

565/2

BUSINESS STUDIES

Paper 2

July/August 2017

Time 2½ hours

FORM FOUR END OF SECOND TERM EXAM

Kenya Certificate of Secondary Education

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Time: 2½ hours

INSTRUCTIONS TO CANDIDATES

- This paper consists of SIX questions.
- Answer any FIVE questions.
- All questions carry equal marks.
- Write your answers in the spaces provided after question 6.

This paper consists of 3 printed pages

Candidates should check the question paper to ensure that all the printed pages are printed as indicated and no questions are missing.

Answer any FIVE questions.

1. a) Explain **five** emerging issues in office management. (10 marks)
b) Explain **five** reasons why countries prepare development plans. (10 marks)
2. a) Discuss **five** circumstances under which an insurance contract may be terminated. (10 marks)
b) Highlight five problems likely to be faced by consumers when a firm operates as a monopoly. (10 marks)
3. a) Mathioya Enterprises started business with sh 800,000 in cash on 1st June 2011.

June 2011 :2 Deposited sh 450,000 cash into the bank
:8 Purchased goods for resale sh 40,000 in cash
:11 Took sh 20,000 in cash for personal use.
:19 Paid salaries shs 120,000 by cheque.
:25 Cash sale 85,000
:30 Paid salaries shs 80,000 by cheque.

Required:

- i) Enter the above transactions in Mathioya Enterprises ledger accounts.
ii) Balance the ledge accounts and extract a trial balance as at 30th June 2011. (12 marks)
- b) Explain four measures put in place by the Transport Licensing Board (TLB) to curb road Carnage in Kenya. (8 marks)
4. a) Kenya, a member of East African community, has been experiencing deteriorating terms of trade. Explain five factors that could have contributed to this trend. (10 marks)
b) Most governments continue operating public corporations in their countries despite their dismal performance. Explain **five** reasons why this is so. (10 marks)
5. a) Discuss **five** measures the government can undertake to promote entrepreneurship practices in Kenya. (10 marks)
b) Explain with the aid of a well labelled diagram the effects of setting price above the equilibrium price. (10 marks)

6. a) Explain **five** principles of public expenditure. (10 marks)

b) The following balances were extracted from the books of accounts of Kangema Enterprises as at 31st December 2010.

	Shs
Stock (31st December 2010)	294,600
Carriage outwards	20,000
Carriage inwards	31,000
Return outwards	32,200
Purchases	1,187,000
Sales	1,851,000
Discounts received	19,000
Salaries and wages	362,800
Discounts allowed	30,400
Insurance	36,800
Stock (1st January 2010)	236,000

Required

Prepare the trading, profit and loss account for the year ended 31st December 2010. (10 marks)

