

230/2  
Entrepreneurship Education  
Paper 2  
July/August 2019  
3hours

## **BUGANDA EXAMINATION COUNCIL MOCKS**

**Uganda Advanced Certificate of Education**

**ENTREPRENEURSHIP EDUCATION**

**PAPER 2**

**3HOURS**

### **INSTRUCTIONS TO CANDIDATES:**

- Answer **four** questions only in this paper.
- All questions carry equal marks
- Credit will be given for use of relevant illustrations and diagrams
- Any additional question(s) answered in this paper will not be marked.

1. You intend to operate a bakery project in your home town dealing in all sorts of different bakery products.
  - (a) Develop a management plan of your company. (07marks)
  - (b) Prepare guidelines for developing creative ability among workers. (08marks)
  - (c) Design a price list for your bakery. (05marks)
  - (d) Draw a market flow chart for your products. (05marks)
2. You have secured a loan of shs. 10,000,000 to establish a partnership business dealing in rice growing and supply.
  - (a) Present a production budget for your business. (06marks)
  - (b) Prepare a partnership agreement for your business. (08marks)
  - (c) Write a letter to your LCI chairperson seeking permission to hold the launch of your project. (07marks)
  - (d) Design an invoice to be issued to customers who buy products on credit. (04marks)
3. Your social enterprise has received shs. 200,000,000 from World Health Organisation for promoting public health. It has been discovered that there is too much littering and you are advocating for litter free environment.
  - (a) Present a root cause analysis for improper waste disposal. (07marks)
  - (b) Write a speech you will present to the members of the public about your invention. (08marks)
  - (c) Formulate a policy for enhancing gender partnership. (07marks)
  - (d) How will you ensure sustain ability of your project? (03marks)

4. The following balances were obtained from the books of BASASIRA TRADERS for the year 2017.

Basasira Traders income statement for the year ended 31<sup>st</sup> December 2017.

Details	Amount (shs)	Amount (shs)	Amount (shs)
Net sales			7990000
Opening stock		50,000	
Net purchases		335,000	
Goods available		335,00	
Less closing stock		<u>75000</u>	
Cost of sales			<u>310,000</u>
Gross profit			7,680,000
Add incomes and gains			<u>50,000</u>
Gross income			7,730,000
Less expenses & losses			600,000
Net profit			7,130,000

Basasira Traders balance sheet as at 31<sup>st</sup> December 2017

Particulars	Shs.	Shs.	Particulars	Shs.	Shs.
Capital		12,000,000	<b><u>FIXED ASSETS</u></b>		
Add net profit		7130,000	Land	3000,000	
		19,130,000	Furniture	5000,000	
Less drawings		<u>100,000</u>	Buildings	<u>8000,000</u>	
		1,903,000	Total fixed assets		16,000,000
<b><u>Current liabilities</u></b>			<b><u>Current assets</u></b>		
Creditors	200,000		Debtors	250,000	
Bank overdraft	100,000		Bank	3,000,000	
Advertising due	<u>5,000</u>	305,000	Stock	75000	
		<u>19,335,000</u>	Postage advance	<u>10,000</u>	<u>3,335,000</u>
					<u>19,335,000</u>

(a) Compute the following ratios

- (i) Average stock (03marks)
- (ii) Mark up (03marks)
- (iii) Net profit margin (03marks)
- (iv) Absolute liquid assets ratio (03marks)
- (v) Inventory velocity ratio (04marks)
- (vi) Creditors payment period in days. (04marks)

- (b) Comment on the following ratios
- (i) Inventory velocity ratio (03marks)
  - (ii) Creditors payment period in days. (02marks)
- 5a(i) Distinguish between tax evasion and tax avoidance. (04marks)
- (ii) Give any five forms of tax evasion practiced by entrepreneurs in Uganda. (05marks)
- (b) Jingo imported a machine from Dubai at CIF value of 5500 USA dollars. The machine attracts an import duty of 25% excise duty of 50% and vat of 18% withholding tax of 6%. The exchange rate at the time of importation is 1USD dollars to Uganda shs. 3600, no other expenses were incurred during importation. Calculate
- (i) Vat payable on the machine (05marks)
  - (ii) Gross value of machine inclusive of taxes (03marks)
- (c) Buga earns shs. 9000,000 per month from Uganda clays Ltd. He is given a medical allowance of 8% transport allowance, 5% and accommodation allowance of 10% of the basic salary. His income lies in the tax segment below:-

Monthly income	Tax rate segment
Exceeding shs. 410,000	Shs. 2500 plus 30% of the amount by which chargeable income exceeds shs. 410,000

**Note:** Where income exceeds shs. 10,000,000 an additional 10% is charged on the amount exceeding shs. 10,000,000

- (i) Calculate the tax liability of Buga (06marks)
  - (ii) Mention any two limitations of PAYE (02marks)
6. The following cash projections have been obtained from the books of OLIMI books of accounts for 2018.
- (i) Introduction capital in the business shs. 5,000,000 in January.
  - (ii) Concession loan from the micro finances shs. 5,000,000 in January (repayment in four equal installments starting with March.
  - (iii) The loan will attract an annual interest of 12% starting February.
  - (iv) Cash sales per month is estimated to be shs. 1,000,000 with an increase of 5% starting March.
  - (v) He also expects to receive cash from credit customers as follows  $\frac{1}{2}$  of the month cash sales in February  $\frac{1}{4}$  of the monthly cash sales in March and April.

The monthly credit purchases are to amount shs.4000000. All credit suppliers will allow one month credit period.

- (vi) The monthly cash purchases are projected to be shs. 6,000,000
- (vii) The business will employ two shop attendants and each will be paid shs. 250000 per month.
- (viii) The business is expected to incur advertising costs and this is estimated to be shs. 15000000 per month.
- (ix) Insurance premium is also projected to be shs. 650000. This will be paid in January.

**Required:**

- (a) Prepare his cash flow statement for four months starting with January 2018. (20 marks)
- (b) Explain any five major causes of cash short falls in business. (05marks)

**END.**