

565/2
BUSINESS STUDIES
Paper 2
July/August 2010
TIME: 2 Hours

KWANZA DISTRICT JOINT EVALUATION EXAM – 2010
Kenya Certificate of Secondary Education (K.C.S.E)

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INSTRUCTIONS TO CANDIDATES

1. Answer any five questions of your own choice.
2. Write your answers in the booklet provided.

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

1. a) Explain **four** measures a business can take to ensure that its environment is conducive to its business activities. (8mks)
- b) The following transactions took place in Orengo's business during the month of November 2000.
- 1/11/00 Credit sales to Omollo Shs.6,000 invoice No.300.
- 7/11/00 Credit purchases from George Shs.12,000 less 10% trade discount Invoice No.047.
- 14/11/00 Cash sales worth Shs.1,500
- 16/11/00 Credit sales to Matiba Shs.10,000 less 8% trade discount invoice no. 301.
- 20/11/00 Credit purchases from Kamau Shs.7,000 Invoice No.392.
- 30/11/00 Additional credit purchases from George Shs.9,000 Invoice No. 080

Required

- i) Prepare the sales journal and post the entries to the respective ledger accounts. (12mks)
2. a) The following trial balance relates to James Business as at 31/12/99.

James Business Trial Balance 31/12/99

Name of account	Debit	Credit
Sales		57,000
Opening stock 1/1/99	12,000	
Purchases	26,000	
Dividend income		1,400
Carriage inwards	4,000	
Returns inwards	3,000	
Rent income		2,000
Creditors		15,000
Cash	2,000	
Discount received		4,000
Furniture A/C	21,400	
Motor expenses	2,000	
Electricity expenses	5,000	
Debtors	12,000	
Telephone expenses	1,000	
Capital		9,000
	88,400	88,400

Additional information:

- Closing stock Shs.8,000
- Unpaid motor expenses as at 31/12/99 Shs.1,000
- Prepaid electricity expenses Shs.2,000 as at 31/12/99.
- Bad debts to be written off Shs.1,000.
- Receivable dividend income Shs.600 as at 31/12/99.

Required:

- i) Prepare a Trading, Profit and Loss for the year ended 31/12/99.
 - ii) Balance sheet as at 31/12/99. (12mks)
- b) Explain four factors that may hinder effective mobile phone communication. (8mks)
3. a) John Enterprises has applied for insurance cover for their stock against the risk of fire with Blue Shield Insurance Company.
- Explain five** factors that the Insurance Company should consider in deciding whether to provide the Insurance cover or not. (10mks)
- b) Discuss five factors that may bring about cost push inflation. (10mks)
4. a) Discuss five principles of Public Expenditure. (10mks)
- b) Explain five roles of intermediaries in the distribution of maize. (10mks)
5. a) Explain five ways in which a retailer would benefit from advertising carried out by the manufacturer of a product. (10mks)
- b) Vitabu Bookshop does not maintain its records on a double entry system. The proprietor wishes to establish the double entry system of keeping the records. The information given below is plucked from the available records.
- i) Assets and liabilities as at 1 January 2005 were valued as follows:

	Shs.
Motor vehicles	560,000
Stock	60,000
Debtors	75,000
Furniture	218,000
Creditors	66,000
Capital	862,000

- ii) A summary of the cash receipts and payments for the year ended 31 December 2005 is given below.

Balance b/d	15,000	Rent	40,000
Receipts from debtors	260,000	Payment for creditors	160,000
Cash sales	150,000	Funeral expenses	22,000
		Caurion of outpomers	8,300
		Insurance	31,500
		Salaries	64,000

Additional information:

Returns inwards amounted to Shs.9,600 while the returns outward mounted to Shs.8,200.

The debtors and creditors as at 31/12/2005 amounted to Shs.95,000 and 72,000 respectively.

Required:

- i) A Trading Profit and Loss for the year ended 31/12/2005
- ii) A statement of affairs as at 31/12/2005.
6. a) Explain five factors that would be considered when evaluating a business opportunity. (10mks)
- b) Discuss five advantages of monopoly to consumers. (10mks)