

Answer All Questions in this Section

- 1.
- a. Explain **Five** reasons why small firms have continued to do well despite the stiff competition from the big firms. (10 Marks)
 - b. Explain **Three** advantages and **Two** disadvantages of using a bill of exchange as a mean of Payment. (10 Marks)

- 2.
- a. 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)

- b. Apart from selling shares, explain **Five** sources of finance for a public limited company. (10 Marks)

- 3.
- a. Explain **Five** factors that determine the premiums paid in property insurance (10 Marks)
 - b. Explain **Five** Elements of effective communication (10 Marks)

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