a) It has been the will of the government of Kenya to create 500,000 jobs per year. Explain five reasons which have hindered the achievement of this goal. [10 marks]

(b) Explain five importance of filing documents in an organization. [10 marks]

6. a) Explain **five** contributions of an efficient transport to the economic development of a country (10mks

b) With an aid of a diagram, explain how a firm in perfect competition attains its equilibrium output and price in the short run (10mks)

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