

565/2
BUSINESS STUDIES
Paper 2
July/ August 2010
Time: 2½ Hours

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

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Instructions to candidates

- Answer *any five* Questions

This paper consists of 2 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 circumstances under which the government may find it necessary to privatize

- some state corporations (10mks)
2. b) Explain five reasons why there is need for a healthy business environment (10mks)
- a) Explain five factors that may influence the firm's decision on what products to produce (10mks)
- b) Kenya is looking forward to the implementation of Vision 2030. Explain five challenges that may be encountered in the realization of this dream (10mks)
3. a) Draw a diagram to illustrate how equilibrium output and price are determined under monopolistic competition (10mks)
- b) Explain five shortcomings of internet services (10mks)
4. a) Explain five principles of taxation that any government can use in taxing its citizens (10mks)
- b) The petty cashier operates on an imprest of Shs.15,000 per month on 15th Jan 2008, he had a balance of Shs.500 and received reimbursement to restore the imprest. The following payments were made during the month
 Jan 2: Travelling Shs.200 and Postage Shs.400
 Jan 5: Tea leaves for staff tea Shs.100
 Jan 10: Stationery Shs.2500
 Jan 15: Sundry expenses Shs.1000
 Jan 18: Stamps Shs.500
 Jan 24: Cleaning Shs.300 and bus fare Shs.350
 Jan 29: Travelling Shs.600, Stationery Shs.1500 and tea leaves Shs.600
 Jan 31: Kipkoech; a creditor Shs.3000

Required:

Prepare a petty Cash book using analysis columns for traveling, postage, staff tea, stationery, Sundry expenses and ledger Accounts. (10mks)

5. a) Explain five emerging issues in insurance industry (10mks)
- b) The following information relates to Kipture Traders for the year 2006
- | | |
|------------------|---------|
| Turn Over | 270,000 |
| Margin | 40% |
| Rate of turnover | 6 times |
| Expenses | 40,000 |
- From the information given above, calculate
- i) Gross profit (3mks)
- ii) Cost of goods sold (2mks)
- iii) Net profit (2mks)
- iv) Average Stock (3mks)
6. a) Explain five tools that the central bank can use to control credit (10mks)
- b) The following balances were obtained from books for Tea land traders who does not keep proper records.
- | | |
|----------------|---------|
| Stock 1/1/2006 | 51,000 |
| Purchases | 150,000 |
| Gross Profit | 64,000 |
| Sales | 212,800 |
- Required, prepare Tealand trader's Trading account for the year ended 31st December 2006 (10mks)