

565/2

— BUSINESS STUDIES — Paper 2



Nov. 2019 – 2½ hours



Name Index Number

Candidate's Signature Date

Instructions to candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above.
- (c) This paper consists of **six** questions.
- (d) Answer any **five** questions.
- (e) Write your answers in the spaces provided after question **six**.
- (f) All questions carry equal marks.
- (g) **This paper consists of 16 printed pages.**
- (h) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**
- (i) **Candidates should answer the questions in English.**

For Examiner's Use Only

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

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Turn over

- 1 (a) Explain **five** services that may be offered by wholesalers to the retailers. (10 marks)
- (b) Explain **five** differences between a sole proprietorship and a public limited company. (10 marks)
- 2 (a) Explain **five** negative implications of a young population. (10 marks)
- (b) The Trial Balance given below was extracted from the books of Rakwaro Enterprises on 31 December 2015.

Rakwaro Enterprises
Trial Balance
As at 31 December 2015

Details	Dr (Ksh)	Cr (Ksh)
Capital		720,000
Premises	400,000	
Debtors	388,800	
Creditors		240,000
Bank	176,000	
Cash	24,000	
Drawings	28,000	
Purchases	960,000	
Sales		1,440,000
Stock 1-1-2015	160,000	
Returns inwards	16,000	
Carriage inwards	6,800	
Discount allowed	40,400	
Salaries and wages	200,000	
	2,400,000	2,400,000

Stock on 31 December 2015 was valued at Ksh 280,400.

Required

- (i) Prepare Rakwaro Enterprises Trading Profit and Loss Account for the period ending 31 December 2015. (7½ marks)
- (ii) Determine Rakwaro Enterprises initial capital. (2½ marks)

- 3 (a) Explain **five** demerits of pipeline as a means of transport. (10 marks)
- (b) Explain **five** measures that may be taken to increase the volume of exports. (10 marks)

- 4 (a) The following information relates to Moyale Retailers for the month of July 2015:

Sales	Ksh 50,000
Cost of sales	Ksh 40,000
Average stock	Ksh 20,000
Expenses were	5% of sales

Calculate:

- (i) Mark-up (2 marks)
- (ii) Margin (2 marks)
- (iii) Total expenses (2 marks)
- (iv) Net profit (2 marks)
- (v) Rate of stock turnover (2 marks)
- (b) Outline **five** benefits of a business to the society. (10 marks)
- 5 (a) Explain **five** advantages of locating firms in different parts of the country. (10 marks)
- (b) Explain **five** government initiated methods of consumer protection. (10 marks)
- 6 (a) Describe the procedure for obtaining an insurance policy. (10 marks)
- (b) Outline **five** assumptions associated with the circular flow of income in a two sector economy. (10 marks)

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