

565/2

BUSINESS STUDIES

PAPER 2

JULY / AUGUST, 2012

2 ½ HOURS

**KISUMU EAST AND NORTH DISTRICT JOINT EXAMINATION**  
***Kenya certificate of secondary education 2012***

565/2

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JULY / AUGUST 2012

**INSTRUCTIONS TO CANDIDATES**

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

1. a) Explain **five** benefits that would accrue to a businessman who uses a Liner rather than Tramps

- Steamers. (10mks)
- b) Using a diagram, describe the effects of outward shift in supply curve on equilibrium price and quantity. (10mks)
2. a) Explain **four** measures that may be taken by the government to promote her export. (8mks)
- b) The following Trial Balance was extracted from the books of Kisumu Auto spares as at 31<sup>st</sup>Oct 2011

**Kisumu Auto Spares  
Trial Balance  
As at 31<sup>st</sup> Oct 2011**

	DR	CR
Capital		653,560
Motor vehicle	603,000	
Equipment	200,600	
Furniture	94,400	
Debtors	75,900	
Creditors		74,300
Carriage on sales	14,400	
Discount Received		26,400
Salaries	12,400	
Rent Income		12,600
Sales		319,400
Purchases	300,000	
Advertising	22,200	
Rates	9,400	
Stock 1-11-2010	61,500	
Bank		412,600
Cash	105,060	
<b>TOTAL</b>	<b>1,498,860</b>	<b>1,498,860</b>
Stock on 31 <sup>st</sup> October 2011 was sh. 80,200		

**Required,**

- (i) Prepare Trading ,Profit and Loss account for the year ended 31<sup>st</sup>Oct 2011
- (ii) Prepare Balance sheet as at 31<sup>st</sup>October 2011 (12mks)
3. a) Explain **Five** circumstances under which a manufacturer would find it advisable to distribute his goods through wholesalers. (10mks)
- b) Explain **five** functions of the central bank of Kenya in the Economy. (10mks)
4. a) Distinguish between shares and debenture as a source of finance. (10mks)
- b) Outline five circumstances under which a firm will be located near the market for its products. (10mks)
5. a) The following information relates to Bizna Distributor Company for the year ended 31<sup>st</sup>Dec 2009

	shs
Gross profit	600,000
Opening stock	285,000
Sales	2,400,000
Purchases	1,830,000
Expenses	360,000
Closing stock	315,000
Fixed assets	400,000
Debtors	900,000
Bank	35,000
Current liabilities	438,000

**Required calculate**

- i) Margin (2 ½ mks)
- ii) Rate of stock turnover (2 ½ mks)
- iii) Return on capital employed (2 ½ mks)
- iv) Current ratio (2 ½ mks)
- b) Explain **five** ways in which the Entrepreneur contributes to the production of goods. (10mks)
6. a) Describe **five** means of payment that a trader may use to settle business debts. (10mks)
- b) Explain **five** indicators of under development in Kenya. (10mks)