

565/2
BUSINESS STUDIES
PAPER 2
TIME: 2½ HOURS

CENTRAL KENYA NATIONAL SCHOOLS JOINT EXAM – 2015

Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
TIME: 2½ HOURS

Instructions to candidates:

- (a) *This paper consists of SIX questions.*
- (b) *Answer any five questions.*
- (c) *Write your answers in the answer booklet provided.*
- (d) *All questions carry equal marks.*

- (b) Explain **five** factors that may influence a firm's decision on the type of goods or services to produce. (10mks)
2. (a) Explain **five** factors that may inhibit implementation of development plan in a country. (10mks)
- (b) Explain **five** functions of a Central bank (10mks)
3. (a) Using a well labelled diagram illustrate a movement along demand curve. (10mks)
- (b) Explain **five** tools of monetary policy used to curb inflation. (10mks)
4. (a) The following information was extracted from Kimani books of account.
- | | |
|--------------------|---------|
| Stock (1/1/2013) | 80,000 |
| Stock (31/12/2013) | 120,000 |
| Net sales | 708,000 |
| Net purchases | 640,000 |
| Indirect expenses | 8,000 |
| Bank | 180,000 |
| Debtors | 140,000 |
| Creditors | 100,000 |
| Cash | 40,000 |
| Bank overdraft | 80,000 |
| Capital | 500,000 |
- Required.
- (i) Working capital.
- (ii) Current ratio
- (iii) Rate of stock turnover
- (iv) Mark-up percentage
- (v) Margin percentage.
- (vi) Rate of return on capital. (12mks)
- (b) Explain **four** limitations of debentures as a source of capital for a company. (8mks)
5. (a) Explain **five** precautions that a drawer can take in order to ensure that his cheques do not bounce. (10mks)
- (b) The following balances were extracted from the books Kiganjo Traders on 31st Dec 2011.
- | | |
|--------------------|---------|
| | Kshs. |
| Motor vehicles | 180,000 |
| Gross profit | 80,000 |
| Carriage on sales | 18,000 |
| Premises. | 248,000 |
| Capital | 390,000 |
| Furniture | 19,000 |
| Insurance | 4,800 |
| Stock | 25,000 |
| Rent Income | 35,800 |
| Commission allowed | 5,500 |
| Bad debts | 40,000 |
| Creditors | 60,000 |
| Bank overdraft | 40,000 |
| Debtors | 65,500 |
- Required: Prepare
- (i) Profit and loss account for the period ended 31st Dec 2011.
- (ii) Balance sheet as at 31st Dec 2011. (10mks)
6. (a) Describe the process leading to the start of a business by an entrepreneur. (10mks)
- (b) Highlight **five** ways in use of containers in sea transport enhance security of cargo. (10mks)