****

UGANDA MUSLIM TEACHERS’ASSOCIATION

UMTA JOINT MOCK EXAMINATIONS - 2014

800/1

Commerce

Paper 1

July/ August

2½ Hours

UGANDA CERTIFICATE OF EDUCATION

Commerce

Paper 1

2 ½ Hours

**Instructions to Candidates:**

* This paper is made up of 2 sections A and B.
* Answer all questions in section A and any four in Section B
* All answers in A & B must be written on the answer sheet provided and not on the question paper.
* All questions carry equal marks.

**SECTION A (20 MARKS)**

1. The transformation of goods into a more useful form is known as;

A. Commerce C. Processing

***B. Production*** D. Industry

2. A Ugandan Importer wishing to place an order for biscuits from Tanzania                    confectionaries limited will send a;

1. Proforma invoice **C.Closed Indent.**
2. Local purchase order D.Certificate of origin.

3. What is the reward for co-ordinating factors of production and bearing risks?

***A. Profit.***  C.Interest.

B.Salary. D.Rent.

1. An act where an Insurance company may insure itself against insured risks with other large Insurance Companies is referred to as

A.Co-Insurance. C.Cover.

***B.Re-Insurance.*** D.Over Insurance.

1. From the following Information, Calculate the turnover of a business year's sales

Shs 10, 694, 000, Return outwards shs, 340, 000, sales returns shs 164,000.

**A.shs 10,530,000** C.shs504, 000

B.shs 10,354,000 D.shs 10,858,000

1. An aid to trade where producers come to learn of the people's opinions regarding their produce is known as.

A. Advertising. ***C.Market research.***

B.Sales Promotion. D.Communication.

1. Which one of the following is used by supermarket salesmen with the aid of a computer to automatically record the prices of goods?

A. Automatic Teller machines.

B.Bar Codes.

***C.Bar Coding.***

D.Digital Cameras.

1. Which method of price determination does Crown and Century bottling Companies use to fix prices for their products.

A.Price leadership.

B.Government price legislation.

C.Auctioning.

***D.Resale price maintenance.***

1. When the country's receipts from exports exceed her expenditure on Imports is said to be experiencing.

A.Favourable terms of trade.

B.Unfavourable terms of trade.

C.Unfavourable balance of payment.

***D.Favourable balance of payment.***

1. The tax levied on profits or Income earned by an individual or business is referred to as

A.Personal Income tax.

B.Wealth tax.

C.Value Added Tax (VAT).

***D.Income tax.***

11. Which one of the following is an example of an itinerant trader?

1. Village shops.
2. ***Peddlers.***
3. Super markets.
4. Tied shops.

12. When bank of Uganda sells treasury bills to the public, its aim is to

***A.reduce the amount of money in circulation.***

B.control commercial banks activities.

C.increase the amount of loans in commercial banks.

D.withdraw mutilated notes from the public.

1. Which of the following ware houses best facilitates the work of Uganda Revenue Authority (URA)?

A. Wholesalers'ware houses.

***B.Bonded ware houses.***

C.Public ware houses.

D.private ware houses.

1. The following are methods of consumer protection except.
2. Fixing a maximum price.
3. Using trade Associations.
4. **Use of open market operation.**
5. Consumer association campaign.
6. The number of times a given volume of stock is replaced in trading period refers to
7. Turn over. C.Average stock.
8. Net profit ratio. ***D.Rate of stockturn.***
9. Which one of the following is part of the fixed capital of Kasaku Tea estate Plantation?
10. Stock of fertilizers. ***C.Tractors.***
11. Cash at bank. D.Loan to the estate.
12. A trader's Net Capital employed is, building shs2,000,000 and furniture

shs3, 000,000. Determine working capital.

1. Shs 1,000,000. C.shs 3,500,000.
2. ***Shs 1,500,000***. D.shs 4,500,000. NB. No answer
3. The following appear in the memorandum of association of a Joint Stock Company except.
4. Name of the Company.
5. Objectives of the Company.
6. ***Powers of the share holders.***
7. The Capital structure of a Company.
8. The joining of two or more firms producing similar or related products but at different levels of production is known as.
9. ***Vertical Integration.***  C.Lateral mergers.
10. Horizontal Integration. D.Cartel arrangement
11. The excess of expenses over gross profit is referred to as
12. Loss. C.Net profit.
13. Gross loss. ***D.Net loss.***

**SECTION B (80 MARKS)**

1. a) State six advantages a farmer who has been producing both maize and cow peas will have by concentrating on producing only maize. (12marks)

* He will gain more skills and experience thereby effectively and efficiently handling tasks.
* His speed of operation will increase and be able to save time.
* Saves energy and reduces fatigue since one does not move from maize to cow peas firm.
* He will fully exploit his talent in maize production.
* He will be able to produce high/ much quantity of maize, therefore enjoying economies of scale.
* He will be able to use machines, hence standardizing his produce.
* Can be in position to employ experts, hence high quality maize produce.
* Resource wastage is reduced
* Reduced cost of production
* Facilitates research into better methods of production
* Easy supervision of one activity.

