**TRIAL EXAMINATIONS 2021**

**Kenya Certificate of Secondary Education (KCSE)**

**565/2 - BUSINESS STUDIES - Paper 2**

**(Theory)**

**Nov/Dec. 2021 – 2½ Hours**

**Name: ……………………..………..… Index No: ……….…...Stream …………..**

**Candidate’s** **Signature**: ..………….……….…. **Date**:……………………………..

**Instructions to Candidates**

1. *This paper consists of six questions*
2. *Answer any* ***five*** *questions in the answer booklet*
3. *All questions carry equal marks.*

**For Examiner’s Use only**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | **1** | **2** | **3** | **4** | **5** | **6** | **Total** |
| **Marks** |  |  |  |  |  |  |  |

1. (a) Explain **five** services offered by wholesalers to the retailers. (10 marks)

(b) Explain **five** benefits of pooling of risks to an insurance company. (10 marks)

1. (a) Explain **five** differences between sole proprietorship and public limited company. (10 marks)

(b) Increase in money circulation is the major cause of inflation. Explain **five** monetary policies that the central bank of Kenya can use to control inflation. (10 marks)

1. (a) The following balances were extracted from the books of Malaba Traders on 1st January 2020

**Kshs.**

Capital 600,000

Creditors 180,000

Motor van 200,000

Furniture 200,000

Stock 60,000

Debtors 80,000

Cash 240,000

The following transactions took place during the year ended 30th June 2020

1. Purchased goods worth Kshs. 100,000 for which of Kshs. 70,000 was paid and the balance was still outstanding at the end of the trading period.
2. Cash Kshs. 10,000 was taken by the owner of the business to pay the daughter’s school fees
3. Sold furniture worth Kshs. 60,000 for which Kshs. 40,000 cash was received and the balance was due at the end of the trading period

Prepare a balance sheet as at 30th June 2020

(b) Explain **five** factors that may promote entrepreneurship in Kenya. (10 marks)

1. (a) Mutwiri runs a manufacturing firm and has employed fifty workers. Explain **five** reasons why it is would be beneficial to assign each worker a specific job in production. (10 marks)

(b) Explain **five** benefits that Kenya may get as a member of **COMESA**. (10 marks)

1. (a) Traders are required to observe ethical practices when carrying out product promotion. Explain **five** reasons for observing such ethical practices. (10 marks)

(b) The following trial balance was extracted from the books of Majengo traders as at 31st December 2017

 Dr Cr

Opening stock 30,000

Purchases/Sales 275,000 390,000

Debtors 47,000

Commission 36,000

Returns 10,000 6,000

Carriage inwards 16,000

Bad debts 3,000

Wages 20,000

Rates 12,000

Buildings 450,000

Furniture 180,000

Bank overdraft 210,000

Insurance 19,000

Discounts 5,000 7,000

Drawings 25,000

Creditors 52,000

Cash at bank 250,000

Cash at hand 40,000

Capital 689,000

 1,390,000 1,390,000

**Additional information**

1. Closing stock Kshs. 50,000
2. Carriage outwards Kshs. 8,000

**Required:-**

***Prepare:-***

1. Trading, profit and loss account for the period ended 31/12/2017
2. Balance sheet as at 31/12/2017
3. (a) Explain **five** factors that may lead to an increase in the level of National income. (10 marks)

(b) The table below represents supply schedule of maize flour to Bondo town

**Year Quantity of maize flour (kg)**

2016 6000

2017 7800

2018 10,000

2019 12,500

2020 15,000

Assuming the price remains constant, explain **five** possible reasons for the trend in the supply of maize flour. (10 marks)