

# **BUSINESS PAPER 2**

## **EXPECTED QUESTIONS IN KCSE**

**Comprises 6 KCSE prediction set exams  
(Class of KCSE March 2022).**

**For Marking Schemes Contact Mr Machuki**  
**0795491185**

**Kenya Educators Contacts:**

**+254795491185**

**[kenyaeducators@gmail.com](mailto:kenyaeducators@gmail.com)**

**For More e-learning resources contact Kenya  
Educators via the contacts above.**

# PREDICTION 1

Name: \_\_\_\_\_ Adm. No \_\_\_\_\_

Index No: \_\_\_\_\_ School: \_\_\_\_\_

Candidate's Sign \_\_\_\_\_ Date: \_\_\_\_\_

565/2

**BUSINESS STUDIES**

**Paper 2**

**Form 4 2021**

**Time: 2 ½ Hours**

**Instructions to candidates:**

1. This paper consists of six questions
2. Answer any **five** questions
3. All questions carry equal marks
4. Candidates should check the question paper to ascertain that all the pages are printed and no questions are missing.

**Answer Any Five Questions**

1. (a) Explain **five** measures which the government can take in order to reduce unemployment. (10 marks)  
(b) Explain **five** features of a good filing system. (10 marks)
2. (a) Explain **five** roles played by the central bank in the economy of our country. (10 marks)  
(b) Discuss **five** circumstances when a business may extend credit to a buyer. (10 marks)
3. (a) Explain **five** ways in which the efficiency of a warehouse may be guaranteed. (10 marks)  
(b) On 1st Jan 2017, Dona Traders had sh.110,000 in hand and sh.50,000(cr) Bank.  
During the month, the following transactions took place:

Jan 2: Cash sales sh.40,000  
 Jan 3: Paid postage expenses sh.4,100 in cash  
 Jan 5: Received the following cheques from debtors after they had deducted a cash discount of 2% in each case. Kamau Ksh.2450, Laban Ksh.9604 and Tugi Ksh.2774.  
 Jan 9: Paid the following creditors in cash and in each case deducted 2% cash discount, Willy Ksh.2000 and Yala Ksh.6000  
 Jan 13: Cash sales directly banked Ksh.10,000  
 Jan 16: Took Ksh.11,000 from the office and deposited in the business bank account.  
 Jan 19: Sold goods worth Ksh.18,000 on Credit to Kiyoma.  
 Jan 21: Received Ksh.18,000 cash from Oman in settlement of Ksh.20,000.  
 Jan 26: Banked all cash leaving Ksh.4000 only.

Required: Prepare a duly balanced three column cash book (10 marks)

4. (a) Outline **five** factors that positively influence entrepreneurial practices in Kenya. (10 marks)

(b) The Kenya National Bureau of Statistics releases annual publications of national income statistics. Explain five uses of such statistics. (10 marks)

5. (a) Explain **five** reasons for which traders observe ethical practices in product promotion. (10 marks)

(b) Explain **five** factors that may dictate a certain firm to be located near its raw materials source. (10 marks)

6. (a) Explain **four** reasons why the government may opt to privatize a parastatal. (8 marks)

(b) Keme Enterprise had the following credit sales during the first week of March 2020.

March 1st: Credit sales to the following debtors:  
 Omwenga Sh4000, Invoice No. 003, Norah Sh.5000 and Wanjohi Sh.3000.  
 March 2nd: Credit sales to Omwenga Sh.500  
 March 3rd: Credit sales to Susan Sh.2000  
 March 4th: Credit sales to Norah Sh.1000 and Wanjohi Sh.3000

Required:

- (i) Record the above transactions in the relevant journal (7 marks)
- (ii) Post the above transactions in the sales ledger (3 marks)

## PREDICTION 2

NAME .....DATE .....

INDEX NO. .... CANDIDATE'S SIGNATURE .....

