

P230/2

ENTREPRENEURSHIP

EDUCATION

Paper 2

Jul/Aug 2019

3 Hours



MUKONO EXAMINATION COUNCIL

Uganda Advanced Certificate of Education

ENTREPRENEURSHIP EDUCATION

Paper 2

3 Hours

INSTRUCTIONS TO CANDIDATES

- Answer any **four** questions only.
- All questions carry equal marks.
- Credit will be given for use of relevant diagrams and illustrations.
- Any additional question(s) answered will not be marked.
- Make a grid and show questions answered in their order.

1. You are operating a bookshop that also offers secretarial services. You offer both cash and credit sales.
 - a) Draw a programme for taking an insurance policy for your business machinery. **(07 marks)**
 - b) Prepare an inquiry for the required stock. **(06 marks)**
 - c) Design a service schedule for the business machines. **(06 marks)**
 - d) Develop a credit policy for your business. **(06 marks)**
2. You own a maize milling plant and you have noted with great concern the need to stock more raw materials. Due to inadequate funds, you have decided to acquire a loan of shs 10,000,000.
 - a) Prepare a programme for purchasing raw materials for the business. **(07 marks)**
 - b) Draft a fixed capital expenditure budget for the business. **(06 marks)**
 - c) Formulate guidelines to ensure proper management of the loan in the business. **(06 marks)**
 - d) Design a cash payment voucher to be used in the business. **(06 marks)**
3. You are engaged in the production of liquid soap in your home area.
 - a) Prepare a production plan for your business. **(07 marks)**
 - b) Draft policy guidelines for maintaining high quality products in your business. **(07 marks)**
 - c) Draw a daily distribution schedule for your products. **(06 marks)**
 - d) Write an appreciation letter to one of the outstanding employees in your business. **(05 marks)**
4. You have been hired as a human resource manager of BLESSED RESTAURANT which is experiencing a high labour turnover.
 - a) Identify the causes of the high labour turn over in the business. **(07 marks)**
 - b) Prepare a job description for an accountant of the business. **(06 marks)**
 - c) Design a procedure that should be followed by management when handling indisciplined employees of the business. **(04 marks)**
 - d) Advise management on strategies that should be adopted for managing workers' discipline. **(08 marks)**

5. The following information relates to UNIQUE TRADERS LTD for the year ended 31. 12. 2018.

Details	Shs (000)
Bank	12,000
Cash	18,000
Capital	157,000
Opening inventory	10,000
Furniture	30,000
Bad debts written off	4,000
Machinery	15,000
Accounts receivable	20,000
Returns inwards	2,000
Purchases discount	33,300
Carriage on sales	1,000
Purchases	75,000
Sales	90,000
Accounts payable	13,000
Returns outwards	4,000
Carriage on purchases	1,500
Bad debts recovered	8,000
Sales discount	2,000
Closing inventory	1,000
Bank overdraft	2,000

Required:

a) Compute the:

- (i) Average stock **(02 marks)**
- (ii) Cost of sales **(02 marks)**
- (iii) Gross profit **(02 marks)**
- (iv) Net profit **(03 marks)**

b) Calculate the following ratios;

- (i) Cash ratio **(03 marks)**
- (ii) Net profit to sales **(03 marks)**
- (iii) Rate of return on capital employed. **(03 marks)**
- (iv) Stock turnover **(03 marks)**

c) Interpret the following ratios in relation to 5(b) above.

- (i) Cash ratio **(02 marks)**
- (ii) Stock turn over **(02 marks)**

6. The following information was obtained from the books of BABA INVESTMENTS LTD for the months of January, February, March and April 2016.
- i. On 1st January 2016, the business started with shs 4,000,000
 - ii. It expected cash sales of shs 6,000,000 per month. However, it is expected to reduce by 10% in March.
 - iii. The expected credit sales were shs 1,600,000 per month but payment would be made the following month.
 - iv. The business expected a donation of shs 800,000 in cash per month, but this was to reduce by 12% after the first two months.
 - v. The monthly rent income was shs 200,000, however,, it is expected to increase by 25% after the first two months.
 - vi. The expected income from other sources was projected at shs 2,000,000 per month, effective the month of February.
 - vii. The business planned to purchase a delivery van in January at shs 14,000,000 on hire purchase. The down payment is shs 6,000,000 and balanced was to be paid in installments of 4:3:1 respectively in the following months.
 - viii. The business expected to acquire a loan from finance Trust Bank Ltd in February of shs 4,000,000. The loan was payable in four equal monthly installments at an interest rate of 5% per month on reducing balance, with effect from march 2016.
 - ix. The expected monthly cash purchases were shs 3,000,000. It is expected to reduce by 20% after two months.
 - x. The business expected to issue a debenture certificate worth shs 5,000,000 in March 2016 (cash from debenture).
 - xi. Monthly payment for hired labour was shs 1,500,000.
 - xii. The electricity bill expected to be cleared at the end of every month was shs 1,200,000.

Required:

- a) Prepare a cash budget for the months of January, February, March and April 2016.

(20 marks)

- b) Comment on the net cash position of BABA INVESTMENTS LTD for four months.

(05 marks)

- End -