

BUSINESS PAPER 2

2011

1. (a) Explain the following types of inflation:

- (i) demand-pull inflation
 - (ii) cost-push inflation
 - (iii) imported inflation
 - (iv) structural inflation.
- (8 marks)

(b) Explain **six** factors that may hinder the development of a country. (12 marks)

(a) Explain **five** circumstances under which containerization may be used to transport goods. (10 marks)

(b) (i) Explain the procedure for making an insurance claim. (5 marks)

(ii) A farmer's house valued at Ksh. 1,200,000 was insured against fire for Ksh. 900,000 under the "with average clause". Fire occurred and damaged the house causing a loss of Ksh. 500,000. Determine the value of compensation due to the farmer. (5 marks)

(a) Discuss **five** factors that may be considered when choosing a method for promoting a product. (10 marks)

(b) Describe **five** features of economic resources. (10 marks)

(a) Explain **five** benefits that may accrue to an organization that adopts an open office plan.

(10 marks)

(b) Discuss **five** circumstances under which a partnership may be dissolved. (10 marks)

(a) Amboseli Roses is a horticultural company producing flowers. Explain **six** factors that may influence the choice of a channel for distributing its products. (12 marks)

(a) Give **four** reasons for maintaining books of original entry. (8 marks)

(a) Discuss **five** causes of unfavourable balance of payment for most developing countries. (10 marks)

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- (b) The following balances were extracted from the books of Rehema Traders on 1st January, 2007.

	Kshs.
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31st December, 2007:

- (i) Sold furniture worth Ksh. 60,000 for which Ksh. 40,000 cash was received and the balance was due at the end of the year.
- (ii) Purchased goods worth Ksh. 100,000 for which cash of Ksh. 70,000 was paid and the balance was still outstanding at the end of the year.
- (iii) Cash Ksh. 10,000 was taken from the business by the proprietor to settle the spouse's hospital bill.

Required:

Draw Rehema Trader's balance sheet as at 31st December, 2007 showing the items in their relevant classes. (10 marks)