**NAME: ……………………………… INDEX NUMBER: ………….…………………….. SCHOOL………………………... SIGNATURE: .............................. DATE………………**

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**FORM 4**

**TIME: (2½ HOURS)**

**DECEMBER EXAM 2021**

**KENYA CERTIFICATE OF SECONDARY EDUCATION**

**BUSINESS STUDIES**

**PAPER 2**

**INSTRUCTIONS TO CANDIDATES**

1. Write your **NAME** and **INDEX NUMBER** in the spaces provided above.
2. Sign and write the date of the examination in the spaces provided above.
3. This paper consists of **SIX** questions, answer any **FIVE** questions in the spaces provided.
4. All questions carry equal marks.
5. Non programmable silent electronic calculators may be used.
6. Candidates should answer the questions in English.

**FOR EXAMINERS USE ONLY**

|  |  |  |
| --- | --- | --- |
| Question | Maximum score | Candidate’s score |
| 1 | 20 |  |
| 2 | 20 |  |
| 3 | 20 |  |
| 4 | 20 |  |
| 5 | 20 |  |
| 6 | 20 |  |
| **Total** | **100** |  |

1. (a) Explain five services offered by wholesalers to retailers. (10mks)

(b) Explain five differences between a public limited company and a partnership. (10mks)

1. (a) Explain five ways through which the government of Kenya may reduce the level of unemployment. (10mks)

(b) On 1st August 2020, Shisia stores had cash in hand sh. 7800 and cash at bank sh. 370200. During the month, the following transactions took place;

Aug 3: Cash sales sh. 50,000 paid direct into bank.

Aug 5: Received a cheque of sh. 17500 from Rono in full settlement of his account of sh. 18000.

Aug 8: Bought goods sh. 205,000 and paid by cheque.

Aug 13: Paid rent sh. 4,000 in cash.

Aug 16: Paid Shikuku by cheque sh. 66,500 in full settlement of his account less 5% cash discount.

Aug 19: Withdrew sh.25,000 from bank for office use.

Aug 23: Cheque received from Rono was dishonoured.

Aug 26: Cash sales sh. 55000

Aug 28: Ndimuli settled his account of sh. 80,000 by cheque after deducting 4% cash discount.

Aug 29: Withdrew sh. 10,000 from bank private use.

Aug 30: Deposited all cash into bank except sh. 5000.

*Required*

Prepare a three column cash book

1. (a) Explain five limitations of using output approach to measure national income. (10mks)

(b) Explain five reasons why Kenya may decide to restrict trade with other countries.

1. (a) The following trial balance was extracted from the books of Simba traders on 1st December 2016.

**SIMBA TRADERS**

**TRIAL BALANCE**

**AS AT 31ST DEC 2016**

|  |  |  |
| --- | --- | --- |
| **Details** | **Dr(sh)** | **Cr(sh)** |
| Sales  Purchases  Returns  Carriage inwards  Carriage outwards  Advertising  Commission received  Cash  Discounts  Salaries and wages  General expenses  Machinery  Stock (1/1/2016)  Debtors  Capital  Creditors  Bank overdraft | 290,000  15,000  6,000  4200  12000  50800  4900  22500  8,300  405,000  27,500  56,200  **902,400** | 370,400  10,000  23,000  16,100  391,000  73,000  18,900  **902,400** |

Additional information

Stock on 31st Dec 2016 was sh. 35,000.

Required

1. Prepare trading, profit and loss account for the period ended 31/12/2016(8mks)
2. Balance sheet as at 31/12/2016. (4mks)

(b) The Rising star company is opting to replace the old machines with new ones. Explain four factors that will influence the choice of an office machine. (8mks)

1. (a)(i) Explain the procedures for making insurance claim. (6mks)

(ii) Suchi acquired a house valued at kshs. 2,000,000 which he insured against fire for sh. 1,500,000. The building was gutted down by accidental fire causing a loss of 1,000,000. Calculate the amount of compensation. (4mks)

(b) Explain five functions of the central bank of Kenya. (10mks)

1. (a) Explain five reasons for consumer protection. (10mks)

(b) Explain five features of economic resources. (10mks)