Name……..……Index No……/…….

Candidate's Signature…… Date……..

BUSINESS STUDIES
565/2
PAPER 2
MID-YEAR EXAMINATION- JUNE 2017
2 ½ HOURS

SACHO HIGH SCHOOL

MID-YEAR EXAMINATIONS

Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
TIME: 2½ hours

Instructions to candidates

- This paper consists of six questions
- Answer any five questions
- All questions carry equal marks
- Write your answers in the answer booklet provided.

For Examiner's Use Only

Question	Maximum score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		

1. a) Explain **five** benefits enjoyed by a business that operates with a business plan (10 Marks)

   b) Describe **five** types of advertising techniques used in product promotion. (10 Marks)

2. a) Explain **five** advantages of trade liberalization. (10 Marks)

   b) Explain **five** internal diseconomies of scale to a firm as a result of expansion. (10 Marks)

3. a) Explain **five** Benefits of an enclosed office plan. (10 Marks)

   b) On 1st July, 2016 Ekalale Traders had cash in hand sh. 85,200 and cash at bank sh.40,000 (Cr). During the month, the following transactions took place:

   July

   2 cash sales sh. 42,630 was paid directly into the bank
   5 Received a cheque of sh. 14,100 from Ruth in full settlement of her account.
   9 Bought goods worth sh. 26,240 cash.
   12. Cash sales sh. 42,950 payment received by cheque
   15 Paid Ndoigo's account of sh. 25,000 in cash less 5% cash discount.
   17. Paid wages sh. 24,000 in cash
   18 Withdrew sh. 16,000 from bank for office use.
   20 Bought stationery sh.850 cash
   22 Cheque received from Ruth was dishonoured.
   28 Received a cheque of sh. 9,500 from Kemamo after he deducted a 5% cash discount
   31 All cash was banked except sh.10,000.

   Required:

   Prepare a three column cash book duly balanced. (10 Marks)

4. a) With the aid of a suitable diagram, explain the effects of a decrease in supply on the equilibrium price and quantity of a product (10 Marks)

   b) Describe **five** government initiated methods that help in the protection of consumers from exploitation by dishonest traders (10 Marks)

5. a) Outline **five** differences between a partnership form of business organisation and a public limited company. (10 Marks)

   b) Explain **five** causes of cost-push inflation (10 Marks)

6. a) Explain **five** demerits of direct taxation (10 Marks)

   b) Masaku Investments operates a wholesale business. The following transactions took place in the month of May 2016.

   May 3 Sold goods on credit to Kyalo sh. 60,000
   " 8 Purchased goods on Credit from Musau Stores sh. 120,000
   " 12 Returned goods to Musau Stores worth sh. 6,000
   " 16 Purchased goods on Credit from Musau Stores 160,000
   " 22 Sold goods on Credit to Musyoki Retailers sh. 150,000
   " 23 Bought a new Motor Van from Mashariki Motors worth shs. 3,200,000
   " 24 Kyalo returned goods worth sh. 10,000.
   " 29 Sold equipment worth sh. 840,000 on credit to Chap Chap Limited.

   Required:

   Record the above transaction in the relevant books of original entry for Masaku Investments.

   (10 Marks)