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COMMERCE  
PAPER 1  
AUGUST 2005  
2 HOURS 30 MINUTES

## **MASAKA DIOCESE JOINT MOCK EXAMINATIONS 2005**

**COMMERCE  
PAPER 1**

**2 HOURS 30 MINUTES**

### **INSTRUCTIONS TO CANDIDATES:**

- This question 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 in the answer booklet provided.
- Each question in Section **B** carries equal marks.

**SECTION A: (20 marks)**

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

1. Which of the following retail business is well known for selling one type of related range of products?
  - A. Supermarket
  - B. Multiple shops
  - C. Departmental stores
  - D. Consumer co-operatives
  
2. A trader buys goods worth of shs. 16,000,000/= and sells three quarters of them for shs.20, 000,000/=. His gross profit is:
  - A. shs.4,000,000/=
  - B. shs.8,000,000/=
  - C. shs.12,000,000/=
  - D. shs.16,000,000/=
  
3. Which of the following is true about demand and price?
  - A. Increased demand of a commodity decreases its price.
  - B. The fall in price of a commodity decreases demand.
  - C. The fall in price of a commodity increases its demand.
  - D. Increased price of a commodity balances demand.
  
4. Which of the following is a principle of co-operatives?
  - A. One man one vote.
  - B. One shares one vote.
  - C. No interest at all on share capital.
  - D. Open and voluntary membership.
  
5. Which of the following is a method the government uses to protect consumers?
  - A. Fixing maximum prices.
  - B. Fixing minimum prices.
  - C. Fixing minimum profits traders can earn.
  - D. Fixing maximum profits traders can earn.

P.T.O.

6. The document that gives title to imported goods is called:
- A. Import license.
  - B. Dock warrant.
  - C. Bill of exchange.
  - D. Bill of lading.
7. Mr. Ssebyala Fred bought 100 bags of sugar from Kyotera wholesalers each at shs.65,000/= if given 20% trade discount and 10% cash discount, how much will he pay?
- A. Shs.1,300,000/=.
  - B. Sgs.5,200,000/=.
  - C. Shs.4,680,000/=.
  - D. Shs.520,000/=.
8. In which of the following cases would an individual be having an insurable interest in a car?
- A. If that car belongs to his friend.
  - B. If the car belongs to him and he is using it.
  - C. If he has hired that car but not responsible for any damage to it.
  - D. Only if the car has been bought on hire purchase terms.
9. Which of the following involves merger of two or more businesses producing totally unrelated goods?
- A. Conglomerate.
  - B. Consortium.
  - C. Cartel
  - D. Franchising.
10. What is the sole currency issuing body in Uganda?
- A. Uganda currency Board.
  - B. Ministry of Finance and economic planning.
  - C. National Bank of Uganda.
  - D. Bank of Uganda.

P.T.O.

11. My assets are of shs.3,000,000/= and liabilities are shs.2,000,000/=. 65% of my assets are fixed assets and 60% of my liabilities are long term liabilities.  
Calculate my working capital.
- A. Shs.1, 000,000/=.
  - B. Shs.1, 950,000/=.
  - C. Shs.120, 000/=.
  - D. SHS.250, 000=.
12. E. and O.E. is often written at the foot of an invoice. It means.....
- A. the seller is sure that there is an error in the invoice.
  - B. The seller reserves the right to correct any error or omission that he may have made in the invoice.
  - C. No errors have been made in the invoice.
  - D. The seller accepts the responsibility for any error or omission that may have been made in the invoice.
13. The document which gives a company a legal entity is called:
- A. Certificate of incorporation.
  - B. Prospectus.
  - C. Certificate of trading.
  - D. Memorandum of association.
14. A stag is:
- A. a broker who arranges deals on behalf of sellers.
  - B. a broker who arranges deals on behalf of buyers.
  - C. a jobber who deals in fresh issues of shares.
  - D. a jobber who deals in old shares and stocks only.
15. The partner who just allows his name to be used as a partner but does no share profit is called:
- A. Active partner.
  - B. Retiring partner.
  - C. quasi partner
  - D. Sleeping partner.
16. Advertising is important because it mainly:
- A. Reduces the price of goods.
  - B. Induces customers to buy goods that have minor defects.

