

800/1  
COMMERCE  
Paper 1  
July/Aug. 2023  
2 ½ hours



## HOIMA DIOCESE EXAMINATIONS BOARD

UCE Mock Examination, 2023

COMMERCE

Paper 1

2 hours 30 minutes

### INSTRUCTIONS TO CANDIDATES:

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

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

*Any additional question(s) answered will not be marked.*

*Answers to all questions must be written in the answer booklet provided.*

*Answers to all questions must be written in a clear handwriting.*

*All questions in Section B carry equal marks.*

### SECTION A (20 MARKS)

*Write the letter corresponding to the correct answer for each question in this section, in the answer booklet provided.*

1. Which **one** of the following activities are classified under tertiary production?
  - A. Teaching and retailing
  - B. Oil drilling and coffee processing
  - C. Quarrying and road construction
  - D. Lumbering and oil refining
2. What does the term "Market" mean in Commerce?
  - A. A place where items are bought and sold
  - B. Buying and selling of goods and services
  - C. A place where consumers haggle over prices
  - D. An arrangement in which buyers and sellers are kept in close contact
3. The final stage in the process of production is
  - A. consumption
  - B. exchange
  - C. distribution
  - D. trade
4. How will the consumer react when there is a decrease in the price of the commodity?
  - A. Increase quantity supplied
  - B. Increase quantity demanded
  - C. Decrease quantity demanded
  - D. Decrease quantity supplied
5. The practice of large-scale retailers to keep prices as low as possible is called
  - A. resale price maintenance
  - B. minimum price legislation
  - C. loss leader's policy
  - D. maximum price legislation
6. Which of the following is an example of an overdraft?
  - A. When a current account shows a higher withdraws than deposits
  - B. When a current account shows higher deposits than withdraws
  - C. Bank charges entered in bank account
  - D. When balance in saving accounts falls below a specified minimum
7. A wholesaler is a trader who
  - A. sells goods to another trader.
  - B. buys goods in very large quantities.
  - C. buys goods from the producer.
  - D. sells goods to the consumer.

8. Which **one** of the following insurance principles is violated when one under states the value of his profits?
- A. Proximate cause
  - B. Utmost good faith.
  - C. insurable interest
  - D. Subrogation
9. The major challenge affecting the development of tourist industry in Uganda is
- A. poor hotel management
  - B. poor road management
  - C. hostile tribes
  - D. destruction of wild life
10. A document which shows a summary of transactions between the seller and the buyer for a particular period is called
- A. a statement of account
  - B. a receipt
  - C. an invoice
  - D. a debit note
11. A cheque is drawn in favour of Peter. Who is Peter in this case?
- A. Drawer
  - B. Drawee
  - C. Payee
  - D. Endorser
12. The similarity between a public limited company and a private limited company is
- A. shares are transferable
  - B. business debts do not affect shareholders personal assets
  - C. business starts after receiving a certificate of trading
  - D. membership ranges between 2 – 50
13. A customer bought goods worth sh 2,500,000 and was given a trade discount of 5% and a cash discount of 2%. How much did the customer pay?
- A. sh 2,425,000
  - B. sh 2,250,000
  - C. sh 2.327,500
  - D. sh 2.325,000
14. Bank over drafts and creditors are example of
- A. current assets
  - B. current liabilities
  - C. long term liabilities
  - D. fixed assets

15. The amount charged by a Central Bank on money lent out to commercial banks is termed as
- interest
  - commission
  - bank rate
  - discount rate
16. The number of times business replaces stock is known as
- opening stock
  - rate of stock turn
  - bank rate
  - average stock
17. When a company is limited by shares, it means that
- the shareholders can sell their shares to the public to pay for the company debts.
  - each shareholder guarantees to pay a fixed sum of money to the company in case of debts.
  - the shares sold by the company are limited.
  - the shareholder's liability is limited to the amount of capital contributed to the company.
18. A partner who does **not** contribute capital in partnership business is called
- minor partner
  - general partner
  - dormant partner
  - quasi partner
19. Which factor of production is responsible for bearing the risks of the business?
- Land
  - Labour
  - Capital
  - Entrepreneurship
20. Given:
- |               |            |
|---------------|------------|
| Opening stock | sh 410,000 |
| Closing stock | sh 230,000 |
| Sales         | sh 970,000 |
| Purchase      | sh 740,000 |
- Determine the value of cost of sales
- sh 1,150,000
  - sh 1,380,000
  - sh 920,000
  - sh 1,480,000



## SECTION B (80 MARKS)

*Answer any four questions from this section.*

21. (a) Distinguish between “specialization by process” and “specialization by commodity.” (04 marks)  
(b) What are the advantages and disadvantages of division of labour? (16 marks)
22. (a) Why do countries restrict trade with others? (08 marks)  
(b) Explain any six methods countries employ to restrict trade with others. (12 marks)
23. (a) Distinguish between:  
(i) limited companies and unlimited companies. (04 marks)  
(ii) accumulative preference shares and non-accumulative shares. (04 marks)  
(iii) private companies and public companies. (04 marks)  
(b) State any **eight** advantages of public limited companies over other forms of business. (08 marks)
24. (a) State any **four**  
(i) elements of transport. (04 marks)  
(ii) modes of transport. (04 marks)  
(b) Explain the role of transport in commerce. (12 marks)
25. (a) Distinguish between a **Bank draft** and a **Bank over draft**. (04 marks)  
(b) What factors will the bank manager consider in giving loans to applicants? (06 marks)  
(c) Explain any **five** methods the central bank may employ to control commercial banks capacity to give loans. (10 marks)
26. (a) State the branches of insurance. (04 marks)  
(b) Mention any **six** problems affecting insurance business in Uganda. (06 marks)  
(c) Describe the basic principles of insurance. (10 marks)
27. (a) What factors are considered in setting up a retail business? (08 marks)  
(b) Describe the qualities a retailer should have in order to make his business a success (12 marks)

Turn Over

28. (a) Distinguish between an **income statement** and a **balance sheet**. (04 marks)

(b) Given the following records:

	Sh
Sales	1,500,000
Average stock	120,000
Return inwards	75,000
Rate of stock turn	6 times
Expenses	90,000
Purchases	600,000
Return outwards	45,000

Required;

- |                      |            |
|----------------------|------------|
| (i) Turn over        | (03 marks) |
| (ii) Net purchases   | (03 marks) |
| (iii) Cost of sales  | (03 marks) |
| (iv) Gross profit    | (03 marks) |
| (v) Net profit ratio | (04 marks) |

**END**