

## 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)

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

	<b>Kshs.</b>
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)