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COMMERCE  
Paper 1  
14th July 2014  
2 ½ hours

ENTEbbe JOINT EXAMINATION BUREAU

Uganda Certificate of Education COMMERCE

Paper 1

2 hours 30 minutes

**INSTRUCTIONS TO CANDIDATES:**

This paper consists of two Sections A and B.

Section A is compulsory  
compulsory

Attempt only four questions in Section B.

All questions in sections in Section B carry equal marks

Begin each number on a fresh page.

Credit will be given to the use of relevant illustrations and diagrams extra

Any extra question(s) shall **not** be assessed

**SECTION A: 20 MARKS**

1. The most essential characteristic of money is its;
  - A. Acceptability
  - B. Divisibility
  - C. Portability
  - D. Durability
  
2. Privatisation can as well be called;
  - A. Nationalisation
  - B. Demobilization
  - C. Decentralisation
  - D. De - nationalisation
  
3. Given Mark up of 25% Gross profit of Shs 75,000, calculate the cost of sales;
  - A. Shs 18,750
  - B. Shs. 197,000
  - C. Shs.250,000
  - D. Shs.300,000
  
4. Which one of these is the final stage of production?
  - A. Acquisition of finished goods
  - B. Minerals being extracted from their deposits
  - C. Goods reaching the market
  - D. Consumption
  
5. Uganda exports fewer goods to Kenya than she imports from her. This means that Uganda's
  - A. Balance of trade is favourable
  - B. Balance of payment is unfavourable
  - C. Balance of trade is unfavourable
  - D. Balance of payment is favourable
  
6. Consumer protection guards the public against the following except:
  - A. False description
  - B. Wrong quotation of weights and measures
  - C. Misleading advertisement
  - D. Consumption of good quality products

7. Given Average stock Shs 2,400 and the rate of stock turn of 8 times, calculate:

- A. Shs 192,000
- B. Shs 24,000
- C. Shs 3,000
- G. Shs 5,000

8. Limited interest on share capital as a principle of co - operative societies means

- A. No dividend is paid on capital
- B. Members do not contribute capital
- c. Dividend payment is based on investment.
- D. Production is encouraged not financial investment.

9. A business firm insured a vehicle worth *Shs 5,000,000* for *Shs 4,000,000* against accident. How much would the firm be compensated if the vehicle were destroyed?

- A Shs 4,000,000
- B. Shs 5,000,000
- C. Shs 1,000,000
- D Shs 9,000,000

10. Railway transport is largely preferred to road transport because

- A Goods can easily be sold on route
- B. It is cheaper over long distances
- C It is faster over short distances
- D It is suitable and economical for expensive goods

**Turn Over**

11. A trader records the following information:

|                  | <b>Shs</b>       |
|------------------|------------------|
| Capital employed | <i>6,500,000</i> |
| Buildings        | <i>2,000,000</i> |
| Shop equipment   | <i>3,000,000</i> |

Determine the trader's working capital.

- A. *Shs 1,000,000*
- B. *Shs 4,500,000*
- C. *Shs 1,500,000*
- D. *Shs 3,500,000*

12. A coffee exporter's quotation for every 100 bags is as follows:

|                       |                      |
|-----------------------|----------------------|
| Cost of goods         | Shs <i>1,500,000</i> |
| Carriage to docks     | Shs <i>200,000</i>   |
| Loading expenses      | Shs <i>100,000</i>   |
| Dock charges and dues | Shs <i>150,000</i>   |
| Insurance charges     | Shs <i>300,000</i>   |

Determine the FAS price

- A. *Shs 1,800,000*
- B. *Shs 700,000*
- C. *Shs 850,000*
- D. *Shs 1,750,000*

13. The main reason for existence of public corporations is to

- A. Sell shares to the public cheaply
- B. Provide certain essential goods to the public cheaply
- C. Enlighten the public on business
- D. Maximise profits

