

KCSE PREDICTIONS 2020
BUSINESS STUDIES PAPER 2

1. (a) Explain **five** reasons for trade restriction by a country. **(10 marks)**

(b) With the help of a diagram explain the circular flow of income in a two sector economy.

(10 marks)

2. (a) Explain **five** principles of public expenditure that must be considered before any expenditure can be incurred by the government. **(10 marks)**

(b) The following balances relate to Kilindini traders as at 31st July 2014.

	Shs.
Stock 1/8/2013	60,000
Salaries	140,000
Creditors	70,000
Capital	1,400,000
Purchases	300,000
Rent	20,000
Insurance	80,000
Debtors	120,000
Sales	700,000
Stock (31/7/2014)	40,000
5 year bank loan	400,000
Returns inwards	30,000

Required:-

(i) Prepare a trading and profit and loss account for the year ending 31st July 2014.

(5 marks)

(ii) Calculate the following ratios

Margin **(1 mark)**

Rate of stock turn over **(2 marks)**

Return on capital **(2 marks)**

3. (a) Explain **five** causes of unemployment. (10 marks)
- (b) Explain **five** circumstances under which a pro-forma invoice may be used. (10 marks)
4. (a) Explain **five** measures that can be used by an office to safeguard the property of the organization. (10 marks)
- (b) Explain **five** ways in which the government may promote local trade. (10 marks)
5. (a) Explain **four** ethical issues in product promotion. (8 marks)
- (b) On 1st September 2013 Thika Traders had cash in hand sh. 560,000 and a following transaction took place during the month.

Sept. 8 Paid the following creditors by cheque after deducting 10% discount in each case:-

Benson sh. 140,000

Martha sh. 98,000

Sept 13 Settled Kimani's account sh. 70,000 by cheque after deducting 10% cash discount.

Sept 17 Received cheques from the following debtors after deducting 10% discount in each case:-

Mwanaisha s h. 350,000

Fatma sh. 105,000

Sept 24 Received the following cheques from debtor after having deducted cash discount of 2% in each case:-

Josephine sh. 411,600

Damaris sh. 123,480

Sept 28 received the following amounts in cash from debtors handing deducted cash discount of 2%

James sh. 82,320

Faith sh. 246,960

Required:-

Record the above transactions in a **three** column cashbook and balance it off at the end of the month. **(12 marks)**

6. (a) Explain **five** fiscal policy measures that can be used to control inflation. **(10 marks)**

(b) Explain **five** circumstances under which face to face communication would be preferable to a firm. **(10 marks)**