**Name: ………………………………………………Index No: ……..………..……Adm…………**

**School: …………………………………Sign:………… Class:……….. Date:…………...….**

** 565/2**

**BUSINESS STUDIES**

**PAPER 2**

**JULY/AUGUST, 2024**

 **TIME: 2 HOURS, 30 MINUTES**

***KABOURA JOINT EXAMINATION***

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

**Instructions to candidates**

* *This paper consists of six questions*
* *Answer any* ***five*** *questions*
* *All question carry equal marks*

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

***This paper consists of 3 printed pages. Candidates should check the question paper to ensure that all the printed pages are printed as indicated and no questions are missing.***

1. a) Explain **five** importance of trade to the community. (10 marks)

 b) Explain **five** ways that may be used to control Demand Pull inflation in the country.

 (10 marks)

2. a) Explain **five** reasons for increased use of WhatsApp for communication in most

organizations. (10 marks)

 b) On 1st May 2023 Rock traders had Kshs. 15,000 cash in hand and Kshs.160,450 at bank.

During the month, the following transactions took place.

 2023 May 1 . Bought goods for Kshs. 5,400 and paid by cheque

 May 8. Received Kshs. 7,200 cash from a debtor.

 May 10. Sold goods worth Kshs. 2,400 on credit.

 May 15. Paid a creditor Kshs. 18, 300 by cheque

 May 16. Paid salaries Kshs. 4, 200 in cash.

 May 18. Sold goods forKshs. 9, 200 and was paid by cheque

 May 20. Withdrew Kshs. 30, 000 from the bank for office use

 May 24. Purchased good for Ksh.4, 300 on credit.

 May 25. Received Kshs. 8, 000 cash from a debtor

 May 28. Paid general expenses for Kshs. 4,000 cash

 May 29. Deposited Kshs. 10, 000 cash in bank

 May 30. Paid for electricity Kshs. 2,500 by cheque

Record the above transactions in a **two - column** cash book and balance it off.

 (10marks)

3. a) Explain **five** reasons why kiosks continue to survive where there are supermarkets.

 (10 marks)

b) Discuss **five** problems that are associated with division of labour and specialization.

 (10 marks)

4. a) Discuss **five** types of direct taxes in Kenya. (10 marks)

 b) Explain **five** ways through which the government regulates business activities in the

country. (10 marks)

5. a) Explain **five** ways in which an entrepreneur can improve the micro-environment of her

 business. (10 marks)

 b) Explain the uses of the following documents in International Trade. (10 marks)

1. Closed Indent.
2. Certificate of Origin.
3. Consular Invoice.
4. Letter of Hypothecation.
5. Bill of Lading.

6. a) Explain **five** differences between a public warehouse and a private warehouse.

 (10 marks)

b). The following trial balance was extracted from the books of Noel Enterprises as at 31st

December 2021.

|  |  |  |
| --- | --- | --- |
| **ITEM** | **DR (Ksh)** | **CR (Ksh)** |
| Unpaid wages |  | 55,000 |
| Bank overdraft |  | 18,000 |
| Cash | 40,000 |  |
| Unpaid rent |  | 12,000 |
| Land | 30,000 |  |
| Creditors |  | 40,000 |
| 3-Months loan |  | 15,000 |
| Capital |  | 140,000 |
| Motor Cycle | 45,000 |  |
| Debtors | 58,000 |  |
| Drawings | 12,000 |  |
| Net profit |  | 45,000 |
| Buildings | 155,000 |  |
| Furniture | 30,000 |  |
| Printer | 25,000 |  |
| 4-Year Loan |  | 115,000 |
| Stock | 45,000 |  |
|  | 440,000 | 440,000 |

The following transactions took place in the first three days of January 2022

1st : Sold goods worth Ksh 10,000 on credit.

2nd : Sold the motor cycle for Ksh 52,000 in cash. She used Ksh 15,000 to buy more furniture

forthebusiness and kept the rest in the cash till.

3rd : Withdrew Ksh 5,000 from the bank and used it to pay child’s school fees.