Any 6\*2 = 12 marks

b).What disadvantages is he likely to face. (08marks)

* Likely to suffer from boredom due to doing the same work time and again.
* Mass production may cause lack of market.
* Resources (soil fertility) may get exhausted which will directly affected quantity produced.
* In case of failure of rain, production may be at a standstill which causes unemployment.
* A fall in income due to natural factors
* Lack of diversification
* Increases dependency for survival.
* Loss of craft manship due to using machines, hence decline in hand skills.
* Unemployment sets in due to over dependence on one product without market or use of machines leading to technological unemployment.

Any 4\*2 = 08 marks.

1. Outline any four reasons why the government of Uganda has continued to sell off its Enterprises (08marks)

* To bring about efficiency as a result of competition from private firms.
* To cut on government expenditure on public enterprises.
* To generate revenue from the scale of enterprises and then get taxes from private enterprises
* To eliminate corruption/ embezzlement of funds.
* To give more employment opportunities in the private sector.
* To increase domestic output
* To encourage private innovations
* To create competition
* To reduce public debts
* To reduce political influence
* To attract foreign investment
* To ensure proper resource utilization
* To increase domestic output

Any 4\*2 = 08 marks

b) Despite all the benefits of privatization, explain why Ugandan government still owns some enterprises. (12marks)

* To ensure national security e.g. production and supply of arms, money etc
* To provide essential services which are un profitable to attract private investments e.g. water.
* To control exploitation of citizens by businessmen.
* To minimize wasteful competition due to duplication of services e.g. railway.
* Some investments require huge initial capital and can only be afforded by government e.g. Airport, railway etc.
* To promote political ideologies e.g. communism
* To create employment opportunities
* To control foreign dominance
* To generate income
* To provide non- prestigious services e.g. sewerage, disposal, garbage collection which private sector may neglect.

Any 6\*2 = 12 marks

1. (a)Explain any four services which Insurance Companies offer to the business Community

(08marks)

* Compensates the unfortunate few who suffer loss and therefore restores them back to business.
* Facilitate carrying out international trade.
* Act as trustees for a trader.
* Gives the business community confidence to undertake risky business ventures.
* It’s a means of saving e.g. in life assurance.
* Contributes to the growth of the economy through pooled resources which are invested.
* In case of life policy, it can be used as a security for getting a loan.
* Reduces the cost of social services in that funds are provided jointly to assist victims.
* They give loans to businessmen who operate on a large scale and have collateral security.

Any 4\*2 = 08 marks

1. Give six reasons why Insurance Services are not commonly used by the business community in Uganda. (12marks)

* Insurance services/ benefits are invisible and only realized when the risk/ loss occur.
* Businessmen lack huge valuable assets worth insuring due to high poverty.
* Many insurance companies are still small and hence limited capital for expansion.
* Insurance companies are charged high taxes by the government.
* Political instabilities in some parts of the country affect the insurance industry.
* The procedures of taking up an insurance policy is complicated and i.e. the would be customers are ignorant about insurance policy services due to high illiteracy rates.
* The insurance society is misunderstood as a gamble and curse to society thus limited market.
* There is excessive competition among the insurance companies and so some do not have clients and cannot make profits.
* Loss of trust among people in insurance business due to earlier nonpayment.
* Many business in Uganda operate on small scale, hence no need for insurance.

1. Give five differences between a private Limited Company and a Public Limited Company.

(10marks)

* Membership in a private limited company ranges from 2-50 while a public ltd company, members range from 7 to infinity.
* Shares of a private ltd company are not freely transferable except upon private arrangement while those of a public ltd company are freely transferable
* Private ltd companies do not call the public for funds/ capital inform of selling shares or they do not issue prospecties while public ltd companies are free to call upon the public for funds in form of selling shares/ debentures.
* Private ltd companies can start business after acquiring a certificate of incorporation while, public Ltd companies have to acquire both certificate of incorporation and certificate of trading to commence.
* Private limited companies have two types of liabilities limited by share and gurantee while public limited company have only limited by shares.
* Private Ltd companies do not publish their accounts to the public while public Ltd companies do.
* In a private Ltd company, the owners have direct control over their affairs while in public Ltd Company, directors have control over the company affairs.
* Private Ltd companies have to prepare both the memorandum and Articles of Association while public Ltd companies at times can only prepare the memorandum of Association and then be guided by Table A of the company Act.

Any 5\*2 = 10 marks

(b) Explain any five advantages of Limited liability Companies over other forms of

businessunits. (10marks)

* More capital is raised with large number of shareholders than in case of sole proprietorship or partnership
* Members enjoy Ltd liabilities unlike other forms of business like sole trade.
* Death, bankruptcy or withdrawal of any one member can not affect the existence of the business.
* Employment of specialists is possible due to large capital.
* Specialization/ division of labour can easily be exploited.
* Has greater chances of increasing their capital through selling shares or borrowing from financial institutions.
* There is a possibility of issuing different types of shares to suit the investment habits of member.
* The loss suffered is shared between members and therefore felt lightly.
* Shares are safe guarded against fraud by the publicity of company accounts.
* Company shares are freely transforable in case of public Ltd companies.
* Easy to get bank loans

Any 5\*2= 10 marks

1. (a)What is Communication as used in Commerce? (02 marks)

Communication is the act of collecting/ receiving information/ ideas / message and understanding it from one person to another.

