Name................................................................. Adm no......................... Class........................

Index............................... Date....................... Signature......................... Teacher...................

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**END OF TERM 2 2021 EVALUATION**

**Time: 2**$^{1}/\_{2}$ hours

**Instructions to candidates**:

1. Write your name, admission number and class in the space provided above.
2. Write your index number, date of the exam, signature and teacher in the space provided above
3. This paper contains **six** questions with equal marks.
4. Answer only **five** questions in this paper in the space provided after question six.
5. Answer should be written in **English**.

**For examiners use only**

|  |  |  |
| --- | --- | --- |
| Question | Maximum score | Candidate’s score |
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|  Total Score |  |

1 (a) Outline **five** ways through which the government of Kenya encourages entrepreneurship in the country. (10 Marks)

(b)Explain **five** merits of direct taxes. (10 Marks)

2 (a) Outline **five** circumstances under which a public limited company may be dissolved. (10 Marks)

(b)Explain **five** methods in which the central bank of Kenya may use to reduce money circulation in the economy. (10 Marks)

3(a) Explain **five** factors to consider when choosing the means of communication to use. (10 Marks)

(b)Post the following transactions to the relevant ledger accounts and balance them off. (10 Marks)

1/1/2019 - Started a business with Sh 120,000 in cash.

6/1/2019- Bought goods worth Sh 10,000 from Shah Traders on credit.

8/1/2019 – Deposited Sh 100,000 into the business account.

10/1/2019 – Bought furniture worth Sh 80,000 paying by cheque.

16/1/2019 – Paid water bill Sh 10,000 in cash.

24/1/2019 – Took cash Sh 5,000 to pay school fee for his son.

4(a) Explain **five** external factors that would contribute to the success of a business enterprise (10 Marks)

(b)Explain **five** circumstances under which a producer may use a direct channel in distributing his goods. (10 Marks)

5(a) Explain **five** factors to consider before buying office equipment. (10 Marks)

(b)Explain **five** disadvantages that a developing country may suffer by liberalizing foreign trade. (10 Marks)

6(a) Explain **five** benefits of high population to a country. (10 Marks)

(b)The following information relates to Kilima traders for the year 2018

Turnover sh 400,000

Mark-up 25%

Rate of stock turnover 5 times

Opening stock sh 60,000

Expenses sh 36,000

From the information given above, calculate

(a.) Margin (2Marks)

(b.) Gross profit (2Marks)

(c.) Cost of goods sold (2Marks)

(d.) Net profit (2Marks)

(e.) Closing stock (2Marks)