565/2

**BUSINESS STUDIES**

**PAPER 2**

**TIME: 2 ½ HOURS**

*Kenya Certificate of Secondary Education*

### **INSTRUCTIONS TO THE CANDIDATES**

Answer any **FIVE** questions

All questions carry equal marks

All working must be shown

*This paper consists of 2 printed pages.*

*Candidates should check to ensure that all pages are printed as indicated and no questions are missing*

1. a) Explain five causes of unemployment in Kenya. (10 Marks)  
b) Explain five circumstances that would influence a producer to use wholesalers in distributing his produce. (10 Marks)
2. a) Explain five ways in which the insurance industry contributes to the development of Kenya's economy. (10 Marks)  
b) Explain five demerits of government involvement in the running of public corporations. (10 Marks)
3. a) Explain five factors that may be considered in determining the appropriate channel for distributing goods. (10 Marks)  
b) Explain five reasons why business organizations may merge with one another. (10 Marks)
4. a) Explain five benefits that a country would get by encouraging investors to locate industries in rural areas. (10 Marks)  
b) On 1<sup>st</sup> May 2010 Musa Traders had sh. 15, 000 cash in hand and Sh. 160, 450 at bank. During the month, the following transactions took place.  
May 2 Bought goods for Sh. 5, 400 and paid by cheque.  
May 8 Received sh. 7, 200 cash from a debtor  
May 15 Paid a creditor Sh. 18, 300 by cheque  
May 16 Paid salaries sh 4, 200 in cash  
May 18 Sold goods for sh. 9, 200 and was paid by cheque

---

|                                                                             |                                               |                    |
|-----------------------------------------------------------------------------|-----------------------------------------------|--------------------|
| May 20                                                                      | Withdrew sh. 30, 000 from bank for office use |                    |
| May 25                                                                      | Received sh.8, 000 cash from a debtor         |                    |
| May 28                                                                      | Paid general expenses sh. 4, 000 cash.        |                    |
| May 29                                                                      | Deposited sh.10, 000 cash in bank             |                    |
| May 30                                                                      | Paid for electricity sh. 2, 500 by cheque     |                    |
| Record the above transactions in a two column cash book and balance it off. |                                               | (10 <b>Marks</b> ) |

5. a) Explain five ways which traders can apply to attract more customers. (10 **Marks**)  
 b) Explain five factors that could affect the quantity of cabbages supplied in a Market. (10 **Marks**)
6. a) Explain five factors to consider when choosing an appropriate means of transport. (10 **Marks**)  
 b) The following balances were extracted from the ledger accounts of Bidii traders for the yearended 31<sup>st</sup> December 2010.

|                     |          |
|---------------------|----------|
| Capital             | 940, 000 |
| Bank                | 100, 000 |
| Accrued expenses    | 20, 000  |
| Debtors             | 60, 000  |
| Creditors           | 60, 000  |
| Stock               | 100, 000 |
| 10 Years Bank loan  | 200, 000 |
| 3 year ICDC loan    | 100, 000 |
| Vehicle             | 300, 000 |
| Plant and machinery | 200, 000 |
| Land                | 500, 000 |
| Drawings            | 40, 000  |
| Cash                | 20, 000  |

Using these balances prepare Bidii traders trial balance for that year dully balanced.(10 **Marks**)

## **PREDICTION 3**

**NAME:**.....

**ADM NO**.....

**SCHOOL:**.....

**DATE** .....

**565/2**

**BUSINESS STUDIES**

**FORM 4 PAPER 2**

**Time: 2:30Hours**

### **KCSE PREDICTION 3**

#### **INSTRUCTIONS TO CANDIDATES**

1. Write your name and Admission number in the spaces provided above
2. Answer any five questions

1 a) Describe five features of economic resources (10marks)

b) Explain five internal economies of scale that a firm can enjoy as its scale of production increases. (10marks)

2a) Explain five important of filing documents in an organization (10marks)

b) Explain five factors that determine the size of a firm (10marks)

3a) The following trial balance was prepared from the books of Muranga traders as at 31<sup>st</sup> Dec 2018

