



JINJA JOINT EXAMINATION BOARD

MOCK EXAMINATIONS

800/1 COMMERCE – 2019

MARKING GUIDE

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SECTION B

21. a) **Location** of an industry refers to the site / position / place where an industry is situated **OR** **(02 marks)**

Location is the setting up of an industry in a particular area

While

Localization is the concentration of many firms in one area.

(02 marks)

21. b) **Factors that influence location of an industry:-**

- + Availability of raw materials
- + Availability of market
- + Availability of labour
- + Availability of power
- + Availability of auxiliary services / support services

- ✚ The presence and cost of land
- ✚ Political climate / availability of security
- ✚ Government policy
- ✚ Accessibility of the place

(Any 8 x 2)

22. ai) **Gilt-edged securities** refer to securities that are absolutely safe in respect to both the capital and payment of interest.
- ii) **Blue chips** refer to the shares in companies of high repute and sound financial history.
- iii) **Bulls** are jobbers who buy shares when they are cheap expecting to sell them at a high price.
- iv) **Stags** are jobbers who deal in new issues and they buy shares in the hope that price will soon rise and sell them at a profit within a short period of time.

b) **Differences between shares and debentures.**

- ✚ Shares are paid dividends while debentures are paid interest.
- ✚ Share is usually irredeemable while debentures are usually redeemable.
- ✚ Most share holders have a right to vote on the affairs of the company while debenture holders do not.
- ✚ A share is unit of capital while a debenture is a unit of a loan
- ✚ A share holder is one of the owners of the company while debenture holder is only a creditor to the company.
- ✚ Share holders are paid continuously as long as the company is existing while debenture holders are paid on a temporary period.
- ✚ The return on debentures is restricted to a stated amount/ percentage while except for preference share, there is no limit on the dividends paid on shares.

(Any 4 x1)

c) **Role of stock exchange**

- ✚ it provides ready market to those who want to buy and sell shares
- ✚ it provides companies with the facility to raise capital for expansion through selling shares to the investing public.
- ✚ It sets price for securities i.e. shares of different companies listed on the stock exchange.
It helps to direct a large part of savings by members of the public to invest in joint stock companies which help in mobilization of domestic savings
- ✚ It provides an avenue for divestiture of state owned enterprises e.g. Uganda clays.
- ✚ It enables government to raise capital for development of projects by selling securities known as bonds.
- ✚ It is a source of employment to those who work in it.
- ✚ It provides the opportunity for small investors to own shares of the same companies as large investors **(Any 4 x2)**

23. **Consumer protection** refers to the various laws enforced by the government to ensure that a consumer's interest is protected and he / she is not cheated of his/her hard earned money.

b) **Reasons for consumer protection:**

- ✚ To protect consumers against high prices especially during scarcity of goods and services
- ✚ To guard against consumption of harmful / dangerous / expired goods
- ✚ To protect consumers from being cheated by use of unstandardized weights and measures.
- ✚ To protect consumers from misleading and persuasive advertisements.
- ✚ To protect consumers from consuming any type of imports dumped from other countries.
- ✚ To guarantee safety of food stuffs and drinks

+ To teach consumers their rights

(Any 5 x2)

c) **Methods of consumer protection.**

+ Weight and measures act / law

+ Food and drugs act

+ Trade description act

+ Encouraging formation of business association

+ Instituting price controls

+ Encouraging formation of consumers' associations to protect consumers' interests

Issuing licenses to only approved traders to conduct business.

(Any 4 x2)

24. a) **Major types of ware houses**

- + Private ware house
- + Public warehouse
- + Bonded warehouse
- + Whole salers' ware house

(Any3x2) well explained

b) **Qualities of a good ware house**

- + it should be accessible + it should be safe and free from destructive insects + it should have both loading and off-loading facilities/ equipments
- + it should have tight security + it should have appropriate and speedy transport means in place
- + It should have efficient and well trained staff
- + It should have proper storage and preservative equipment
- + It should have a suitable building that allows room for expansion.

(Any 7x2)

25. a) **Standing order** is an instruction to the bank by an account holder to pay a specified sum of money to a named person at regular and specified intervals for a specified period of time.

