

Name.....

Index No. ....

School .....

**565/1**  
**BUSINESS STUDIES**  
**PAPER 2**  
**JULY / AUGUST**  
**2 HOURS**

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

**INSTRUCTIONS TO CANDIDATES**

- Answer ALL questions in the spaces provided.

Kenya Certificate of Secondary Education (K.C.S.E)  
**565/2**  
**BUSINESS STUDIES**

1. a) Explain the role played by warehousing in developing Kenya's economy.(10mks)  
b) Discuss five limitations of using per capita income as a measure of the standard of living of a country.

(10mks)

2. a) Outline six circumstances that may make a country join a common market.(12mks)  
b) Describe four factors that can be used in determining the size of a firm. (8mks)
3. a) Explain five measures that the government may undertake to reduce unemployment problem in Kenya.

(10mks)

b) Miriti a shop owner had the following transactions in the first three weeks of November 2000.

Nov. 1: Sold goods on credit to Mbele shs.6000, Kioko shs.1000 and Muthusi

shs. 2500

“ 2:

Returns from Muthusi shs. 250

“ 3:

Sold goods on credit to Kitheka shs.2150

“ 4:

Sold goods for cash shs.2800

“ 7:

Sold goods on credit to Muthusi shs.1500, Waithaka shs. 1500 and Mbele shs. 2100.

“ 8

Returns from Mbele shs. 200

“10 :

Sold old furniture to Karuru on credit shs. 3750

“ 11 :

Sold goods on credit to Ndingi shs. 2500 and Mbuvi shs. 3140.

“ 12 :

Returns from Mbuvi shs. 3140

“ 14:

Sold goods on credit to Kioko shs. 1000, Mbele shs. 2500 and Kanini shs. 5000

“ 15 :

Returns from Kanini shs. 500, Mbele shs. 250.

“ 17 :

Sold goods on credit to Muthusi shs. 4,000

“ 19:

Sold goods on credit to Muthusi shs. 3000, Waithaka shs. 3000 and Mbele shs. 1000

**Prepare**

- (i) Sales journal
- (ii) Sales returns journal

(10mks)

4.a) Discuss five reasons that can justify the government's involvement in business activities.

(10mks)

b) On 1<sup>st</sup> July 2001, Mwala had cash in hand shs. 3250 and cash at Bank shs. 136500. During the month the following transactions took place.

2001

July

2: Cash

sales shs. 42,630 paid direct into the bank.

3:

Received a cheque for shs. 14100 from Lee in full settlement of his debt.

8:

Bought goods for shs. 26,240 and paid by cheque.

12: Cash

sales shs. 42,450

14: Paid

Nduku by cheque shs. 23,750 in full settlement of his account less 5% cash discount.

15: Paid

wages shs. 24,000 cash.

16:

Withdrew shs.36000 from bank for office use

18:

Bought stationery shs. 750 cash

20:

Cheque received from Lee was dishonoured.

28: Paid

salaries by cheque shs. 48,600.

29:

Received a cheque for shs. 9500 from Otieno after deducting a 5% cash discount

30: All

cash was banked except shs. 5000.

Prepare a three column cash book duly balanced.

(10mks)

5. a) “Globally development banks have proved beneficial in enhancing the economy”. Explain five reasons supporting this statement.
- b) With the aid of diagrams distinguish between a movement along and a shift in a supply curve.

(10mks)

6. a) Identify five principles of insurance highlighting the significance of each.(10mks)
- b) The following trial balance was extracted from the books of Muhanuzi Traders on 31<sup>st</sup> December, 2001.

**Trial balance as at 31<sup>st</sup> December, 2001**

Date	Details	Dr (shs)	Cr(shs)
Dec. 31	Purchases	70,000	
	Carriage Outwards	4,000	
	Stock (1/1/2001)	12,500	
	Sales		95,000
	Fixed Assets	82,000	
	Creditors		8,500
	Debtors	10,500	
	Salaries	14,000	
	Bank Overdraft		7,500
	Returns Outwards		12,500
	Cash in hand	2,500	
	General Expenses	5,200	
	Returns Inwards	1,500	
	Capital		88,800

		202,200	202,200
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Additional information:

- Closing stock was valued at shs. 6500
- Salary outstanding was shs. 2800

**Prepare**

- (i) Trading, Profit and Loss account for the period ended 31<sup>st</sup> December, 2001.
- (ii) Balance sheet as at 31<sup>st</sup> December, 2001.

(10mks)