14. Advertising is important to a business because it

- A. Increase the sale of goods and services
- B. Creates employment opportunities
- C. Reduces the supply of goods and services
- D. Promotes international trade

15. Which of the following expressions is appropriate for the computation of mark - up?

- A.  $\frac{\text{Net profit}}{\text{Cost of sales}} \times 100\%$
- B.  $\frac{\text{Gross profit}}{\text{Sales}} \times 100\%$
- C.  $\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100\%$
- D.  $\frac{\text{Net profit}}{\text{Sales}} \times 100\%$

## Sales

16. Which insurance policy would provide cover for goods stolen from factory workers?

- A. Workman's compensation
- B. Public liability
- C. Fidelity guarantee
- D. Pilferage

17. Which of the following documents will a seller send to a buyer if payment for the goods is required before delivery?

- A. Delivery note
- B. Catalogue
- C. Proforma invoice
- D. Price list

18. Which of the following factors influences a consumer's decision to buy?

- A. Cost of production
- B. Level of technology
- C. Number of producers
- D. fashion and preferences

## Turn Over

19. A retailer who sells only Coca - cola products is an example of

- A. Single shops
- B. Tied shops
- C. Mobile shops
- D. Multiple shops

20. Import trade is sometimes controlled because it

- A. Protects growth of infant industries
- B. Reduces government revenue
- C. Creates employment in the exporting countries
- D. Hinders standards of living in import country

**SECTION B: 80 Marks**

21. (a) Give reasons why international trade is essential. (08 marks)
- (b) What measures can be taken by the government to promote regional trade? (12 marks)
22. (a) Give four differences between a private limited company and a public limited company. (04 marks)
- (b) Outline four contents of a partnership deed. (04 marks)
- (c) Give six advantages of a partnership over sole trade form of business. (12 marks)
23. (a) Differentiate between:
- (i) Direct tax and indirect tax (02 marks)
- (ii) Consumer association and consumer co-operative society (02 marks)
- (b) Outline briefly, the main sources of revenue for a government. (08 marks)
- (c) Explain four reasons why consumers should be protected. (08 marks)
24. (a) Explain the following terms as used in Insurance. (08 marks)
- (i) Pooling of risks
- (ii) Over insurance
- (iii) Re - insurance
- (iv) Co - insurance
- (b) Describe the steps taken when taking out an insurance policy. (12 marks)
- 25 (a) Explain the following terms as used in banking. (08 marks)
- (i) Bank overdraft
- (ii) Bank draft
- (iii) Standing order
- (iv) Credit transfer
- b) Explain six methods used by the Central Bank to control the amount of money in circulation (12 marks)

(a) Differentiate between **persuasive advertising** and **exhibition**.  
(04 marks)

b) Describe, with examples, the forms of sales promotion in Uganda.  
(12 marks)

c) Give any **four** disadvantages of advertising to consumers.  
(04 marks)

a) Give **four** reasons why Ugandan traders are moving away from post office services.  
(10 marks)

(b) Explain any:

(i) **five** roles of communication in any business activity.  
(05 marks)

(ii) **five** factors to be considered when choosing a means of communication.  
(05 marks)

**Turn Over**

28. A retailer had the following record for 2009 and 2010.

|                       | 2009    | 2010    |
|-----------------------|---------|---------|
|                       | sh      | Sh      |
| Total cost of sales   | 480,000 | 480,000 |
| Average mark up       | 25%     | 40%     |
| Expenses              | 48,000  | 134,000 |
| Capital               | 160,000 | 230,000 |
| Average stock at cost | 60,000  | 96,000  |

(a) Calculate each year's

(i) Turnover (05 marks)

(ii) Net profit (05 marks)

(iii) Rate of stock tum on capital.(05 marks)

(b) (i) Determine ,using the rate of turnover, the year the retailer did better. (03 marks)

(ii) Give a reason for your answer in b (i) above.  
(02 marks)