**565/2**

**BUSINESS STUDIES**

**Paper 2**

2½ hours

**Starehe Boys’ Centre and School**

**Kenya Certificate of Secondary Education**

**MOCK EXAMINATIONS, 2014**

**Instructions to candidates**

***This paper consists of 3 questions***

***Answer any five questions in answer booklet given***

***Each question should be answered on a separate sheet provided***

***All questions carry equal marks***

***Candidates should check the question paper to ascertain that all the questions are printed as indicated and no questions are missing***

1. (a) Highlight five ethical issues in product promotion. (10 marks)

 (b) Explain five measures that may be taken by the Kenyan government to solve

 unemployment problems. (10 marks)

2. (a) Explain five benefits Kenya may get from its natural resource endowment. (10 marks)

 (b) Nyando Limited operates as a monopolist. Explain five factors that may have made the

 firm to acquire such a monopoly power. (10 marks)

3. (a) Explain five sources of a business idea. (10 marks)

 (b) Highlight five ways in which commercial banks facilitate payments for their

 customers. (10 marks)

4. (a) The World Bank plays an important role in facilitating International trade. Explain five ways it

 performs such a role. (10 marks)

 (b) The following information was extracted from the books of Njiru Retailers on 1st December 2013.

 shs

 Capital 105,000

 Loan 82,000

 Creditors 10,000

 Premises 100,000

 Furniture 14,000

 Stock 30,000

 Cash at bank 48,000

 Cash in hand 5,000

The following transactions took place during the month of December, 2013.

Dec 8: Paid part of the loan by cheque sh.20,000

Dec 11: Bought furniture on credit worth sh.8,000 from Agu Furnitures

Dec 18: Withdrew sh.5,000 from bank for business use

Dec 25: Paid creditors by cash sh.3,000

Dec 30: Bought stock for cash sh. 2,500

Prepare the balance sheet of Njiru Retailers as at 31st December 2013. (10 marks)

5. (a) Wanjau, a farmer, intends to transport fresh bananas from his farm to the market.

 Explain five factors he should consider when choosing the means of transport. (10 marks)

 (b) With the aid of diagrams, distinguish shift in demand curve from movement along the

 demand curve. (10 marks)

6. The following trial balance was extracted from the books of account Tilla Traders as at 31 December 2013

 Dr. Cr.

 Sh sh

Inventory: 1Janaury 2013 416,000

Carriage outwards 21,000

Carriage inwards 37,000

Returns outwards 15,400

Returns Outwards 34,100

Purchases and sales 1,884,300 3,804,000

Accounts receivable and accounts payable 425,600 316,000

Salaries and wages 614,000

Motor expenses 19,100

Office expenses 4,120

Lighting and heating 8,940

General expenses 2,450

Premises 920,000

Motor vehicles 134,000

Fixtures and fittings 19,000

Insurance 13,560

Rent 37,000

Bank 51,060

Drawings 220,000

Capital \_\_\_\_\_ 68,8430

 **4,842,530**  **4,842,530**

Additional Information:

Inventory as at 31 December was valued at sh 447,800

Prepare:

1. an income statement for the year ended 31 December 2013 ( 12 marks)
2. Statement of financial position as at 31 December 2013 ( 8 marks)