

**SUKELLEMO MOCK EXAMINATION**

**Kenya Certificate of Secondary education (K.C.S.E)**

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

**Thursday 17<sup>th</sup> December 2020 – 2 ½ hours: 11.00am – 1pm (EAT)**

NAME.....CLASS.....INDEX NO.....

**INSTRUCTIONS TO CANDIDATES**

- (a) Write your name and index number 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.*

**FOR EXAMINER'S USE ONLY**

<b>Question</b>	<b>Candidate's Score</b>	<b>Maximum Score</b>
		<b>20</b>
		<b>20</b>
		<b>20</b>
		<b>20</b>
		<b>20</b>
<b>TOTAL</b>		<b>100</b>

1. (a) Outline five differences between a public limited company and a parastatal. *(10 marks)*

- (b) The following details were extracted from the books of Juhudi Retailers:

**Invoices Issued**

2017	Sh
July 1 Mwango	120,000
„ 4 Nyambura	60,000
„ 10 Mwango	150,000
„ 25 Nyambura	80,000

**Invoices Received**

2017	Sh
July 1 Ndaru	220,000
„ 3 Ndaru	90,000
„ 14 Omari	40,000
„ 28 Ndaru	110,000

**Credit Notes Sent**

2017	Sh
July 8 Mwango	20,000
„ 26 Nyambura	16,000

**Credit Notes Received**

2017	Sh
July 11 Ndaru	30,000
„ 27 Ndaru	10,000

Prepare journal entries and show the posting of the totals to the relevant ledger accounts. *(10 marks)*

2. (a) By use of a diagram, show the effect of a shift of the demand curve from left to right on equilibrium price and quantity. *(10 marks)*

- (a) Discuss five benefits of filing office documents to an organisation. *(10 marks)*

3. (a) Give five limitations of using per capita income to compare standards of living in different countries. *(10 marks)*

- (a) Explain five ways in which a country may suffer as a result of being a member of a trading bloc. *(10 marks)*

4. (a) Explain five benefits Kenya would derive from a well drawn development plan. *(10 marks)*
- (b) Highlight five reasons why the government may find it necessary to participate in business activities. *(10 marks)*
- 5 (a) On 1<sup>st</sup> January 2018, Chui had Sh 35,000 in cash and a bank overdraft Sh 12,000. During the month, the following transactions took place:
- Jan 2: Sold goods for Sh 18,000 in cash.
  - „ 5: Received a cheque for Sh 40,000 from Mwirigi Enterprises.
  - „ 8: Paid Sh 6,000 cash to Bundi.
  - „ 10: Deposited Sh 13,000 into the bank from cash till.
  - „ 14: Withdrew Sh 5,000 from bank for personal use.
  - „ 15: Paid wages Sh 4,000 in cash.
  - „ 18: Received Sh 25,000 cash from Kazure.
  - „ 24: Cash sales paid direct into the bank Sh 45,000.
  - „ 26: Paid wages Sh 2,400 in cash.
  - „ 27: Withdrew Sh 21,000 from bank for business use.
  - „ 28: Bought furniture Sh 19,000 in cash.
  - „ 29: Paid insurance Sh 17,000 by cheque.
  - „ 30: Deposited all the cash into the bank leaving a balance of only Sh 3,000.

Prepare a two-column cash book and balance it off. *(10 marks)*

- (a) Explain five circumstances under which a buyer would prefer buying goods under credit purchase terms rather than hire purchase terms. *(10 marks)*

6. (a) Give four ways in which an entrepreneur contributes to production of goods.  
(8 marks)

(b) The following trial balance was extracted from the books of Baite Traders as at 31<sup>st</sup> August 2015:

	Dr	Cr
	Sh	Sh
Sales		350,000
Purchases	160,000	
Cash at the bank	290,000	
Returns inwards	5,000	
Carriage inwards	20,000	
Carriage outwards	14,000	
Salaries and wages	10,000	
Debtors	56,000	
Creditors		90,000
Stock	35,000	
Machinery	265,000	
Rent		25,000
Discounts received		18,000
Light and heating	12,000	
Buildings	240,000	
Advertising	13,000	
Drawings	30,000	
Capital		667,000
	<u>1,150,000</u>	<u>1,150,000</u>

*Additional information:*

- (i) Stock on 31<sup>st</sup> August 2015 was valued at Sh 50,000.
- (ii) Prepare trading, profit and loss account for the year ended 31<sup>st</sup> August 2015 and a balance sheet as at that date. (12 marks)