**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**MAY 2019**

**TIME: 2 ½ HOURS**

**RACHUONYO NORTH BUSINESS STUDIES ASSOCIATION (RANDBUSSA) EXAMINATION CYCLE 2- 2019**

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

**Business Studies**

**Paper 2**

**INSTRUCTIONS TO CANDIDATES:**

* *This paper consists of* ***six*** *questions*
* *Answer any* ***five*** *questions.*
* *Write your answers in the answer booklet provided*
* ***All*** *questions carry equal marks*

**For examiners use only**

|  |  |  |
| --- | --- | --- |
| **Question** | **Maximum score** | **Candidate Score** |
| **1** | **20** |  |
| **2** | **20** |  |
| **3** | **20** |  |
| **4** | **20** |  |
| **5** | **20** |  |
| **6** | **20** |  |
|  | **Total Score** |  |

*This paper consists of 3 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.*

1. (a) Explain **five** limitations of barter trade that occasioned the evolution of money. (10mks)

(b) Explain **five** sets of the types of goods and services produced in an economy. (10mks)

2. (a) Explain **four** benefits of retailers to wholesalers. (8mks)

(b) The following transactions took place in the business of Simbi limited in the month of July 2018:

July 1-Started the business with capital in cash of sh. 150,000.

July 2-Opened a bank account and deposited sh. 30,000

July 3-Bought buildings by cash sh.60,000

July 4- Borrowed a loan in cash sh.20,000

July 5-Bought stationery by cheque sh.6,000

July 6-Repaid part of loan by cheque sh.10,000

***Required***:

1. Record these transactions in ledger accounts and balance them off. (8mks)
2. Hence extract a trial balance on 6th July 2018. (4mks)

3. (a) Explain **five** advantages of a country belonging to a trading bloc. (10mks)

(b) Outline **five** circumstances under which an insurance contract may be terminated. (10mks)

4. (a) Explain **five** circumstances in which a trader may offer after sales services. (10marks) (b) The following details were extracted from the books of Akuba Traders on 31st Dec.2018.

Kshs.

Closing stock 274,000

Capital 259,000

Gross profit 380, 000

Drawings 83,000

Creditors 93,000

Premises 103,000

Debtors 123,000

Cash at bank 33,000

1 year bank loan 50,000

General Expenses 54,000

Commission received 20,000

Wages and salaries 132,000

***Required:-***

(i) Prepare Akuba Traders profit and loss account for the year ended 31st Dec, 2018.

(ii) Prepare Akuba Traders balance sheet as at 31st Dec. 2018. (10mks)

5. (a)For a perfect competition market to exist, there are several assumptions that are made.

Explain any **five** of these assumptions. (10mks)

(b) State and explain the details of the various clauses under the Memorandum of Association. (10mks)

6. (a) Describe **five** channels of distribution that would be used for imported agricultural goods.

(10mks)

(b) Explain **five** ways in which filing of documents facilitates smooth running of an office. (10mks)