Muranga traders  
Trial balance  
As at 31<sup>st</sup> Dec 2018

|                   | Dr (shs)  | Cr (shs)  |
|-------------------|-----------|-----------|
| Sales             |           | 900,000   |
| Purchases         | 500,000   |           |
| Returns           | 60,000    | 20,000    |
| Carriage inwards  | 30,000    |           |
| Carriage outwards | 3,000     |           |
| Stock (jan 2018)  | 100 ,000  |           |
| Rent              | 12,000    | 60,000    |
| Delivery van      | 300,000   |           |
| Bank              | 60,000    |           |
| Creditors         |           | 50,000    |
| Debtors           | 100 000   |           |
| Interest          | 18,000    |           |
| General expenses  | 7,000     |           |
| Capital           |           | 178,000   |
|                   | 1,190,000 | 1,190,000 |

Stock on 31<sup>st</sup> Dec 2018 was at sh.130,000 required,  
Prepare a trading profit and loss account for the year ended 31<sup>st</sup> Dec 20189. (10marks)

3b) Explain any five limitations of advertising goods in newspapers (10marks)

4a) Explain 5 ways of correcting balance of payment deficit. (10marks)

b) Explain five factors that are likely to lead to high birth rate in Kenya. (10 marks)

5a) Explain five challenges that may be faced by a producer who sells goods directly to consumers. (10 marks)

b) On March 1 2017, Lyon had cash in hand sh.87,000 and cash at bank sh.250,000. During the month, the following transactions took place:

**2017**

- March 2: Cash sales sh.60,000  
3: Paid salaries sh.101,500 by cheque  
7: Received a cheque of sh.76,000 from Henry after allowing him a cash discount of 5%  
13: Bought office furniture by cheque sh.86,000  
17: Settled Marita's account for sh.34,200 in cash, having deducted sh.800 cash discount.  
20: Received a cheque for sh.165,000 in respect of cash sales.  
22: Paid wages sh.25,000 in cash.  
24: Withdrew sh.32,000 from the bank for office use.  
25: Withdrew sh.4000 cash for personal use  
29: received sh.17,000 cash from Alvin in settlement of his account less sh.1000 cash discount.  
31: Deposited all the money into the bank except sh.24,000.

**Required:**

Prepare a three column cash book duly balanced. (10 marks)

6a) Differentiate between life assurance and property insurance (10marks)

b) Explain five circumstances under which personal selling may be most appropriate. (10 marks)

## PREDICTION 4

Kenya Certificate of Secondary Education.

565/2

BUSINESS STUDIES

PAPER 2

TIME: 2HOURS

NAME: ..... ADM NO.: ..... CLASS .....

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.
- (c) This paper consist of six question.
- (d) Answer **any five** questions in the spaces provided.
- (e) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**

### FOR EXAMINERS USE ONLY

| Question           | Candidate's score | Maximum Score |
|--------------------|-------------------|---------------|
|                    |                   | 20            |
|                    |                   | 20            |
|                    |                   | 20            |
|                    |                   | 20            |
|                    |                   | 20            |
| <b>TOTAL SCORE</b> |                   | <b>100%</b>   |

