

NAME:.....INDEXDATE.....

SCHOOL:.....SIGNATURE.....

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST, 2010
2 HOURS

KISUMU NORTH AND EAST DISTRICTS JOINT TEST Kenya Certificate of Secondary Education 2010

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2010

INSTRUCTIONS TO CANDIDATES

- ❖ Answer any **5 questions**
- ❖ Write your answers in the answer sheet provided
- ❖ All questions carry equal marks

1. (a) Explain **five** current trends in forms of business units (10mks)
(b) Explain **five** causes of disequilibrium in the balance of payment (10mks)
2. (a) Highlight **five** factors that have contributed to declining population growth Rate in developing countries like Kenya (10mks)
(b) Highlight **five** circumstances under which a seller may require a buyer to pay cash with order (c. w. o) (10mks)

3. (a) Explain **five** benefits of a bonded warehouse to the government (10mks)
 (b) Explain **five** policies which the Kenyan government may use to control the level of inflation in the country (10mks)

4. (a) Highlight **five** roles played by intermediaries in the distribution chain (10mks)
 (b) Broad ways holding company deals in sale of carpets and curtains. The following transactions took place during the month of May 2008

May 4: Purchased a delivery van for sh.250, 000 from Cleanways motors, making a down payment of sh.150, 000 by cheques. The balance to be paid in installments

May 9: Carpets which had been purchased on credit for sh.49, 500 for use in the office were returned to the suppliers, unique office suppliers limited, who issued a credit note for the same.

May 15: The proprietor took two carpets which had been purchased at sh.56, 000 each for use in his house.

May 20: Paid sh.5, 800 by cheque to settle the business electricity bill.

May 25: Bought an office machine on credit for sh.48, 000 from modern technology company

Prepare the general journal entries to record the above transactions. Brief narration required (10mks)

5. (a) Explain **five** roles played by the management in the success of a business (10mks)

(b) Explain **five** principles of insurance and their significance to the insured (10mks)

6. (a) Taxation based on the income of individuals or profits of limited companies has several limitations. Highlight **five** of such limitations (10mks)

(b) The following trial balance was extracted from the books of Kiatu Kubwa traders on 31st Dec, 2005.

Kiatu Kubwa Traders

Trial Balance

As at 31/12/2005

	Dr (sh)	Cr (sh)
Capital		150, 000
Purchases	200, 000	
Wages	12, 000	
Sales		300, 000
Insurance	7, 000	

Salary	9, 000	
Commission	3, 000	
Cash	89, 000	
Repairs	6, 000	
Motor vehicles	168, 000	
Returns		2, 000
Creditors		42, 000
	<u>494, 000</u>	<u>494, 000</u>

Additional information

- (i) Depreciation motor vehicle by 12%
- (ii) Closing stock was valued at sh.65, 000
- (iii) Sh.600 was prepaid for commission
- (iv) Repairs upstanding amounted to sh.400

Required

(a) Prepare a trading, profit and loss account for the year ended 31st December, 2005

(10mks)