

**565/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**TIME: 2½ HOURS**

## **GOLDEN ELITE EXAMINATIONS**

**Instructions to candidates:**

- (a) *This paper consists of **SIX** questions.*
- (b) *Answer any five questions.*
- (c) *Write your answers in the answer booklet provided.*
- (d) *All questions carry equal marks.*

1. (a) Describe any **five** channels that can be used to distribute locally manufactured goods. (10 marks)
- (b) Explain **five** challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya. (10 marks)
2. (a) The table below shows the age distribution of a country.

Age in years	% of population
0 – 15	45
16 – 55	31
56 and above	24

Explain **four** negative economic implications of this age distribution to a country. (8 marks)

- (b) The following trial balance was extracted from the books of Nyaituya on 31<sup>st</sup> December 2005.

	Dr (Shs)	Cr (Shs)
Sales		720,000
Purchases	340,000	
Returns	20,000	18,000
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors/Creditors	54,000	64,000
Stock 1/1/2005	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture and Fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		<u>288,000</u>
	<u>1,099,000</u>	1,099,000



Additional information.	Sh.
(i) Stock as at 31 <sup>st</sup> December 2005	52,000
(ii) Rent accrued	6,000
(iii) Insurance paid in advance	4,000
(iv) Commission due	5,000
(v) Salaries owing	21,000

**REQUIRED:**

Prepare a trading, profit and loss account for the year ended 31<sup>st</sup> December 2005 and a balance sheet as at that date. (12 marks)

3. (a) Explain **five** circumstances that make it necessary for insurance companies to re-insure. (10 marks)
- (b) The following transactions relate to Pumua Wholesalers for the month of March 2011.
- March 1: Bought goods on credit from Kawe distributors Shs.26,200, Kamakia Ss.15600, Mambo Shs.33,360.
- March 2: Sold goods on credit to Fuma retailers Shs.37,200, Tito grocers Shs.25,500 and Wamba traders Shs.16,250.
- March 6: Returned goods to Kamakia Shs.2,400 and Mambo Shs.4,160.
- March 9: Sold goods on credit to Tamu Shs.5,500 and Patu Shs.18,200.
- March 11: Bought goods on credit from Chuma Shs.33,840.
- March 15: Goods returned by Tamu Shs.1,500 and Fuma retailers Shs.1,820 and Patu Sh.2,600.
- March 18: Bought goods on credit from Jama Shs.21,210 and Sama Shs.53,850.
- March 26: Credit sales to Kamanja Shs.16,600, Orenge Shs.19,260 and Wama traders Shs.15,200.

**REQUIRED:**

Enter the above transactions in the respective books of original entry. (10 marks)

4. (a) Explain **five** methods that can be used by a country to solve the problem of deficit balance of payment. (10 marks)
- (b) Outline **five** differences between land and labour as a factor of production. (10 marks)

5. (a) Explain the distinctions between each of the following sets of goods and services. (10 marks)
- (i) Free goods and economic goods.
  - (ii) Producer goods and consumer goods.
  - (iii) Perishable goods and durable goods.
  - (iv) Public goods and private goods.
  - (v) Intermediate goods and finished goods.
- (b) Explain **five** ways in which an efficient road transport system may promote trade within a country. (10 marks)
6. (a) Using a well labelled diagram explain the flow of income in a two sector economy. (10 marks)
- (b) Give **five** differences between a fixed deposit account and a savings account. (10 marks)