

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

**BURETI DISTRICT JOINT EVALUATION TEST – 2010**  
*Kenya Certificate of Secondary Education (K.C.S.E)*

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**INSTRUCTIONS TO CANDIDATES**

1. Answer any FIVE questions
2. All questions carry equal marks

**FOR EXAMINER'S USE ONLY**

<b>QUESTION</b>	<b>a</b>	<b>b</b>	<b>TOTAL</b>
<b>1</b>			
<b>2</b>			
<b>3</b>			
<b>4</b>			
<b>5</b>			
<b>6</b>			

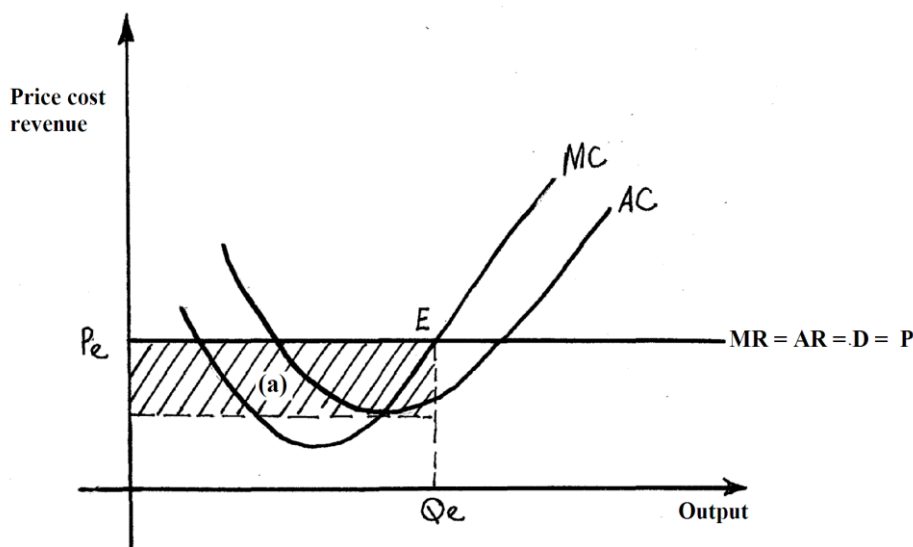
*This paper consists of 4 printed pages. Candidates should check the question paper to ensure that all pages are printed as indicated and no questions are missing*

1. a) Explain five factors that may influence the firm's decision on what products to produce (10mks)
- b) Explain five challenges that may be experienced by a new entrepreneur who has just established a business in Kenya (10mks)
2. a) Advertising in the newspaper is one way of promoting sales of goods. Highlight limitations of advertising goods in newspapers (10mks)
- b) Discuss five advantages of pipeline as a mode of transporting oil products in Kenya (10mks)
3. a) Explain five services offered by commercial banks to business people (10mks)
- b) The petty cashier operates on an imprest of sh. 15,000 per month on 1<sup>st</sup> Jan 2010, he had a balance of sh 1,000 and received reimbursement to restore the imprest. The following payments were made during the month:
  - Jan 2: Travelling sh 200 and postage sh 400
  - Jan 5: Tea leaves for staff tea sh 500
  - Jan 10: Stationary expenses sh 1,000
  - Jan 15: Sundry expenses sh 1,000
  - Jan 18: Stamps shs 500
  - Jan 24: Tea leaves sh 600 and bus fare sh 350
  - Jan 29: Travelling sh 600, stationery sh 1,500
  - Jan 30: Postage sh 300, Electricity sh 3,000

Required:

Prepare a petty cashbook using analysis columns for traveling, postage, staff tea, stationery, sundry expenses and electricity. (10mks)

4. a) Study the diagram given below showing equilibrium of a firm and answer the questions that follow.



- i) State the market structure represented by the diagram (1mk)
- ii) Give the name of the shaded area labeled (a) (1mk)
- iii) Outline four features of the above market structure (8mks)
- b) The following information was extracted from the books of Litien wholesalers for the trading period ended June 2009.

	Sh
Stock on 30.06.2008	40,000
Purchases	35,000
Sales	70,000
Return inwards	1,500
Return outwards	2,000
Discount allowed	2,100
Insurance	2,000
Transport	1,400
Discount received	8,000
Electricity	2,400
Rent received	3,000
Wages and salaries	5,000
Advertising	2,000
Stock 30. 06.2009	15,000

Prepare a trading profit and loss account for the year ended 30<sup>th</sup> June 2009 (10mks)

5. a) The table below shows the trends in inflation rates in a country

Year	Inflation rates
2006	12%
2007	19%
2008	27%
2009	33%

Explain five causes that would have triggered the increasing inflation trends in the country (10mks)

- b) Explain five reasons why the government of Kenya is encouraging the location of industries in all parts of the country (10mks)
6. a) Explain four factors to be considered when making a development plan in a less developed Country (8mks)

- b) The following cash book summary relates to Wakulima traders.

**Cash book summary**

	Sh		Sh
Bal b/d	350,000	Payment to creditors	800,000
Cash	220,000	Light & heat	8,000
Debtors	1,080,000	Cash purchases	180,000
Capital (W Traders)	100,000	General expenses	47,500
Commission	20,000	Interest on loans	8,000
10% bank loan	120,000	Insurance	22,500
		Bank charges	2,500
		Advertising	50,000
	<u>1,890,000</u>	Bal c/d	<u>779,000</u>
Bal b/d	779,000		<u>1,890,000</u>

Assets and liabilities were as follows

	01/01/2003	31/12/2003
Creditors	80,000	95,000
Stock	35,200	46,400
Debtors	75,000	86,000
Insurance paid in advance	8,500	1,200
Commission receivable	6,300	7,500
Accrued general expenses	24,000	35,000
Delivery van	180,000	—

Additional information;

- i) Bank loan was acquired on January 2003
- ii) Discount received and allowed was sh 6,200 and sh 7,100 respectively.
- iii) Delivery van are depreciated at 20% p.a.

Required: Trading, profit and loss account for the year ended 31.12.03 (12mks)