

800/1  
COMMERCE  
Paper 1  
July/August 2023  
2 hours

# MWALIMU EXAMINATIONS BUREAU

## UCE MOCK RESOURCE EXAMINATIONS 2023

### COMMERCE

#### Paper 1

2 hours

#### Instructions

This paper consists of **two** sections A and B.

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

Answers to all questions must be written on the answer sheet provided.

Extra answered questions in section B shall not be marked.

Each question in section B carries equal marks.

## Section A (20 marks)

1. Which factor of production receives interest as its reward?
  - A. Labour.
  - B. Entrepreneurship.
  - C. Land.
  - D. Capital.
2. The making animal feeds from cotton seeds and maize grain is an example of
  - A. primary production.
  - B. secondary production.
  - C. tertiary production.
  - D. direct service.
3. The following factors influence supply of washing soap on the market except
  - A. costs of production.
  - B. number of producers.
  - C. objectives of producers.
  - D. income of consumers.
4. Which document does the seller use to request for payment from buyers before delivery of goods?
  - A. Proforma invoice.
  - B. Debt note.
  - C. Delivery note
  - D. Super market.
5. A collection of retail outlets which operate under one roof and management refers to
  - A. departmental stores.
  - B. mail order shops.
  - C. multiple shops.
  - D. super markets.
6. Which one of the following indicates that the value of a country's visible imports exceeds the value of visible exports?
  - A. Unfavourable balance of payment.
  - B. Favourable terms of trade.
  - C. Unfavourable balance of trade.
  - D. Favourable balance of payment.
7. The tariff which is levied on the quantity of rice imported in Uganda is an example of
  - A. advalorem tax.
  - B. specific tax.
  - C. direct tax.
  - D. corporation tax.

8. Which one of the following is an example of a terminal in a transport system?
- A. school bus.
  - B. boat engine.
  - C. water pipeline.
  - D. sea port.
9. For which of the following services does the post office undertake to compensate the sender if the mail sent is lost?
- A. Poste restante.
  - B. Registered post.
  - C. Speed post.
  - D. Telegram.
10. Which one of the following is the most suitable medium for advertising a new type of Toyota pick-up vehicles?
- A. Television.
  - B. Bill boards.
  - C. Newspapers.
  - D. Radio.
11. A contract made between the insured and the insurer is called
- A. proposal.
  - B. insurance policy.
  - C. cover note.
  - D. charter party.
12. A property worth shs 8,000,000 was insured against fire for shs 6,000,000. When the fire outbreak occurred, the property destroyed was value at shs 5,000,000. What was the insurer's compensation?
- A. Shs 5,000,000.
  - B. Shs 3,000,000.
  - C. Shs 3,750,000.
  - D. Shs 6,000,000.
13. A document which allows a company to exist as a separate legal body is called
- A. certificate of trading.
  - B. memorandum of association.
  - C. certificate of incorporation.
  - D. articles of association.
14. The excess of current assets over the current liabilities in a business is known as
- A. borrowed capital.
  - B. fixed capital.
  - C. capital employed.
  - D. working capital.
15. A bill of exchange payable at a future date is termed as

- A. a trade bill.
  - B. a retired bill.
  - C. a nuisance bill.
  - D. a sight bill.
16. Traders always regulate supply of goods on the market from ware houses in order to
- A. pay low customs duty.
  - B. encourage re-export.
  - C. stabilize prices.
  - D. discourage dumping.
17. A certain business records are as follows:
- Turn over shs 6,600,000
- Goods available for sale shs 4,700,000
- Closing stock shs 2,500,000.
- What is the gross profit of the business?
- A. Shs 2,200,000.
  - B. Shs 1,900,000.
  - C. Shs 4,100,000.
  - D. Shs 4,400,000.
18. The financial records of a trader indicate the following information:
- |               |               |
|---------------|---------------|
| Capital owned | shs 6,500,000 |
| Gross profit  | shs 1,540,000 |
| Expenses      | shs 240,000.  |
- What is the rate of return on capital?
- A. 20.0%.
  - B. 27.3%.
  - C. 23.7%.
  - D. 15.5%.
19. Which one of the following statements is correct about cumulative preference shareholders? They
- A. get dividends after ordinary shareholders have been paid.
  - B. claim dividend arrears from profit of subsequent years.
  - C. are paid interest from profits of the company.
  - D. are not entitled to a fixed rate of dividends.
20. Which one of the following business enterprises is classified under the private sector?
- A. Public limited company.
  - B. Public corporations.
  - C. Nationalised industries.
  - D. Parastatal body.

**Section B (80 marks)**  
**Answer any four questions**

21. (a) State six advantages of small scale businesses over large scale businesses in Uganda today. (12 marks)  
(b) What are the merits and demerits of credit selling to the seller? (08 marks)
22. (a) What are the advantages of quoted companies? (10 marks)  
(b) Differentiate between a share and a debenture. (10 marks)
23. (a) Distinguish between a central bank and a commercial bank. (04 marks)  
(b) What are the services offered by the bank of Uganda? (16 marks)
24. (a) Why should the government of Uganda get involved in business activities? (12 marks)  
(b) State four limitations of government involvement in commercial activities. (08 marks)
25. (a) Explain four ways in which businesses may combine. (08 marks)  
(b) State six reasons why businesses may come together. (12 marks)
26. (a) What are the reasons for consumer protection in Uganda today? (10 marks)  
(b) What are the various methods used by the government of Uganda today to protect its consumers. (10 marks)
27. (a) State the characteristics of life assurance. (12 marks)  
(b) Describe the procedures taken when applying for insurance policy. (08 marks)
28. (a) Distinguish between a balance sheet and an income statement. (04 marks)  
(b) A business firm had the following records as at December 31-2021.
- |                           |               |
|---------------------------|---------------|
| Stock at January 1-2021   | Shs 396,400   |
| Stock at December 31-2021 | Shs 4,785,900 |
| Cost of sales             | Shs 374,800   |
| Net sales                 | Shs 5,250,600 |
| Expenses                  | Shs 320,000   |
- Using the above information, calculate:
- (i) Net purchases. (03 marks)  
(ii) Gross profit. (03 marks)  
(iii) Average stock. (03 marks)  
(iv) Rate of stock turn at cost. (03 marks)  
(v) Net profit. (03 marks)  
(vi) Mark-up. (03 marks)

**END**