1. a) Discuss five factors that influence entrepreneurship in Kenya. (10 marks)
- b) Explain five monetary measures that can be taken to control inflation. (10 Marks)
2. a) On 1<sup>st</sup> January 2018, Sunlight enterprise had Kshs.95000 cash in hand and Kshs.125000 at bank. During the month the following transactions took place;
- 2018
- Jan 3<sup>rd</sup>; Cash sales kshs.9000 directly banked
- 5<sup>th</sup> ; Purchased goods worth kshs.19500 by cash
  - 12<sup>th</sup>; Deposited kshs.25000 into the business bank account from private sources.
  - 14<sup>th</sup> ; Obura a debtor settled his account of kshs.15000 by cash less 5% cash discount
  - 17<sup>th</sup>; Paid James kshs.3900 by cheque in full settlement of his account less 2.5% cash discount.
  - 20<sup>th</sup>; Sold goods worth kshs.13500 to Kim on credit.
  - 23<sup>rd</sup>; Settled Kamau's account of kshs.15000 by a cheque of kshs.13500.
  - 24<sup>th</sup>; Received a cheque of kshs.28800 from Leeroy a debtor having allowed a cash discount of 4%.
  - 25<sup>th</sup> ; Paid salaries by cheque kshs.36000
  - 27<sup>th</sup> ; Bought stationery by cash Kshs.29600
  - 28<sup>th</sup>; The cheque received from Leeroy on 24<sup>th</sup> was dishonoured.
  - 30<sup>th</sup>; All cash was banked except Kshs.15000.
- Required;**
- Prepare a dully balanced three column cash book. (10 Marks)
- b) Explain five differences between commercial banks and Non-Bank financial institutions. (10 Marks)
3. a) With the aid of an appropriate diagram, Explain how the price of a commodity is determined in a free market. (10 Marks)
- b) Discuss five trends in forms of business units. (10 Marks)
4. a) Katiba enterprise is a new firm which was established recently. Discuss five factors that the marketing manager should consider in order to choose an appropriate method of promoting their product. (10 Marks)
- b) Describe five features of economic resources. (10 Marks)

5. a) The following information was extracted from the books of Chelule Traders for the year ended 31<sup>st</sup> December 2019.

| ITEM                | KSHS.   |
|---------------------|---------|
| Capital             | 636,000 |
| Salaries            | 95,000  |
| Transport           | 16,000  |
| Commission allowed  | 800     |
| Commission received | 2,800   |
| Rent income         | 72,000  |
| Gross profit        | 326,000 |
| Insurance           | 92,000  |
| Power & Lighting    | 2,500   |
| Discount received   | 1,200   |
| Machinery           | 800,000 |
| Furniture           | 150,000 |
| Debtors             | 35,000  |
| Creditors           | 17,000  |
| Cash at Bank        | 89,700  |
| Cash in hand        | 74,000  |
| Advertising         | 4,500   |
| N.I.C Bank loan     | 320,000 |
| Discount allowed    | 500     |

Stock on 31<sup>st</sup> December 2019 was valued at Kshs.15,000

**Required;**

- Prepare Chelule Traders profit and loss account for the year ended 31<sup>st</sup> Dec 2019. (7 Marks)
- Extract a balance sheet as at 31<sup>st</sup> Dec 2019. (5 Marks)

b) Poor services delivery in most counties is caused by inappropriate utilization of public resources, explain four principles that should guide public expenditure in order to improve service delivery. (8 Marks)

6. a) Discuss five characteristics of perfect competitive market . (10 Marks)

b) Explain five reasons why some countries engage in trade restriction. (10 Marks)

# PREDICTION 5

NAME \_\_\_\_\_ ADM NO \_\_\_\_\_

CLASS \_\_\_\_\_

565/2

BUSINESS STUDIES

PAPER 2

2 ½ HOURS

## KCSE PREDICTION 5

### INSTRUCTIONS

- a. This paper consist of six questions
- b. Answer any Five questions
- c. All questions carry equal marks

**For examiner's use only**

| Question |             | Maximum score | Candidates score |
|----------|-------------|---------------|------------------|
| 1        | a<br>b      |               |                  |
| 2        | a<br>b      |               |                  |
| 3        | a<br>b      |               |                  |
| 4        | a<br>b      |               |                  |
| 5        | a<br>b      |               |                  |
| 6        | a<br>b      |               |                  |
|          | Total Score |               |                  |
|          |             |               |                  |

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 31<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> 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)**



## PREDICTION 6

NAME.....ADM NO: .....

SCHOOL..... INDEX NUMBER.....

