

NAME..... INDEX NO.....

SCHOOL..... DATE..... SIGN.....

**565/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**TERM ONE 2019**  
**TIME: 2½ HOURS**

**HOMABAY COUNTY BUSINESS STUDIES ASSOCIATION**

**HOCOBUSA-TERM 1 2019**

**Kenya Certificate of Secondary Education**

**BUSINESS STUDIES**

**PAPER 2**

**TIME: 2½ HOURS**

**INSTRUCTIONS TO CANDIDATES**

1. Write your Name and Index number in the space provided above.
2. Sign and write the date of examination in the spaces provided above.
3. This paper consists of **SIX** questions.
4. Answer **ANY FIVE** questions.
5. Write your answers in the answer booklet provided.
6. All questions carry equal marks.
7. This paper consists of 3 printed pages.
8. Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
9. Candidates should answer the questions in **English**.

**FOR EXAMINERS' USE ONLY**

<b>QUESTION</b>	<b>MAXIMUM SCORE</b>	<b>PART A</b>	<b>PART B</b>	<b>CANDIDATE'S SCORE</b>
<b>1</b>	<b>20</b>			
<b>2</b>	<b>20</b>			
<b>3</b>	<b>20</b>			
<b>4</b>	<b>20</b>			
<b>5</b>	<b>20</b>			
<b>6</b>	<b>20</b>			
<b>TOTAL SCORE</b>				

1. (a) Explain **five** benefits that accrue to a customer who buy goods in a supermarket (10mks)
- (b) Discuss **five** circumstances under which an insurance company would not compensate the insured in the event of loss (10mks)
2. (a) Explain **five** causes of unemployment in Kenya (10mks)
- (b) Outline **five** reasons why personal selling is increasingly being used (10mks)
3. (a) Explain **five** factors to consider in determining an appropriate channel for distribution of goods (10mks)
- (b) On 1<sup>st</sup> January 2015, Ngunjiri had sh. 15,000 in hand and bank overdraft of sh. 25,000. During the month the following transactions took place (10mks)

**Jan 2: Cash sales directly banked sh. 40,360**

**4: Bought stock of goods in cash sh. 2,400**

**6: Received a cheque of sh. 97,800 from Karanja after allowing him a cash**

**discount of 2,200**

**9: Paid Obado a creditor sh. 65,800 by cheque after deducting 6% cash discount**

**14: Paid salaries 8,000 in cash**

**17: Mwatela debtors settle his account of sh. 75,000 by cheque less 10% cash discount .**

**24: Withdraw 30,000 from bank for office use**

**28: Bought stationery in cash 10,000**

**31: Withdraw sh 7,000 from bank for private use**

**Required**

Prepare the three column cash book duly balanced (10mks)

4. (a) Explain **five** assumptions for the existence of a perfectly competitive market (10mks)
- (b) Describe the differences between non-bank financial institutions and commercial bank (10mks)
5. (a) Outline **five** circumstances under which a trader may choose to use railway transport (10mks)
- (b) With the aid of a diagram, explain the effects of an increase in the demand of a commodity while its supply remains constant (10mks)
6. (a) Explain **five** roles of ethical practices in business (10mks)

(b) The following balances was extracted 1 from the books of Otenyo traders for the year ended 31<sup>st</sup> August 2012 (10mks)

**Otenyo  
Trial Balance  
As at 31<sup>st</sup> August 2012**

Details	Dr	Cr
Machinery	30,000	
Land and Building	60,000	
Motor vehicle	40,000	
7 years bank loan		40,000
Stock	20,000	
Cash at bank	20,000	
Debtors	16,000	
3 year AOB loan		30,000
Creditors		16,000
Cash in hand	12,000	
Drawings	14,000	
Bank overdrafts		22,000
Capital		104,000
	<b>212,000</b>	<b>212,000</b>

Required

(a) Prepare a balance sheet as at 31<sup>st</sup> August 2012

(b) Determine

- (i) Working capital
- (ii) Capital employed
- (iii) Borrowed capital