

Name Index Number

565/2
BUSINESS STUDIES
Paper 2
Nov. 2016
2½ hours

Candidate's Signature

Date



THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
2½ hours

Instructions to candidates

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

For Examiner's Use Only

Question	Maximum Score	Candidate's Score
1	20	
2	20	
3	20	
4	20	
5	20	
6	20	
Total Score		



1. (a) Explain **five** factors that may promote entrepreneurship in Kenya. (10 marks)
- (b) Explain **five** circumstances under which a partnership may be dissolved. (10 marks)
2. (a) Explain **five** advantages of government involvement in business. (10 marks)
- (b) Traders are required to observe ethical practices when carrying out product promotion. Explain **five** reasons for observing such ethical practices. (10 marks)
3. (a) Explain **five** methods of determining the price of a product other than price control. (10 marks)
- (b) Explain **five** benefits that may be realised by a country as a result of government policy to relocate industries to rural areas. (10 marks)
4. (a) On 1st January 2015, Ndovu Traders had Ksh 30,000 in cash and Ksh 75,000 at the bank. During the month, the following transactions took place:
- January 2: Bought goods in cash worth Ksh 15,500.
- 5: Received cash from Chui Ksh 23,750 after allowing 5% cash discount.
- 8: Withdrew Ksh 8,900 from the bank for personal use.
- 11: Maro, a debtor settled her account of Ksh 16,800 by a cheque of Ksh 16,000.
- 15: Sales amounted to Ksh 24,250 in cash.
- 17: Paid Furaha traders Ksh 29,100 in cash in full settlement of their account less 3% cash discount.
- 20: Withdrew Ksh 15,000 from the bank for business use.
- 22: Koko a debtor settled her account of Ksh 40,000 by cheque less 2.5% cash discount.
- 25: Paid wages Ksh 21,000 cash.

Required: Prepare a duly balanced three column cash book. (12 marks)



- (b) The following balances were extracted from the books of Rehema Traders on 1st January 2015.

	Ksh
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31st December 2015:

- (i) Sold furniture worth Ksh 60,000 for which Ksh 40,000 cash was received and the balance was due at the end of the year.
- (ii) Purchased goods worth Ksh 100,000 for which cash of Ksh 70,000 was paid and the balance was still outstanding at the end of the year.
- (iii) Cash Ksh 10,000 was taken from the business by the proprietor to settle the spouse's hospital bill.

Required: Outline the effect of each transaction on the items of the balance sheet.

(8 marks)

5. (a) Explain five guidelines that may be used by the government of a country to promote efficient use of her resources. (10 marks)
- (b) Explain five disadvantages that a country may face if she restricted trade with other countries. (10 marks)

6. (a) On 1st September 2015, Gondi had Ksh 55,000 in hand and Ksh 250,000 at bank. During the month, the following transactions took place:

September	2	Cash sales banked Ksh 35,260
	3	Bought ribbons in cash Ksh 4,500
	8	Paid Wangila, a creditor Ksh 94,000 by cheque in full settlement of his account after deducting 6% cash discount
	12	Received a cheque for Ksh 58,800 from Wetu after allowing her a cash discount of Ksh 1,200
	15	Paid salaries Ksh 34,000 in cash
	25	Withdrew Ksh 50,000 from bank for office use
	28	Anyango, a debtor paid her account of Ksh 75,000 by cheque less 10% cash discount
	30	Deposited all the cash into bank except Ksh 13,700

Required: Prepare a three column cash book and balance it off. (10 marks)

- (b) Outline five reasons that may influence the government to start a parastatal. (10 marks)

