



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 reputation 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 goods 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

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

$$= \text{shs } 2,270,000 \quad \textbf{(04 marks)}$$

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

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

$$= \text{shs } 1,868,000 \quad \textbf{(04 marks)}$$

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

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

$$= \text{shs } 2,400,000 \quad \textbf{(04 marks)}$$

iv) **Margin** = $\frac{\text{gross profit}}{\text{turn over}} \times 100$

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

$$= 5.42\%$$

(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