(02 marks)

While

Credit transfer is a service offered by commercial banks used for settling many debts / creditors using one cheque. **(02 marks)**

b) **Factors considered before giving out a loan;**

✚ loan size ✚

interest rate loan

✚ fees and service

✚ charges size of

✚ loan installment

✚ loan period

✚ value of

✚ collateral

✚ security

✚ referees or

guarantors cash

flow statement

Area of location or operation of the business to be funded

sectoral bias

(Any 5x2)

c) **Reasons why a cheque may be dishonored.**

✚ May be the drawer does not have sufficient funds

✚ May be the cheque is post dated

✚ May be the drawer had closed his or her account

✚ May be the cheque is not signed by the drawer

✚ May be the cheque has an error

✚ May be the drawer has instructed the drawee bank not to honour the cheque

✚ May be the cheque is stale

✚ May be the bank suspected forgery in the cheque **(Any 6 x 1)**

26. a) **Factors considered when choosing a mean of transport**

- + Nature / kind /type of goods
- + Cost of transport
- + Size load
- + Distance to cover
- + Speed and urgency of goods
- + Value of goods
- + Flexibility

Availability and safety of the mode **(Any 6 x2)**

b) i) Air transport **(01mark)**

ii) **Advantages of air transport**

- + it is convenient to send costly, light and perishable goods
- + it provides comfortable and efficient transport services + it is accessible to all areas regardless of the obstruction of land
- + it is a high speed (quick) means of transport + air transport is free from physical barriers + no need to spend money on the construction of any track or road
- + it avoids delay in obtaining clearance for good because customs formalities are complied very quickly
- + it is suitable for long distance **(Any 4 x1)**

Disadvantages of air transport

- + It is very expensive
- + It causes air and noise pollution
- + There is a possibility of goods being loaded on a wrong flight
- + In case luggage gets lost, it does not come on time
- + It is very risky because a minor accident may put a heavy loss to the goods and passengers

- ✚ Some aircrafts have a small carrying capacity and therefore not suitable for carrying bulky and cheaper goods
- ✚ It requires large investment for construction and maintenance of aero planes and training of personnel.

(Any 3x1)

27. ai) **Certificate of origin** refers to the document that specifies the country of origin of the goods being sold. ***(02 marks)***
- ii) **Consular invoice** refers to an invoice / document that has been seen and signed by the consulate or embassy of the country to which the goods are being exported. ***(02 marks)***
- iii) **Letter of credit** refers to a means by which an importer obtains credit and the exporter gets an assurance of payment of amounts due to him. ***(02 marks)***
- iv) **Letter of hypothecation** refers to a letter from an exporter to his bank authorizing the bank to sell goods being exported for the

best price it can get, if the bank cannot obtain payment on a bill of exchange. **(02 marks)**

- v) **Proforma invoice** refers to a document sent by the seller to the buyer if payment for the goods is required before delivery.

(02 marks)

b) Reasons why Uganda decides to trade with other countries:

- ✚ To obtain goods or services which it cannot produce
- ✚ To achieve and maintain good international relationships with other countries
- ✚ To dispose off the surplus
- ✚ To promote international specialization
- ✚ To solve or assist in times of crisis or disasters
- ✚ In order to acquire better technology
- ✚ To rise government revenue ✚ To promote competition

(Any 5x2)

28.i) **Cost of sales** = rate of stock turn x average stock

$$= 5 \times \left(\frac{655,000 + 253,000}{2} \right)$$

$$= \text{shs } 2,270,000$$

(04 marks)

ii) **Net purchases** = cost of sales + closing stock – opening stock

$$= 2,270,000 + 253,000 - 655,000$$

$$= \text{shs } 1,868,000$$

(04 marks)

iii) **Turn over** = gross profits + cost of sales

$$= 130,000 + 2,270,000$$

$$= \text{shs } 2,400,000$$

(04 marks)

iv) **Margin**

$$= \frac{\text{gross profit}}{\text{turn over}} \times 100$$

$$= \frac{130,000}{2,400,000} \times 100$$

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$$= 5.42\%$$

(04 marks)

v) **Mark up**

$$= \frac{\text{gross profit}}{\text{cost of sales}} \times 100$$

$$= \frac{130,000}{2,270,000} \times 100$$

$$= 5.73\%$$

(04 marks)

Note:

01 mark-correct formula

02 marks –correct substitution

01 mark –correct answer with correct units

