**Name………………………………………………………. ADM No……… Class…….**

**565/2**

**BUSINESS STUDIES 565/2**

**Paper 2**

**Time: 2 Hours 30 MINUTES**

**INSTRUCTIONS TO CANDIDATES**

- This paper consists of**six** questions

- Answer any **five** questions in the answer booklet

- All questions carry equal marks.

1 (a) Explain **five** types of unemployment found in Kenya today. (10 marks)

(b) Explain **five** differences between co-operatives and public limited companies. (10 marks)

2. (a) Mahindi’s track was involved in an accident and was extensively damaged. However, despite having a policy with an insurance company he was not compensated. Explain any five reasons that may have contributed to this. (10 marks)

b. Discuss ***five*** reasons why countries practice restrictions in trade (10 marks)

3. (a) Explain **five** characteristics of an efficient tax system (10 marks).

b. Outline ***five*** factors that may cause a producer to reduce his output to the market.(10 marks)

4. (a) The Kenyan government may want to reduce the amount of money in circulation. Suggest the possible measures it should take. (10 marks)

(b) Explain **five** circumstances under which oligopoly market structure may be created. (10marks)

5. (a) Explain **five** ways firms stand to benefit as a result of the completion of the standard gauge railway. (10 marks)

b. On 1st October 2013, Greenland Traders Had shs.10 000 and shs.40 000 at the bank. During the month, the following transactions took place.

|  |  |
| --- | --- |
| Oct 2 | Bought goods worth shs3,100 by cheque. |
| 3 | Paid motor expenses shs.6000 in cash |
| 6 | Sold goods worth 8200 cash |
| 10 | paid a creditor shs.9500 by cheque after deducting a 5% cash discount |
| 12 | Received a commission of shs.580 directly into the bank account. |
| 14 | Shelby, a debtor, settled her account of shs.30,000 by cheque less a 2.5% cash discount |
| 15 | The bank deducted shs. 850 from the business account for services rendered |
| 19 | The owner took shs.1500 by cheque for personal use |
| 23 | Paid Maboko traders shs.39,200 by cheque in full settlement of their account less 3% cash discount |
| 24 | Withdrew shs.15,000 from bank for business use |
| 26 | Received shs.8,200 cash from a debtor in full settlement of a debt of shs.8,500 |
| 30 | Took all the cash to the bank leaving only shs.1800 in the cash till |

***Required:***

Prepare a duly balanced three column cash book. (10 marks)

6. (a) Explain **five** advantages of division of labour. (10 marks).

b.) The following is the trial balance of Secret Garden as at 31-12-2011

|  |  |  |
| --- | --- | --- |
|  | DR | CR |
| Purchases and Sales | 700,000 | 1,600,000 |
| Returns | 30,000 | 40,000 |
| Discounts | 50,000 | 35,000 |
| Capital |  | 862,000 |
| Commission | 39,000 | 25,000 |
| Carriage inwards | 28,000 |  |
| Carriage outwards | 135,000 |  |
| Debtors and creditors | 400,000 | 300,000 |
| Salaries | 220,000 |  |
|  |  |  |
| Bank | 266,000 |  |
| Cash | 94,000 |  |
| Buildings | 600,000 |  |
| Equipment | 200,000 |  |
| Stock Jan. 1 | 100,000 |  |
|  | 2,862,000 | 2,862,000 |

***Additional information***

Stock Dec. 31 was valued at shs.94, 000

***Required***

1. Prepare Trading and Profit and Loss Account
2. Balance sheet as at 31-12-2011 (10 marks).