

NAME:.....INDEXDATE.....
SCHOOL:.....SIGNATURE.....

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST, 2010
2 ½ HOURS

THE BELGUT/AINAMOI JOINT EVALUATION EXAM

Kenya certificate of secondary education 2010

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BUSINESS STUDIES
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INSTRUCTIONS TO CANDIDATES

- ❖ This paper consists of six questions
- ❖ Answer Any **five** questions
- ❖ All questions carry equal marks

1. a. Explain five ways in which business entrepreneurship helps in economic development of a country. (10mks)
 b. Discuss five ways in which privatization would be beneficial to an economy. (10mks)
2. a. Describe five features of departmental stores. (10mks)
 b. Discuss five methods that the central bank of Kenya may employ to bring down the rate of inflation in a country. (10mks)
3. a. Unemployment is one of the most serious economic problems facing our country today. Explain five measures that can be taken by government of Kenya to solve unemployment problems. (10mks)
 b. Discuss five circumstances under which high population growth rate may be desirable. (10mks)
4. a. Explain the role of warehousing in indirect production. (8mks)
 b. Outline six benefits that Kenya may enjoy by being a member of East Africa Economic Community. (12mks)
5. a. Highlight five changes that have occurred in the Banking industry in recent years occasioned by competition and rapid development in technology. (10mks)
 b. Describe five negative effects of inflation. (10mks)
6. a. With the aid of a diagram, explain the effect of new firms entering a perfectly competitive market. (10mks)
 b. The following information was extracted from the books of Korir Traders as at 31st December 2008.

| | Ksh. |
|------------------|---------|
| Bank loan | 80,000 |
| Trade supplier | 29,000 |
| Debtor | 32,160 |
| Stock | 29800 |
| Accrued expenses | 3,000 |
| Capital | 200,000 |
| Furniture | 58,900 |
| Motor vehicle | 155,100 |
| Cash | 5,400 |
| Net profit | 30,000 |
| Bank | 17,500 |
| Drawings | 43,140 |

- i. prepare a balance sheet, in a format that shows
 - working capital
 - loan capital
 - owner's equity
 - capital employed.
- ii. Calculate the following ratios.
 - current ratio
 - return on capital employed.