**GATITU DAY MIXED SEC SCHOOL TIME: 1 HR 30 MIN**

**BUSINESS FORM 4 C.A.T 1**

**TERM II 2012**

**Instructions: Answer all the questions**

1. a, Define the term inflation (1mk)

 b. Explain 4 factors that may contribute to demand pull inflation (8mks)

 c. Briefly explain the following terms (**8mks**)

 i) Mild inflation

 ii) Hyper inflation

 iii) Demand pull inflation

 iv) Cost push inflation

 v) Imported inflation

2. a) Distinguish between economic growth and economic development. (**2mks**)

 b) Highlight **5** characteristics of under development. (**5mks**)

 c) Outline **5** limitations of barter trade (**5mks**)

3. a) The following balance sheet was prepared by the account clerk of Upenzi Traders

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| --- |
| Upenzi Traders Balance sheet as at 31st Dec 20 - 4 |
| Land and building | 770,000 | Capital | 900,000 |
| Motor vehicle  | 600,000 | Add Net profit | 282,000 |
| Furniture | 100,000 |  | = 1,182,000 |
| Stock of goods | 90,000 | Loan from ICDC | 400,000 |
| Stationery  | 12,000 | Creditors | 47,000 |
| Debtors | 58,000 | Salaries owing | 13,000 |
| Cash in hand | 16,000 | Bank | 8000 |
| Insurance advance | 4000 |  |  |
|  |  |  |  |
| Total | = 1650,000 |  | = 1,650,000 |

Determine the following (**12mks**)

1. working capital
2. Return on capital
3. current ratio
4. capital employed
5. Borrowed capital
6. Quick ratio

4. The following figures relate to the retail business of Lukas Mutua for the month of September 20 – 5

 Sales 50,000

 Cost of goods sold 40,000

 Expenses were 10%of sales

Calculate (**8mks**)

1. Mark up
2. Margin
3. Total Expenses
4. Net profit