Prepare the balance sheet as at 3rd January 2022. (10 marks)

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**KABOURA JOINT EVALUATION JULY/AUGUST, 2024**

**BUSINESS STUDIES PAPER TWO (565/2)**

**MARKING SCHEME.**

1. **a) Importance of Trade to the community.**
2. Provides an opportunity to utilize available resources that would otherwise be idle
3. Creation of employment for those engaged in trading activities
4. Leads to expanded markets for goods and services
5. A variety of goods and services are made available giving people a choice and satisfying their needs,
6. It leads to increased incomes in the society
7. New business are established as people needs continue to increase.
8. Helps individuals and communities to obtain what they don’t produce.
9. Enables individuals and communities sale off its surplus production.
10. Promotes specialization.
11. Promotes peace among trading partners.
12. Facilitates mobility of factors of production such as labour and capital from one region to another.

 (5 explained @ 2 marks = 10 marks)

**b) Ways of controlling demand pull inflation.**

1. Increasing Bank rates hence discouraging borrowing
2. Selling government securities in an open market operations hence reducing amount of money in circulation
3. Increasing cash/liquidity ration requirement on commercial banks hence reducing their lending ability/reducing amount of money in circulation.
4. Increasing Compulsory deposit requirement by commercial banks with the central bank hence reducing their lending ability
5. Selective lending to only a few sectors in the economy hence reducing amount of money in circulatiosn
6. Issuing directives to commercial banks to reduce lending hence reducing amount of money in circulation.
7. Decrease in public expenditure
8. Decrease in wage earnings
9. Increase in public borrowing to finance the production of goods and services in the country
10. Increase income taxation to reduce disposable income
11. Offer subsidies to firms to increase production
12. Use of buffer stocks to sustain supply of goods during times of shortage
13. Producing commodities that are in short supply

 (5 explained @ 2 marks = 10 marks)

1. **a) Reasons for increased use of WhatsApp in communication.**
2. Message can be kept for future reference.
3. It’s relatively cheap since one only needs data bundles.
4. Message can be addressed to many people through groups/communities.
5. Can be used as an evidence when need be.
6. Allows for inclusion of finer details such as pictures and diagrams.

 (5 explained @ 2 marks = 10 marks)

b)

 ROCK TRADERS

DR TWO COLUMN CASH BOOK. CR.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Folio | Cash | Bank | Date | Details | Folio | Cash | Bank |
| 2023May 1May 8May 18May 20May 25May 29 | Bal b/d√Debtor√Sales√Bank√Debtor√Cash√ | CC | Shs.15,000√7,200√30,000√8,000√ | Shs.160,450√9,200√10,000√ | 2023 May 1May 15May 16May 20May 28May 29May 30May 31 | Purchases√Creditor√Salaries√Cash √General exp√Bank√Electricity√Bal c/d √ | CC | Shs.4,200√4,000√10,000√42,000√ | Shs.5,400√18,300√30,000√2,500√123,450√ |
|  |  |  | 60200 | 179650 |  |  |  | 60200 | 179650 |
| May 31 | Bal b/d |  | 42,000 | 12,3450 |  |  |  |  |  |

(30 @ 1/3 = 10 marks)

1. **a) Reasons why Kiosks continue to survive where there are supermarkets.**
2. Close contacts – the owners have close contact with the customers and may give informal credit to credit worthy customers.
3. Bargaining; they allow their customers to bargain over prices unlike the supermarkets where the prices are fixed.
4. Advice ; they offer specialized advices to their customers on the quality , use and the prices of goods and services
5. Breaking bulk; they are to break the bulk of goods in to smaller units which the consumers require and they can afford to purchase.
6. Suitable location – Kiosks are located conveniently thus enabling customers to access them at no cost
7. Simplicity of kiosks; helping to avoid managerial complexities
8. Flexibility of kiosks; One can easily change business activities when operating a kiosk.
9. Quick decision making; Kiosks require less consultation in management.
10. Kiosks require few legal formalities to start and operate;

 (5 explained @ 2 marks = 10 marks)

**b) Problems associated with Division of Labour and Specialization.**

1. Creates monotony of work; Which affects the morale/productivity of workers.
2. Hinders creativity; As people only perform tasks they have been trained to.
3. Leads to unemployment; Due to automation/mechanization.
4. May led to dependency on countries that produce certain goods; May cause shortages during times of conflict.
5. Difficulty in getting another job; Especially where a different skill is required.
6. Stoppage of work; When there is a problem in a given stage of production.
7. Lack of pride in the final product; As it involves different people handling different stages of production.
8. Spurs Social problems e.gprostitution, spread of HIV AIDS, crime etc/As it brings many people together.