- C. Creates employment.
  - D. Creates demand for goods and services.
17. Stock taking is:
- A. buying of goods for resale.
  - B. act of making lists of stock held.
  - C. period during which old stock is cleared at low prices.
  - D. act of finding out the value of stock held.
18. A Charter Party is:
- A. an agreement between the owners of a ship and traders who wishes to hire the entire ship for a particular voyage or period.
  - B. an agreement between various liners not to allow anybody to hire their ships.
  - C. another name for a tramp ship.
  - D. a person who has hired a ship or a plane.
19. A type of agent who guarantees sale of goods of his principal is:
- A. broker.
  - B. Factor.
  - C. Del credere agent
  - D. Commission agent
20. In a textile factory which of the following items may be classified as "land"?
- A. Raw cotton.
  - B. Machinery
  - C. Wealth.
  - D. Lint.

**SECTION B: (80 Marks)**

21. (a) Distinguish between specialization and division of labour. (4 marks)
- (b) Explain the advantages of division of labour. (8 marks)
- (c) What are the disadvantages of division of labour? (8 marks)
22. (a) Distinguish between the following:
- (i) a credit note and a debit note. (4 marks)
  - (ii) an invoice and a receipt. (4 marks)

- (iii) a catalogue and a price list. (4 marks)
- (b) Discuss the factors that would one's decision to supply a commodity on market. (8 marks)
23. (a) What is money? (2 marks)
- (b) What are the disadvantages of barter trade? (8 marks)
- (c) Explain the qualities of good money. (10 marks)
24. (a) Distinguish between a share and a debenture. (4 marks)
- (b) State the differences between private companies and public companies. (8 marks)
- (c) What are the advantages of public companies? (8 marks)
25. (a) What is Electronic Mail? (2 marks)
- (b) Explain any five services rendered by the post office in Uganda. (10 marks)
- (c) Why do many people in Uganda prefer using telephones to letters? (8 marks)
26. (a) Distinguish between 'self-service' and 'after-sale-service'. (4 marks)
- (b) Explain any **five** advantages of self-service. (10 marks)
- (c) What are the advantages of branding? (6 marks)
27. (a) Distinguish between "public warehouses" and bonded warehouses". (4 marks)
- (b) Explain any four reasons why a producer needs a warehouse. (8 marks)
- (c) What are the qualities of a good warehouse? (8 marks)
28. (a) The following information was a available in the books of

Accounts of Mr. Ssebbaale Godfrey and sons Genera Traders.

Stock 1 <sup>st</sup> January 2004	..	..	..	shs.1,000,000/=
Purchases for the year	..	..	..	shs.650,000/=
Sales for the year	..	..	..	shs.3,500,000/=
Returns outwards	..	..	..	shs.40,000/=
Returns inwards	..	..	..	shs.10,000/=
Stock 31 <sup>st</sup> December 2004	..	..	..	shs.900,000/=

Calculate:

(i)	Cost of sales	..	..	..	(4 marks)
(ii)	Gross profit	..	..	..	(4 marks)
(iii)	Margin	..	....	..	(4 marks)

(b) In addition, the following information was also available in his books of accounts:

Land	..	..	..	..	..	shs.500,000/=
Creditors	..	..	..	..	..	shs.10,000/=
Debtors	..	..	..	..	..	shs.20,000/=
Buildings	..	..	..	..	..	shs.450,000/=
Cash in hand	..	..	..	..	..	shs.21,000/=

Calculate:

(i)	Working capital.	(4 marks)
(ii)	Capital employed.	(4 marks)

**END**