

800/1  
Commerce  
Paper 1  
July/August, 2019  
2 ½ hours

## **BUGANDA EXAMINATION COUNCIL MOCKS 2019**

### **Uganda Certificate of Education**

#### **COMMERCE**

#### **PAPER 1**

**2HOURS 30 MINUTES**

#### ***INSTRUCTIONS TO CANDIDATES***

- This paper consists of **two** sections **A** and **B**
- Answer all questions in section **A** and any four questions in section **B**.
- Any additional question(s) answered will **not** be marked.
- Answers to all questions must be written on the answer sheets provided by the school.
- All questions in section **B** carry equal marks
- You may lose marks for untidy work.

### SECTION A (20 MARKS)

1. The following are advantages of sole proprietorship except
  - A. Enjoyment of limited liability.
  - A. Enjoyment of all profits.
  - B. High level of flexibility.
  - C. Quick decision making.
2. The introduction of containerization in transport means
  - A. Increase in insurance costs.
  - B. Easier loading and off loading.
  - C. No need for special handling equipment.
  - D. High freight charges.
3. Loss leader policy is used by large scale retailers to
  - A. Stock more goods in the shelves.
  - B. Increase sales.
  - C. Keep the price as low as possible.
  - D. Dismiss unfaithful shop attendants.
4. The system of installment selling where the buyer takes ownership of the property immediately after paying the first deposit is known as.
  - A. Hire purchase
  - B. Mortgaging.
  - C. Deferred payment.
  - D. Credit sale.
5. A tax which is charged on imported goods according to the value of the commodity is called.
  - A. Specific tax.
  - B. Advalorem tax.
  - C. Direct tax.
  - D. Indirect tax.
6. Which type of ware house can an importer who has cleared his goods and has no space of his own use.
  - A. Personal stock
  - B. Private
  - C. Bonded
  - D. Public.

7. The formula  $\frac{100 - \text{margin}}{100} \times \text{turnover}$ , gives.....
- A. Turnover
  - B. Net purchase
  - C. Goods available for sale
  - D. Cost of sale
8. An arrangement where companies sell their products at an agreed price is called
- A. Trust
  - B. Merger
  - C. Consortium
  - D. Cartel
9. If margin of 20% is converted into markup, then markup will be....
- A. 25%
  - B. 20%
  - C. 16.7%
  - D. 33 1/3 %
10. An allowance a seller gives to a customer when payment is made within a specific period of time is called
- A. Cash discount.
  - B. Quantity discount.
  - C. Trade discount.
  - D. Commission discount.
11. Given the following information, determine the value of current liabilities.
- Stock shs 100,000  
Bank overdraft shs 500,000  
Trade creditors shs 80,000  
Trade debtorsshs120,000
- A. Shs 170,000
  - B. Shs 130,000
  - C. Shs 220,000
  - D. Shs 580,000

12. The principle of utmost good faith in insurance states that
- A. The insurer takes ownership of the scrap of the destroyed property
  - B. The insured who suffers loss should be compensated
  - C. The insured should reveal all the necessary information about the property when applying for an insurance policy.
  - D. There must be a close relationship between the risk insured and the cause of loss suffered
13. Given gross profit worth shs 150,000 and sales at cost as sh 300,000, calculate the gross profit markup of the business.
- A. 20%
  - B. 50%
  - C. 66.7%
  - D. 33.3%
14. A bill of exchange payable on demand is called.
- A. A sight bill
  - B. A retired bill
  - C. Usance bill
  - D. Unconditional bill.
15. Assessors in insurance are responsible for.
- A. The calculation of the sum insured
  - B. Determining premium
  - C. Estimating the extent of damage and the value of compensation.
  - D. Taking the scrap of the destroyed asset.
16. Given cost of sales of shs 720,000 and average stock shs 144,000 calculate the rate of stock turn.
- A. 4 times
  - B. 5 times
  - C. 0.2 times
  - D. 0.8 times
17. The principle of co-operatives which emphasize one man one vote is
- A. Democratic management
  - B. Open and voluntary membership
  - C. Repayment of dividends
  - D. Interest on share capital.

18. A client in the stock exchange does not need the services of
- A bear
  - A bull
  - An insurer
  - A jobber
19. Determine the value of borrowed capital from the following records of a business.
- |                   |               |
|-------------------|---------------|
| Bank loan         | Shs 1,200,000 |
| Buildings         | Shs1,800,000  |
| Bills receivables | Shs 600,000   |
| Machinery         | Shs 1,350,000 |
- Shs 1,200,000
  - Shs 3,600,000
  - Shs 3,150,000
  - Shs 4,950,000
20. Which one of the following banks is responsible for issuing a country's currency?
- Development bank.
  - Co-operative bank.
  - Commercial bank.
  - Central bank.

### SECTION B (80 MARKS)

- 21(a) Differentiate between specialization and division of labour. (04 marks)
- (b) Describe the five factors of production and the factor price for each. (10 marks)
- (c) Outline six advantages of specialization in production. (06 marks)
- 22 (a) Give any six features of documents used in home trade. (06 marks)
- (b) Mention any six pieces of information contained on an invoice. (06marks)
- (c) Explain any four importances of using documents in home trade. (08 marks)
- 23(a) Distinguish between.
- Quasi partner and real partner. (04 marks)
  - Active partner and dormant partner. (04 marks)
  - Limited partner and general partner. (04 marks)
- (b) What are the rights and duties of business partners? (08 marks)

- 24(a) What is consumer protection? (02 marks)
- (b) Why do consumers need protection? (12 marks)
- (c) Explain any three challenges encountered in consumer protection. (06 marks)
- 25(a) Define each of the following terms as used in banking
- (i) Bank overdraft (02 marks)
  - (ii) Bank draft (02 marks)
  - (iii) Standing order (02 marks)
  - (iv) Credited transfer (02 marks)
- (b) Explain six methods used by central bank to control the amount of money in circulation. (12 marks)
- 26(a) Distinguish between sales promotion and advertising. (04 marks)
- (b) Explain any five factors that should be considered when choosing a medium of advertising. (10 marks)
- (c) Give three disadvantages of advertising to consumers. (06 marks)
- 27(a) Explain the following terms as used in insurance
- (i) Surrender value (02 marks)
  - (ii) Risk (02 marks)
  - (iii) Insurance policy (02 marks)
  - (iv) Cover note (02 marks)
  - (v) Proposal form (02 marks)
- (b) Explain the basic principles of insurance. (10 marks)
- 28(a) Define the following terms as used in commerce.
- (i) Fixed capital (02 marks)
  - (ii) Floating capital (02 marks)
  - (iii) Borrowed capital (02 marks)
  - (iv) Working capital (02 marks)
- (b) Mr. Masembe's accounts showed the following as on 30<sup>th</sup> /June 2018.
- |                       |             |
|-----------------------|-------------|
| Long-term liabilities | Shs 200,000 |
| Current liabilities   | Shs 180,000 |
| Fixed assets          | Shs 500,000 |
| Current assets        | Shs 220,000 |

Using the information calculate.

- (i) Working capital (02 marks)
- (ii) Capital employed (02 marks)
- (iii) Capital owned (02 marks)

(c) In addition, Masebe's books also had the following information.

Opening stock	Shs 120,000
Closing stock	Shs 150,000
Net sales	Shs 982,000
Net purchases	Shs 820,000
Expenses	Shs 12, 000

***Calculate***

- (i) Sales at cost (02 marks)
- (ii) Gross profit (02 marks)
- (iii) Rate of stock turn (02 marks)

**END**