565/2

**BUSINESS STUDIES**

**PAPER 2**

**TIME: 2 HOURS**

## KCSE PREDICTION 6

*Kenya Certificate of Secondary Education*

565/2

**BUSINESS STUDIES PAPER 2**

### INSTRUCTIONS TO STUDENTS

- a) Write your name admission number in the spaces provided above
- b) This paper contains 6 questions. Check the question paper to ascertain all pages and questions are there. Write your answers in the spaces provided
- c) Answer all questions in English

| QUESTION | 1 | 2 | 3 | 4 | 5 | 6 |
|----------|---|---|---|---|---|---|
| MARKS    |   |   |   |   |   |   |

**TOTAL**

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

**Answer any Five Questions**

1. a) Discuss any five economic importance of the recently discovered oil to the Kenya Economy. (10marks)  
b) Describe five monetary tools used by the government to control inflation. (10marks)
- 2 a) Explain **four** reasons why Boda Boda transport has become a popular means of transport in Kenya. (8 marks)  
b) The following trial balance relates to HM Traders Ltd as at 31<sup>st</sup> December 2011.

HM Traders Ltd  
Trial Balance  
As 31<sup>st</sup> December 2011

| Particulars        | Dr<br>shs      | Cr<br>shs      |
|--------------------|----------------|----------------|
| Capital            |                | 283,200        |
| Drawings           | 8000           |                |
| Cash at Bank       | 30,000         |                |
| Machinery          | 360,000        |                |
| Debtors            | 42 700         |                |
| Creditors          |                | 20 000         |
| Stock (1.1.2011)   | 40000          |                |
| Sales              |                | 570 000        |
| Purchases          | 325 000        |                |
| Return inwards     | 10000          |                |
| Return onwards     |                | 15000          |
| Carriage inwards   | 4000           |                |
| Carriage outwards  | 5000           |                |
| Rent               | 18000          |                |
| Salaries and wages | 40000          |                |
| Discounts Received |                | 9000           |
| General expenses.  | 14,500         |                |
|                    | <u>897 200</u> | <u>897 200</u> |

Stock as at 31/12/2011 was valued at shs. 35,000

**Required:**

- i) Prepare a trading, profit and loss account for the year ended 31<sup>st</sup> December, 2011 (8 marks)
- ii) Draw a balance sheet as at 31<sup>st</sup> December, 2011. (4 marks)

- 3 (a) Explain five consideration for proper use of County Funds (10 marks)

(b) The following table represents the supply of potatoes for 3 months.

| Year 2010 | Price Per Kg | Quantity Supplied (Kgs) |
|-----------|--------------|-------------------------|
| January   | 100          | 100,000                 |
| February  | 100          | 90,000                  |
| March     | 100          | 80,000                  |

Explain five reasons to account for the change in quantity supplied of potatoes in the market. (10 marks)

4 a)Mr Yego,a tea farmer in Kericho, wants to join Kiptigis farmers' co-operative society. Explain five benefits that would accrue to him as a result of being a member of the society (10marks)

b) On 1<sup>st</sup> September 2006,Mau Enterprises had the following balance.

Cash shs. 55,000

Bank shs. 250,000 (CR)

During the month, the following transaction took place

September 2<sup>nd</sup>: Cash Sales Banked shs. 535,260

3<sup>rd</sup>: Bought Ribbons in cash shs.4, 500

8<sup>th</sup>: Paid Wangila ,a creditor shs. 94,000 by cheque in full settlement of his Account after deducting 6% cash discount

12<sup>th</sup>: Received a cheque for shs.58, 800 from Wetu after allowing her cash discount of shs.1, 200

15<sup>th</sup>: Paid salaries shs.34, 000 in cash

25<sup>th</sup>: Withdrew shs. 50,000 from bank for office use

28<sup>th</sup>: Anyango a debtor, paid her account of shs.75.000 by cheque less 10% cash discount.

30<sup>th</sup>: Deposits all the cash into Bank except shs. 13,700

**Required:** Prepare a **three** column cash Book as at 30<sup>th</sup> September 2006 (10mrks)

- 5) a) Explain **five** measures that Kenya can take to solve the problem of unemployment. (10 marks)
- b) Kenya is looking forward to the realization of vision 2030, explain five obstacles that may hinder the successful implementation of the development plan. (10marks)
- 6 (a) Draw five differences between perfect competition and monopolistic competition (10marks)
- (b) Explain five negative implications of production activities on the environment (10marks)

