

Name..... Index Number.....

565/2

Candidate's Signature.....

Date.....

PRE-MOCK

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

BUSINESS STUDIES

PAPER 2

2 ½ HOURS

Instructions to Candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above.
- (c) This paper consists of *SIX* questions.
- (d) Answer any *FIVE* questions.
- (e) Write your answers in the spaces provided after question *SIX*.
- (f) All questions carry equal marks
- (g) This paper consists of 3 printed pages. Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing
- (h) Candidate should answer the questions in *English*
- (i)

For Examiner's Use Only

Question	Maximum score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		

Turn over

- 1 (a) Highlight five drawbacks of using expenditure approach to measure a country's National Income. (10 marks)
- (b) Recent insecurity in Nairobi is majorly caused by unemployment of among youth. Explain five factors that can be attributed to the high levels of unemployment (10 marks)
- 2 (a) Your father is reluctant to take a life assurance policy despite being approached by a number of insurance companies. As a Business Studies student, explain to him five benefits of life assurance (10 marks)
- (b) The following balance sheet was prepared by the accounts clerk of Pato traders:-

Pato Traders
Balance sheet
As at 31st Dec 2017

<u>Fixed assets</u>			
Land and building	300 000		
Furniture and fittings	51 500		
Machinery	140 000		
Motor vehicle	<u>190 000</u>		
		681 500	
<u>Current assets</u>			
Stock	124 500		
Debtors	103 650		
Cash at bank	54 850		
Cash at hand	<u>3650</u>		
		286 650	
		<u>968 150</u>	
			capital 422 920
			+net profit <u>220 500</u>
			643 430
			-drawings <u>175 000</u>
			468 420
			<u>long term liabilities</u>
			mortgage loan 30 000
			bank loan <u>370 000</u>
			400 000
			<u>current liabilities</u>
			creditors <u>99 730</u>
			<u>968150</u>

From the balance sheet calculate the following:

- (a) Working capital (2 marks)
- (b) Return on capital (2 marks)
- (c) Current ratio (2 marks)
- (d) Capital employed (2 marks)
- (e) Borrowed capital (2 marks)
- 3 (a) Explain five ways by which government can create environment that would promote business activities (10 marks)

(b) The following Transaction took place in the business of Mboya Retail in the month of June 2017

June 1: Invested shs.200, 000 cash in a retail business

June 2: Obtained a co-operative loan of Shs.30,000 cash

June 3: Bought Machinery Shs. 140,000 paying Shs.90,000 cheque and the balance in cash

June 5: Transferred Ksh. 100,000 from business cash till to the bank

Required

Record the above transactions in the relevant ledger accounts balance the accounts and extract trial balance the month of June, 2017 (10 marks)

4 (a) Differentiate between Memorandum of Association and Articles of Association(10 marks)

(b) Highlight five ways by which an entrepreneur can improve his internal barriers operation for the success of his business (10 marks)

5. (a) Highlight five importance of entrepreneurship to a country (10 marks)

(b) Explain the meaning of the following methods used by commercial banks to transfer money (10 marks)

- i. Cheques
- ii. Credit transfers
- iii. Standing order
- iv. Telegraphic transfers
- v. Electronic Funds Transfer (EFT)

6 (a) Explain five benefits of using Mobile Transfer services in Kenya today (10 marks)

(b) Explain five benefits of using Pay As You Earn (PAYE) as source of revenue to the government (10 marks)