



1. a) Outline five problems that are likely to be encountered when measuring national income. (10mks)
- b) Explain five factors that a trader should consider before giving credit. (10mks)
2. a) Highlight five circumstances under which a manufacturer would opt to use salesmanship as a way of promoting his products. (10mks)
- b) Explain five sources of business ideas that a potential investor can use when making investment decision. (10mks)
3. a) Explain five ways in which the government can create an environment that is conducive for doing business. (10mks)

b) The following balances were extracted from Witu books of accounts on January 2017;

Motor vehicles	250, 000
Furniture	8, 000
Stock	37, 000
Debtors	20, 000
Cash at bank	15, 000
Cash in hand	5, 500
ADC loan	100, 000
Creditors	12, 000
Capital	224, 000

The following transactions took place during the month.

- January 1 deposited an additional shs.30, 000 from private sources into the business bank account.
- January 5 issued a cheque for shs. 80, 000 to ADB bank which was honoured by the bank.
- 10 sold goods whose cost was shs.3, 500 at shs.7, 000 and received the proceeds by the cheque.
- 15 bought a new motor vehicle worth shs.50,000 having borrowed an additional loan from ADB bank.
- 17 took goods worth shs. 1, 200 to be used by his family.
- 20 sold one of the old motorvehicles whose book value was shs.27, 000 at shs. 22, 000 on credit.
- 25 received cash shs.15, 000 from a debtor.
- 29 paid a creditor by chequeshs.8, 500
- 30 bought more goods on credit worth shs. 3, 200

Prepare Witu's balance sheet as at 30<sup>th</sup> April 2017.

(10mks)

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4. a) explain any five causes of an increase in supply of a given commodity. (10mks)
- b) Describe the procedure followed in seeking compensation from the insurance company.  
(10mks)
5. a) Despite the economies of scale enjoyed by large firms, some firms continue to operate on small scale basis. Explain five reasons. (10mks)
- b) Explain five reasons why several competing firms would combine and form one firm.  
(10mks)

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