**NAME:…………………………………………………………… INDEX NO:………………**

**CANDITATES SIGNATURE………………………………… DATE:………………**

**565/2**

**Business studies**

**Paper 2**

**JULY/AUGUST 2019**

**2 ½ hours**

**Kenya Certificate of Secondary Education**

**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 consist of six of six questions with equal marks*

*(d) All questions carry equal marks*

*(e) Answer five questions on the answer booklet provided.*

*(f) All answer must be written 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* |  |

1. (a) Explain **five** factors which may lead to business success. (10mks

(b) Hassan Juma’s truck was involved in an accident and was extensively damaged. However, despite having a policy with an insurance company, he was not compensated. Explain any **five** reasons that may have contributed to this. (10mks

1. (a) Explain **five** trends that have been observed in forms of business units recently. 10mks

(b) The demand for motorcycles has increased in the last five years. Explain five factors that would have lead to this trend. (10mks

1. (a) Outline **five** benefits of bonded warehouse to the government of Kenya. (10mks

(b) Explain any **five** types of direct tax. (10mks

1. (a) The following information was extracted from the books of Maneno Traders in the month of January 2016.

January 1 Had cash in hand shs.20,500 and a bank overdraft of shs.9,200

January 2 Bought goods for sale shs12,400 in cash.

January 4 Made cash sales shs.13,800

January 5 Received a cheque shs22,800 from Samson after 5% cash discount.

January 8 Received shs.6,700 from Kamau in cash.

January 10 Deposited shs18,000 from cash till to the business account.

January 12 Settled Njoro’s account of shs 15,000 after 2% cash discount by a cheque

January 28 paid water bills by cheque shs 1,400.

January 30 Received shs10,800 in cash from Tana Traders after a cash discount of

Shs.1,200.

Prepare a duly balanced three column cashbook. (10mks

(b) Explain **five** roles played by intermediaries in the chain of distribution. (10mks

1. (a) Small scale firms continue to exist despite of the advantages of large scale operation.

Explain **five** reasons that may account for this. (10mks

(b) Explain **five** reasons that may make a county adopt a protectionism policy. (10mks

1. The following trail balance was obtained from the books of Kathiani traders as at 31st December 2013

Kathiani traders

Trail balance

as at 31st December, 2013

|  |  |  |
| --- | --- | --- |
| Name of account | DR | CR |
| Land and buildings  Capital  Plant and machinery  Motor vehicles  10years bank loan  2 years I.C.D.C loan  Stock  Debtors  Creditors  Accrued expenses  Cash at bank  Cash in hand  Drawing | 500,000  200,000  300,000  100,000  60,000  100,000  20,000  40,000 | 940,000  200,000  100,000  60,000  20,000 |
|  | 1,320,000 | 1,320,000 |

Required :

1. Prepare a balance sheet as at 31.12.2013 (7mks
2. Determine
3. Working capital
4. Capital employed
5. Borrowed capital.

(b) Outline five measures that Kenya may take to reduce the level of inflation. (10mks