 (5 explained @ 2 marks = 10 marks)

1. **a) Types of Direct taxes in Kenya.**
2. Personal income tax/PAYE; Levied on incomes earned by individuals
3. Corporation Tax; Levied on profits earned by companies
4. Stamp Duty; Tax paid in conveyance of parcels and securities from one person to another.
5. Estate/Death Duty; Levied on transfer of properties after owner’s death.
6. Wealth Tax; Levied on personal wealth that goes beyond a given limit.
7. Capital transfer/Gift tax; Imposed on the value of property transferred from one person to another as gift.
8. Capital Gains tax; Levied on gains realized when a fixed asset is sold at a price higher than the book value.

  (5 explained @ 2 marks = 10 marks)

b) **Ways in which the government regulate business activities in the country.**

1. Through issuing/denial/cancellation of trade licenses; Hence limiting number of businesses.
2. By enacting legislation/repealing of regulations; That govern operations of business
3. Formulating policies/guidelines on the operations of business.
4. By setting standards that govern business operations.
5. Offering incentives to influence location of a business
6. Taxation/subsidies to encourage/discourage use of certain products
7. Creation of parastatals for competition
8. Issuing directives to be followed by business people.
9. Through price controls hence influencing prices of commodities.

 (5 explained @ 2 marks = 10 marks)

1. **a) Ways an entrepreneur can use to improve micro environment of his business.**
2. Have well trained/ skilled human resource which will help to carry out business activities with a lot of easy.
3. Have adequate/ easy/ cheap finance resources to help in the business expansion
4. Improve equipment / physical resources for efficient operation of the business
5. Install appropriate/moderntechnology to improve production/better quality products.
6. Have a well structured business structure to help in proper management of the organization
7. Create a positive/ non retrogressive business culture to help in the improvement of business operation
8. Have clear objectives / air of the business to act as a motivational factor.

  (5 explained @ 2 marks = 10 marks)

**b) Uses of the following documents in International Trade.**

1. Closed Indent; Requests the exporter to supply the importer with the specific goods indicated.
2. Certificate of Origin; Gives details of exported goods and name of the country from which they originate from.
3. Consular Invoice; Shows that the prices charged are fair as certified by the importing country’s officials.
4. Letter of Hypothecation; Authorizes the bank to resale goods being exported.
5. Bill of Lading; Acknowledges receipt of goods on board a ship.

 (5 explained @ 2 marks = 10 marks)

1. a) **Differences between private and public warehouses**

|  |  |
| --- | --- |
| **Public warehouse**  | **Private warehouse**  |
| 1. Owned by individual/businesses for purposes of renting space.
2. Usually large in size.
3. Insurance is a must.
4. Goods leave with restriction /release warrant
5. There is payment for storage of goods
6. Owner lacks full control of the operations of the warehouse.
 | 1. Owned by individual/business to store their own goods
2. Usually small in size.
3. Insurance is optional.
4. Goods leave freely without restrictions
5. No payment for storage of goods
6. Owner has full control of the operations of the warehouse.
 |

 (5 @ 2 marks = 10 marks)

b) NOEL ENTERPRISES

BALANCE SHEET

AS AT 31ST DECEMBER 2021

|  |  |
| --- | --- |
|  **ASSETS** Ksh**Fixed Assets**Land 30,000√Buildings 155,000√Furniture 45,000√Printer 25,000√**Current Assets**Stock 35,000√Debtors 68,000√Cash 77,000√√ 435,000√ | **CAPITAL + LIABS**KshCapital 140,000√Add Profit 52,000√Less Drawings (17,000)√New Capital 175,000√**Long Term liabilities**4- year loan 115,000√**Current Liabilities** 3- months loan 15,000√Unpaid wages 55,000√Unpaid rent 12,000√Overdraft 23,000√√Creditors 40,000√435,000  |

 (20@ 1/2mark = 10 marks)

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