

NAME: ..... INDEX NO: .....

SCHOOL: ..... Candidate's signature: .....

Date: .....

**565/2**

**Business Studies**

**Paper 2**

**July / August**

**Time: 2 ½ Hours**

## **MUTOMO / IKUTHA DISTRICTS K.C.S.E PACESETTER - 2011**

*Kenya Certificate of Secondary Education (K.C.S.E)*

**565/2**

**Business Studies**

**Paper 2**

**July / August**

**Time: 2 ½ Hours**

### **INSTRUCTIONS OF CANDIDATES**

- (a) This paper consists of 6 questions.
- (b) Answer **ANY FIVE** questions.
- (c) Write your answers in the answer booklet provided.
- (d) All questions carry equal marks.

*This paper consists of 3 printed pages*

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

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1. a) Explain **five** reasons that may make an insurance company refuse to compensate the insured in the event that a risk occurs.

(10Marks)

- b) The following information was obtained from the books of Muthaura.

Sales	sh. 270,000
Margin	40%
Turn over	6 times
Expenses	40,000

From the above information calculate;

- i) Gross profit (3 Marks)
- ii) Cost of goods sold (2 Marks)
- iii) Average stock (3 Marks)
- iv) Net profit (2 Marks)

2. a) Give **five** problems associated with the output approach in computation of national income. (10 Marks)

- b) Outline **five** measures that the Kenya government may take to reduce unemployment. (10 Marks)

3. a) Explain **five** importance of filing documents in an organization. (10 Marks)

- b) A manufacturing company operates on an imprest of sh.10000. On 1/6/06 the petty cashier had a balance of sh.4000. She received a reimbursement to restore it on 5/6/06.

The following transactions took place during the month:

June 8: paid Amos a small scale creditor sh.500

June 9: paid postage sh.300

June 10: paid for cleaning sh480

June 11: Bought stamps for sh180

June 12: paid for cleaning sh750

June 13: paid for travelling sh400

June 14: paid for tea leaves sh450

June 15 paid for stationery sh450

Required:

The petty cash book for the manufacturing firm for the month of June, 2006 with the following analysis columns duly balanced.

- i) Travelling
- ii) Cleaning
- iii) Stationery
- iv) Tea
- v) Postage
- vi) Ledger A/c (10 Marks)

4. a) Explain **five** ways in which an efficient road transport system may promote trade in a country. (10 Marks)

- b) Discuss **five** problems caused by inflation in an economy. (10 Marks)

5. a) Muema is planning to construct a warehouse for renting. Explain **five** measures that he may take to ensure its smooth operation. (10 Marks)
- b) The following information relates to Tamu Traders as at 31<sup>st</sup> December 2009.

Opening stock	60,000
Purchases	161,000
Sales	208,000
Carriage inwards	11,000
Closing stock	72,000
Returns outwards	25,000
Returns inwards	27,000
Carriage outwards	10,000
Salaries	22,000
Telephone charges	5,000
Water bills	2,100
Electricity charges	2,000
Insurance	1,000
Discount received	7,500

Additional information

Telephone charges prepaid: 1,100

Water bills outstanding 1,300

Required: Prepare trading, profit and loss a/c for the period ended 31<sup>st</sup> December 2009.

(10 Marks)

6. a) Explain **five** factors which have frustrated economic development in less developed countries. (10 Marks)
- b) Explain **five** differences between shares and debentures. (10 Marks)

**ANSWERS:**

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