**NAME ………………………………..………………… DATE ……………………………….**

**INDEX NO. …………….……….……..…..…………… CANDIDATE’S SIGNATURE …………..…**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**OCTOBER / NOVEMBER 2013**

**TIME: 2 ½ HOURS**

**KATHIANI SUB - COUNTY**

**FORM FOUR ENTRANCE EXAMINATIONS**

***Kenya Certificate of Secondary Education***

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**TIME: 2 ½ HOURS**

**INSTRUCTIONS TO THE CANDIDATES**

Answer any **FIVE** questions

All questions carry equal marks

All working must be shown

***This paper consists of 2 printed pages.***

***Candidates should check to ensure that all pages are printed as indicated and no questions are missing***

1. (a) State and explain five reasons for the continued existence of small scale firms in the economy despite

 the huge benefits associated with large production. (10marks)

 (b) Explain five circumstances under which a producer would need the services of intermediaries.

 (10marks)

2. (a) On 1st march 2013 Itumo traders had cash in hand Shs. 10,000 and cash at bank Shs. 15,000. The

 following transactions took place during the month.

 March 2: Bought goods in cash Shs. 1500.

 “ 4: Paid salaries cash Shs. 7500.

 “ 5: Received cheques from the following; debtors after allowing a 2% discount in each case.

 WambuisShs 980, Wangondu Shs 1960.

 “ 8: Paid the following creditors by cheque in each deducting a 5% discount. wangombe Shs.

 3000; wanjohi Shs.1200.

 “ 12: Bought office machinery by cheque Shs 5000

 “ 20: Withdrew cash Shs. 1000 for private use.

 “ 25: Cash sales 2000

 “ 26: Banked cash amounting to 1000.

 “ 29: Received Shs 3000 cash from Wangu a debtor.

 Required: prepare Itumo traders three column cashbook for the month of March (10marks)

 (b) Most African countries experience low levels of national income. State and explain five factors that

 may be contributing to this scenario. (10marks)

3. (a) State and explain five sources of monopoly power. (10marks)

 (b) State and explain five unethical issues that may be witnessed in product promotion. (10marks)

4. (a) Give five differences between a public limited company and a public corporation. (10marks)

 (b) State and explain five factors that an organization would have to consider before a decision is made to acquire a certain office equipment. (10marks)

5. (a) Explain five reasons why Kenya has been unable to adequately exploit her natural resources.

 (10marks)

 (b) State and explain five circumstances under which a trader would use human porterage to ferry his

 goods. (10marks)

6. (a) The following balances were extracted from the books of Musau traders as at 30.06.2013

 Building 870,000

 Debtors 36,520

 Capital 947,000

 Cash 74,000

 Creditors 45,300

 Stock 14,250

 Bank overdraft 18,500

 Cash at bank 16,000

 Furniture and fittings 2,500

 Drawings 6,000

 Additional investments 4,000

 Required;

1. Prepare Musau traders trial balance as at 30.06.2013. (5marks)
2. Musau traders balance sheet as at 30.06.2013. (5marks)

(b) Explain five circumstances under which face to face communication may be ineffective.

 (10marks)