

Name..... Index No.....

Candidates Signature

Date.....

565/2
BUSINESS STUDIES
PAPER 2
JULY/ AUGUST 2010
TIME: 2 ½ HOURS

LAIKIPIA JOINT EVALUATION TEST-2010
Kenya Certificate of Secondary Education (K.C.S.E)

565/2
BUSINESS STUDIES
PAPER 2
JULY/ AUGUST 2010
TIME: 2 ½ HOURS

Instructions to candidates

- Answer all the Questions

*This paper consists of 2 printed pages.
Candidates should check the question paper to ascertain that
all pages are printed and no questions are missing*

1. a) In spite of the benefits that accrue from privatizing public corporations, the government of Kenya has not fully done it and is still retaining some of its Corporations. Explain five reasons that justify such retention (10mks)
- b) Describe five services offered by commercial banks to their clients. (10mks)
2. a) There are several insurance firms in Kenya and majorly concentrated in urban areas. Discuss five ways in which the insurance industry enhances the growth of business enterprises in the country. (10mks)
- b) Explain five characteristics of underdevelopment as witnessed in under developed countries (10mks)
3. a) Many third world countries often experience inflation. Explain five negative effects of inflation to the economy of such countries. (10mks)
- b) Explain five methods that can be used by a country to solve the problem of deficit balance of payment (10mks)
4. a) XYZ Limited intends to commit some of its funds in conducting market research. Outline four benefits it is likely to get from such venture (8mks)
- b) Premier traders does not keep complete accounting records. The following information was extracted from its books of accounts.

	01/01/08	31/12/08
Debtors	300,000	400,000
Creditors	250,000	280,000
Stock	80,000	30,000
Motor-car	500,000	480,000
Rent income accrued	25,000	18,000
Prepaid Insurance	15,000	12,000

Additional Information

During the year Cash sales were Sh.200,000 cash purchases were Sh.250,000. Cash paid to creditors was Sh.100,000 while cash received from debtors Sh.150,000. Carriage outwards Ksh.5,000, Rent income received during the year was Sh.20,000 and Insurance paid during the year was Sh.7,000

Required:

Prepare the Trading, Profit and Loss Account of premier Traders for the period ending 31st December 2008. (12mks)

5. a) One of the major objectives of the Kenyan government is to solve unemployment problem in the country. Explain **five** possible ways it can use to achieve this. (10mks)
- b) Explain five factors an entrepreneur should consider when evaluating a business opportunity (10mks)
6. a) Explain five circumstances under which firms may acquire oligopoly power (10mks)
- b) KLB Limited Petty Cashier operates on an imprest of Ksh. 20,000 every month. On 1st January, 2008 had cash in hand Sh.5,000 and received reimbursement on the Same date. The following transactions took place during the month.
 - i) 2nd January: Bought stamps and envelops Ksh.1,000 Office files Sh.500.
 - ii) 5th January: Office cleaning Sh.400, Transport Sh.1,200, Sugar and Milk Sh.300.
 - iii) 10th January: Paid Juma a creditor Sh.800, Bought office glue and pens Sh.700
 - iv) 20th January: Office cleaning Sh.600 and Transport Sh.1300
 - v) 30th January: Bought Tea leaves Sh.200, Paid Jane a creditor Sh.1500

Required:

Prepare a petty cash book duly balanced with the following analytical columns (12mks)

- a) Stationery
- b) Office cleaning
- c) Ledger Accounts
- d) Travelling
- e) Miscellaneous
- f) Postage