(b)Describe any four elements of Communication (08marks)

* Source of communication.
* Contents of communication.
* The process by which the communication is conveyed.
* The agent involved in transmission of the communication.
* Destination of the communication
* Understanding of the communication by the recipients.

Any 4\*2 = 08 marks

(c)Explain five benefits of Communication in trade (10marks)

* Businessmen can advertise their products to the public through communication hence increasing sales.
* It brings about meaningful contact between buyers and sellers.
* It avails information at the right time and place i.e. save life or property in case of accident time.
* It brings about exchange of views and avoids confusion and misunderstandings.
* Facilitates changes to avoid resistance and loss of confidence in those making changes e.g. changes in business policies.
* Promotes good image/ relationship between buyers and sellers.
* It creates and sustains interest e.g. advertising
* It cuts down costs and saves time i.e. less movements through communication.
* It leads to improvement in business i.e. widens business prospects/ markets, market research.
* Enables producers to cope up with competition
* Facilitates international trade through linking countries.
* Facilitates making of inquires, orders and preparation of important trade
* Written communication provides permanet evidence about transactions

1. (a)What is meant by the following terms as used in banking?

(i)Bank loan (02marks)

* It refers to the amount of money, borrowed from a bank with a view of repaying it back at a later date with interest before a fixed date/ money lent to anyone who has collateral security whether he has an account in the bank or not.

(ii)Bank overdraft (02marks)

* It’s a temporary loan given to a current account holder allowing him/ her to withdraw more money than what he has on his account and an interest is charged or the actual amount over drawn.

(iii) Standing order (02marks)

* Is an instruction to the bank by an account holder to pay a specified sum of money to a named person at regular and specified intervals for a specified period of time .

(iv) Bank draft (02marks)

* It’s a cheque drawn by one bank against funds deposited into its account at another bank authorizing the second bank to make payment to individual named in the draft.

(b)Describe six factors considered by a Bank manager before approving a loan facility.

* Loan size/ amount of loan required (12marks)
* Personal integrity and credit worthness of the borrower.
* The purpose for which the loan is required.
* The viability of the project to which the loan is required.
* Assets in relation to liabilities of the borrower.
* Nature of guaranters
* Prevailing business enviroment
* Nature, value and marketability of the collateral security.
* Time for which the loan is required and is to be paid.
* The prevailing government policy.

1. (a)Distinguish between the following terms as used in International trade.

(i)Bi-lateral trade and multi-lateral trade. (02marks)

* Bi-lateral trade refers to trade between two countries

While

Mult- Lateral trade refers to trade with/ between many countries.

(ii)Balance of payment and Balance of trade. (02marks)

* Balance of payment refers to the difference between the country’s receipts from exports and payments on imports

While

Balance of trade is the difference between the value of a country’s visible imports and visible exports.

(iii)Open indent and Closed Indent (02marks)

* open indent refers to an order for goods in international trade which does not specify the manufacturer expected to supply goods

While

Closed indent specifies the manufacturers from whom the goods are to be purchased.

(b)Describe Seven (7) factors that limit International trade. (14marks)

* Physical distances making transport and communication difficult.
* Languages difficulty/ differences.
* Differences in currencies.
* Political ideologies/ political differences (instability)
* Similar levels of economic development.
* Economic policies e.g. protectionism, quitas, trade restrictions etc.
* Terms of trade.
* Market size and limited purchasing power.
* Differences in cultures/ customs and religion.
* Technological innovation, whereby products are being replaced at avery fast rate.
* Differences in weights and measures.
* Requires large amount of capital.
* High costs of operation e.g high insurance costs
* Fluctuating rates of exchange rates and prices
* Too much documentation
* High levels of risks e.g theft, damage to the goods
* Stiff competition from other countries

1. (a) Distinguish between margin and mark up. (04marks)

* Margin is gross profit expressed as a percentage of net sales/ turn over.

Or

Margin = Gross profit \* 100

Net sales

While

Mark up is gross expressed as a percentage of cost of sales.

Or

Mark up = Gross profit \* 100

Cost of sales

(b)The following records were extracted from the books of a trader as at 31st December 2012.

Total Cost of Sales shs 4,800,000

Average mark up 25%

Expenses shs 400,000

Calculate:

1. Turn over (04marks)

* Turn over= 100 + mark up \*cost of sales

100

100 +25 \* 4,800,000

100

= shs 6,000,000

1. Gross profit (04marks)

* Gross profit = Turn over- total cost of sales

= 6,000,000 – 4,800,000

= shs 1,200,000

1. Net profit (04marks)

* Net profit = Gross profit – Expenses

= 1,200,000 - 400,000

= shs 800,000

1. Margin (04marks)

* Margin = Gross profit \* 100

Turn over/Net sales

= 1,200,000 \* 100

6,000,000

= 20%

OR

Mark up = 25%

Margin = 25 = 1 = 1/5

100 4 +1

1 \* 100

5

= 20%

**END**