

565/2

BUSINESS STUDIES

PAPER 2

JUNE

TIME: 2 ½ HOURS

**BUNYORE MARANDA (BUMA II) JOINT EXAMINATION**

*Kenya Certificate of Secondary Education (K.C.S.E)*

Business Studies

Paper 2

2 ½ hours

**INSTRUCTIONS TO CANDIDATES**

- This paper consists of six questions
- Answer any five questions
- Write your answers in the answer booklet provided
- All questions carry equal marks

1. (a) Explain any five features of a good filing system. (10 marks)
- (b) Explain five reasons why citizens may experience low standards of living despite improvement in the per capita income. (10 marks)
2. (a) Outline five differences between ordinary shares and debentures. (10 marks)
- (b) The following trial balance was extracted from the books of Okumu traders as at 31/12/2012.

	Dr(shs)	Cr(sh)
Opening stock	30000	
Purchases/sales	275000	390000
Debtors	47000	
Commission received		36000
Returns	10000	6000
Carriage inwards	16000	
Bad debts	3000	
Wages	20000	
Rates	12000	
Buildings	450000	
Furniture	180000	
Bank overdraft		210000
Insurance	19000	
Discounts	5000	7000
Drawings	25000	
Creditors		52000
Cash at bank	250000	
Cash at hand	40000	
Capital		689000
	1390000	1390000

Additional information:

1. Closing stock sh.50000
2. Carriage outwards sh.8000

Required:

- (i) Prepare Okumu traders trading, profit and loss account for the period ended 31/12/2012
- (ii) Balance sheet as at 31/12/2012. (10 marks)

3. (a) Explain five advantages accruing to a country that have joined an economic block. (10 marks)
- (b) Explain negative effects of any five macro environmental factors on a business. (10 marks)
4. (a) State and explain five services offered by wholesalers to retailers. (10 marks)
- (b) Record the following transactions in the relevant ledger accounts, balance the account and extract a trial balance. (12 marks)

Date transaction

1/4/2012 Mary started business with shs.80,000 cash

2/4/2012 Bought stationery for shs.4,000 and paid in cash

3/4/2012 Opened a bank account and deposited shs.50,000 from the cash till

4/4/2012 Bought motor vehicle worth shs.250,000 from Lucy motors on credit

5/4/2012 Bought postage stamps for shs.60 in cash

5. (a) Discuss five ways of improving the efficiency of a warehouse. (10 marks)
- (b) Highlight five methods that can be used to determine the size of the firm (10 marks)
6. (a) Explain five monetary policies that the Kenyan government uses to control the supply of money in an economy. (10 marks)
- (b) Explain five principles of insurance (10 marks)