

d) Substitutes. (1mk)

5. a) Elephant enterprises acquired a building valued at Ksh. 1,000,000 on 1st Jan 2007. The building was insured with two insurance companies Zebra and Simba for Ksh 600,000 and Ksh. 400,000 respectively. In may 2007, fire damaged the building causing Elephant enterprises to suffer a loss of 20% of the building's value. Determine contribution made by Zebra and Simba to cover loss. (4mks)

b) Name and explain the principal of insurance that apply to be above statement. (2mks)

c) State reason that may necessitate double insurance. (4mks)

6. Explain ethical issues in product promotion.

SECTION B.

7. Explain why the small businesses have managed to succeed the presence of large scale firms. (10mks)

8. Explain features of a perfect competition market. (10mks)

9. Explain ways in which size of firm may be determined. (1mks)

