

Name.....

Index No. ....

School .....

Candidates Signature.....

Date.....

565/2

**Business Studies**

Paper 2

July/ August 2009

**Time: 2½ Hours**

**BORABU DISTRICT INTER-SECONDARY SCHOOLS**  
**JOINT EVALUATION TEST - 2009**  
*Kenya Certificate of Secondary Education (K.C.S.E)*

565/2

**Business Studies**

Paper 2

July/ August 2009

**Time: 2½ Hours**

**INSTRUCTIONS TO CANDIDATES**

- *Answer ANY FIVE QUESTIONS.*
- *All questions carry equal marks.*

*This paper consists of 3 printed pages.*

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

**Answer ANY five questions.**

1. (a) Explain five problems encountered when measuring national income using the output approach. (10 marks)
- (b) Explain five causes of unemployment in Kenya. (10 marks)

2. (a) The following information relates to soko Mjinga traders as at 31/12/2002.

Land	Sh. 10,000
Cash	Sh. 2,000
Creditors	Sh. 3,000
Accrued wages	Sh. 1,000
Prepaid insurance	Sh. 4,000
Long term loan	Sh. 6,000
Debtors	Sh.10,000
Capital	Sh.16,000

**Required:**

- i) Prepare balance sheet as 31/12/2002 (4 marks)
- ii) **Calculate:**
- Working capital ratio (2 marks)
  - Debt ratio (2 marks)
  - Capital employed (2 marks)
- (b) Highlight five undesired effects of inflation in Kenya.
3. (a) Explain five benefits to a country for being a member of a trading bloc (10 marks)
- (b) Describe five problems associated with sole proprietorship form of business (10 marks)
4. (a) Outline four differences between commercial banks and non-bank financial institutions. (8 marks)
- (b) Masita is a proprietor of a cosmetic shop which does not maintain proper records of its business transactions. The following estimated values of assets and liabilities were available.

	<b>1/1/2008</b>	<b>31/12/2008</b>
Stock	25,750	20,300
Furniture	36,350	32,000
Debtors	55,400	50,200
Creditors	45,100	48,700
Electricity due	6,250	7,600
Rent income accrued	14,000	9,000
Rates prepaid	4,500	6,100

In addition to the above estimates Masita maintained the following cash book summary during the year.

Cash summary			
	Shs.		Shs.
Balance b/d	190,000	Creditors	34,000
Debtors	49,200	Rates	4,500
Rent income	26,950	Cash purchases	36,000
Cash sales	20,500	Electricity	8,000
		General expenses	6,150
		Balance c/d	<u>198,000</u>
	<u>286,650</u>		<u>286,650</u>

Additional information:

- (i) Returns to her suppliers amounted to Sh. 6,000 whilst returns from her customers amounted to Sh. 4,000
- (ii) Discount allowed Sh. 12,000, discount received Sh. 18,000
- (iii) Took goods worth Sh. 20,000 for personal use.

**Required:** Prepare trading, profit and loss account for the year ended 31<sup>st</sup> December 2008.

(12 marks)

- 5 (a) Discuss five factors that may influence the choice of a distribution channel. (10 marks)
- (b) Highlight five features of a monopolistic market structure. (10 marks)
- 6. (a) Mekono runs a petty cash book on an imprest of Sh. 10,000. On 1<sup>st</sup> January 2007 the balance was Sh. 6,000 and the following transactions took place during the month of January 2007.

Jan 2007	2	Bought stationery	Sh. 2,000
	4	Postage	Sh. 400
	7	Staff tea	Sh. 1,000
	8	Bought furniture	Sh. 4,000
	10	Received from a debtor	Sh. 1,000

**Required:** Enter the above transactions in the petty cash book of Mekono and duly balance it.

(10 marks)

- (b) Explain five merits that accrue to a customer who prefers to shop from a supermarket rather than from a chain store. (10 marks)