**800/1**

**COMMERCE**

**Paper 1**

**Jul/Aug 2016**

**2 ½ Hours**



**MUKONO EXAMINATIONS COUNCIL**

**Uganda Certificate of Education**

**COMMERCE**

Paper 1

**2 Hours 30 Minutes**

**INSTRUCTIONS TO CANDIDATES**

* *Answer* ***all*** *questions in section* ***A***
* *Answer any* ***four*** *questions from section* ***B***

**SECTION A (20 Marks)**

1. The main purpose of commerce is to;
2. Enable traders to earn high profits
3. Bridge the gap between producers and consumers
4. Help manufacturers to produce
5. Enable customers to buy goods cheaply.
6. Which one of the following is a direct service?
7. Insurance B. Manufacturing

C. Farming D. Building

1. Business occupations are;
2. Activities aimed at making profits B. Primary production activities

C. Secondary production activities D. Tertiary production activities

1. Which of the following is a feature of cash and carry wholesale?
2. Offer best service B. extends credit facilities

C. provides delivery facilities D. sells goods in back

1. ………………is the system where a manufacturer fixes and enforces the retail price of his produce.
2. Price fixing B. price stabilization

C. Re-sale price maintenance D. Minimum price fixing

1. The loss leaders are used by large scale retailers to;
2. Keep the price as low as possible B. Stock more goods in the shelves

C. Dismiss unfaithful shop attendants D. increase sales

1. ………..guarantees the collection of debts from his clients.
2. A commission agent B. an import broker
3. An under writer D. Del-credere agent
4. Calculate the cost of goods sold from the following information

shs

Opening stock 50,000

Purchases 280,000

Closing stock 40,000

1. shs 330,0000 B. shs 240,000

C. shs 370,000 D. shs 290,000

1. When estimates for the cost of supplying a certain product are required a buyer may invite suppliers to submit?
2. Contracts B. tenders

C. Invoice D. proforma invoice

1. Which of the following methods of trade restriction is being used by OPEC
2. Tariffs B. Total ban C. Price control D. Quotas
3. The law of comparative advantage encourages countries to
4. Dump in each other’s country
5. Specialize in the production of their goods suitable to their resources
6. Let up limited trade barriers
7. Increase friendship among themselves.
8. The document where some property is pledged against it is;
9. Naked debenture B. mortgage debenture

C. Redeemable debenture D. fixed debenture

1. Which of the following may not cause widening up of a limited company?
2. Petition from the creditors
3. Company’s assets fail to cover debts
4. One of the shareholders decides to sell his shares
5. Voluntary winding up by shareholders
6. Assessors in insurance are responsible for;
7. Determining premium
8. Taking scrap of the destroyed property
9. The calculation of the sum insured
10. Estimating the extent of damage and the value of compensation
11. Madam Sarah wrote to UCB main branch to pay Mr. Baguma a sum of 50,000. UCB main branch is referred to as
12. Drawer B. Drawee C. Payee D. Banker
13. A business has stock worth 8,000,000 and insures it for shs 4,800,000 against fire. If half of the stock is destroyed by fire, how much will the business be compensated?
14. 2,400,0000 B. 4,000,000 C. 4,800,000 D. 6,400,000
15. Which of the following accounts is suitable for a business?
16. Current account B. savings account

C. Fixed deposit account D. salary account

1. Advertising is important because its
2. Decreases costs of production
3. Creates the demand for goods and services
4. Reduces the price of goods
5. Discourage competition
6. A cost facility which is used to send money in case of an emergency is called
7. Registered post B. Postal order

C. Expected mail service order (E.M.S) D. Telegraphic money

1. An arrangement where companies sell their products at an agreed price is called
2. Consortium B. Cartel C. Merger D. Trust

**SECTION B**

1. a) Differentiate between specialization and division of labour ***(04marks)***

b) State the merits that a farmer who has been producing both coffee and maize will

have by concentrating on coffee alone. ***(08marks)***

c) Explain the different forms of specialization. ***(08marks)***

1. Describe each of the following types of small scale retailers
2. Single shops ***(02marks)***
3. Tied shops ***(02marks)***
4. Mobile shops ***(02marks)***
5. Itinerant traders ***(02marks)***

b) Explain the problems faced by small scale retailers. ***(12marks)***

1. a) State and illustrate the law of;
2. Demand ***(03marks)***
3. Supply ***(03marks)***

b) Explain the factors that influence a consumer to buy a given commodity. ***(14marks)***

1. a) Mention any three commodities transported by pipeline transport. ***(04marks)***

b) Give any four advantages and disadvantages of pipeline transport. ***(08marks)***

c) What factors influence the choice of means of transport? ***(08marks)***

1. a) Give any six differences between private limited companies and public limited

companies. ***(12marks)***

b) State eight advantages of limited liability companies over other types of business

units. ***(08marks)***

1. a) Outline the procedure of claiming compensation from an insurance company.

***(04marks)***

b) Give reasons why insurance are not commonly used by the business commodity in

Uganda. ***(10marks)***

c) Mention any six policies issued under accident insurance. ***(06marks)***

1. a) Distinguish between a bank loan and a bank overdraft. ***(04marks)***

b) How does a central bank control the commercial banks capacity to give bank loans?

***(16marks)***

1. The following figures were extracted from the books of Nigeria Association in December 1996.

|  |  |
| --- | --- |
|  | Shs |
| Stock on 1st January 1996 | 32,000 |
| Creditors | 60,000 |
| Purchases | 200,000 |
| Closing stock | 116,000 |
| Cash | 8,000 |
| Buildings | 100,000 |
| Bank overdraft | 34,000 |
| Debtors | 38,000 |
| Bank | 50,000 |

1. Calculate;
2. Cost of sales
3. Average stock
4. Rate of turnover
5. Working capital
6. If the Association’s markup was 25% , what was its;
7. turn over
8. gross profit margin ***End -***