

THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education

565/2 - **BUSINESS STUDIES** - Paper 2

Nov. 2018 - 2½ hours

Name Index Number

Candidate's Signature Date

Instructions to candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above.
- (c) This paper consists of **six** questions.
- (d) Answer any **five** questions.
- (e) Write your answers in the spaces provided after question **six**.
- (f) All questions carry equal marks.
- (g) **This paper consists of 16 printed pages.**
- (h) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**
- (i) **Candidates should answer the questions in English.**



For Examiner's Use Only

Question	Maximum Score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		

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1. (a) Explain **five** circumstances that may lead to the existence of a business opportunity to be exploited by the entrepreneur. (10 marks)
- (b) Explain **five** factors that Chuma Steel Manufacturers may consider when choosing a channel for distributing their products. (10 marks)
2. (a) Explain **five** clauses that must be specified in the Memorandum of Association of a public limited company. (10 marks)
- (b) The following information was extracted from the books of Kisababu Traders on 31 December 2014:

Details	Sh
Sales	84,000
Purchases	58,800
Opening stock	15,700
Stock on 31/12/2014	13,000
Returns out	1,500
Returns in	9,000

Required:

- i. Prepare Kisababu Traders Trading Account for the period ending 31 December 2014. (5 marks)
- ii. Work out Kisababu Traders percentage mark up. (2 marks)
- iii. Calculate Kisababu Traders Rate of Stock Turnover. (3 marks)
3. (a) Explain **five** demerits of using carts as a means of transport in towns. (10 marks)
- (b) Explain **five** types of direct taxes that the government may use to collect revenue from individuals and companies. (10 marks)
4. (a) The demand for soft drinks has been on the increase. Explain **five** factors that may have contributed to this. (10 marks)
- (b) Describe **five** forms of economic integration that countries may join to promote international trade. (10 marks)

5. (a) Explain **five** differences between an open office and an enclosed office. (10 marks)
- (b) The following opening balances were extracted from the books of Mageta Traders on 1 July 2016:

Details	Sh
Furniture	56,000
Capital	80,000
Creditors	20,000
Debtors	25,000
Bank	11,000
Cash	8,000

The following transactions took place in the course of the month:

- Paid a creditor Sh 4,500 in cash.
- Took Sh 3,000 from the bank for family use.
- Bought stock Sh 18,600 on credit.
- Acquired a 10 year bank loan Sh 165,000 which was credited to the business bank account.
- Purchased land worth Sh 82,000 paying by cheque.
- Converted a family table worth Sh 5,500 to business use.
- Received Sh 7,300 in cash from debtor.

Required: Prepare Mageta Traders Balance Sheet at the end of July 2016 (10 marks)

6. (a) Explain **five** problems of using national income statistics to compare the living standards of citizens of Kenya and Tanzania. (10 marks)
- (b) Use the transactions given below to prepare Jawabu Traders two column cash book for the month of February 2015. (10 marks)

1st Feb.	Had Sh 12,500 cash and a bank overdraft of Sh 5,000
2nd Feb.	Used cash to pay for water bill Sh 800, electricity Sh 1,100 and wages Sh 4,700.
3rd Feb.	Received a cheque of Sh 18,900 from a debtor
5th Feb.	Sold goods worth Sh 7,150 in cash.
7th Feb.	Paid for goods bought for resale worth Sh 6,400 by cheque.
9th Feb.	Received a cheque of Sh 13,000 from the co-operative society as earnings from dividends.
10th Feb.	Withdrew Sh 2,500 from the bank for family use.
13th Feb.	Received Sh 15,900 in cash from a debtor.
15th Feb.	Deposited Sh 9,500 from the office into the business bank account.
17th Feb.	Paid a creditor by cheque Sh 4,390.
27th Feb.	Used all the money in the bank to purchase furniture leaving only a balance of Sh 2,010.

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Handwriting practice area consisting of 20 horizontal dotted lines.

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