

Name: \_\_\_\_\_ Adm No. \_\_\_\_\_

Candidate's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

565/2

**BUSINESS STUDIES**

**PAPER 2**

**JUNE/JULY 2016**

**2½ HOURS**

***INSTRUCTIONS TO CANDIDATES***

This paper consists of **six** questions

- Answer any **5** questions
- Write your answers in the answer sheet provided
- All questions carry equal marks
- All your answers must be written in English

**FOR EXAMINER'S USE ONLY**

<b>Question</b>	<b>Marks</b>
1	
2	
3	
4	
5	
6	
<b>TOTAL SCORE</b>	

1. a) Explain five reasons why ethical practice is necessary in business. (10 marks)  
b) Explain five uses of National Income statistics. (10 marks)
2. a) Majority of manufacturing industries in Kenya are established where roads are well maintained. Explain five reasons why an efficient road system is necessary. (10 marks)  
b) Describe five benefits that Kenya derives from setting up export processing zones in the country. (10 marks)
3. a) After sales services are strategies aimed at improving customer loyalty. Explain five circumstances under which a trader may offer these services to a buyer. (10 marks)  
b) Explain five strategies that a small firm could adopt to expand so as to enjoy economies of scale. (10 marks)
4. a) Explain five circumstances under which a manufacturer would find it advisable to distribute his goods through wholesalers. (10 marks)  
b) Journalize the following transactions which took place in the business of Octa limited during the month of April 2013. (10 marks)  
April 5: Purchased office furniture on credit for Kshs 125, 000 from sofa furniture limited  
April 10: Sold an old printing machine for Kshs 10,000 to Koma academy on credit  
April 15: Bought a new motor vehicle for Kshs 900,000 from Expo motor ltd paying Kshs 400.000 in cash and the balance to be settled at a later date.  
April 18: The owner converted a personal laptop valued at Kshs 20,000 into business asset.
5. a) Discuss five factors that should be considered by a business when choosing office equipment. (10 marks)  
b) Explain five roles of a non- bank financial institutions in the economic development of Kenya. (10 marks)
6. a) Explain five principles under which co-operative societies should be managed. (10 marks)  
b) Explain five differences between monopoly and oligopoly market structures. (10 marks)