

THE KENYA NATIONAL EXAMINATIONS COUNCIL  
Kenya Certificate of Secondary Education

**565/2 — BUSINESS STUDIES — Paper 2**



**Nov. 2019 – 2½ hours**

Name ..... Index Number .....

Candidate's Signature ..... Date .....

**Instructions to candidates**

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination 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.
- (g) **This paper consists of 16 printed pages.**
- (h) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**
- (i) **Candidates should answer the questions in English.**

**For Examiner's Use Only**

Question	Maximum Score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		



- 1 (a) Explain **five** services that may be offered by wholesalers to the retailers. (10 marks)
- (b) Explain **five** differences between a sole proprietorship and a public limited company. (10 marks)
- 2 (a) Explain **five** negative implications of a young population. (10 marks)
- (b) The Trial Balance given below was extracted from the books of Rakwaro Enterprises on 31 December 2015.

**Rakwaro Enterprises**  
**Trial Balance**  
**As at 31 December 2015**

Details	Dr (Ksh)	Cr (Ksh)
Capital		720,000
Premises	400,000	
Debtors	388,800	
Creditors		240,000
Bank	176,000	
Cash	24,000	
Drawings	28,000	
Purchases	960,000	
Sales		1,440,000
Stock 1-1-2015	160,000	
Returns inwards	16,000	
Carriage inwards	6,800	
Discount allowed	40,400	
Salaries and wages	200,000	
	<b>2,400,000</b>	<b>2,400,000</b>

Stock on 31 December 2015 was valued at Ksh 280,400.

**Required**

- (i) Prepare Rakwaro Enterprises Trading Profit and Loss Account for the period ending 31 December 2015. (7½ marks)
- (ii) Determine Rakwaro Enterprises initial capital. (2½ marks)

- 3 (a) Explain **five** demerits of pipeline as a means of transport. (10 marks)
- (b) Explain **five** measures that may be taken to increase the volume of exports. (10 marks)

- 4 (a) The following information relates to Moyale Retailers for the month of July 2015:

Sales	Ksh 50,000
Cost of sales	Ksh 40,000
Average stock	Ksh 20,000
Expenses were	5% of sales

**Calculate:**

- (i) Mark-up (2 marks)
- (ii) Margin (2 marks)
- (iii) Total expenses (2 marks)
- (iv) Net profit (2 marks)
- (v) Rate of stock turnover (2 marks)
- (b) Outline **five** benefits of a business to the society. (10 marks)
- 5 (a) Explain **five** advantages of locating firms in different parts of the country. (10 marks)
- (b) Explain **five** government initiated methods of consumer protection. (10 marks)
- 6 (a) Describe the procedure for obtaining an insurance policy. (10 marks)
- (b) Outline **five** assumptions associated with the circular flow of income in a two sector economy. (10 marks)