S.3.COMMERCE REVISON

33. (i) Explain the following price quotations and delivery terms in international trade.

- ***a) Ex-works/loco/Ex-factory***
- ***b) F.O.R***
- ***c) D.D***
- ***d) F.A.S***
- ***e) F.O.B***
- ***f) Cost &Freight***
- ***g) C.I&F***
- ***h) Loaded price***
- ***i) In bond***
- ***j) Paid duty***
- ***k) Franco***

(ii) Distinguish between Advalorem tax and Specific tax?

Solution;

a) **Ex-works,** this refers to the lowest price quoted by the importer. The buyer is charged for the cost of producing the goods. It doesn t include expenses like transport, insurance e.t.c hence the buyer has to meet all the expenses up to his premises.

b) **F.O.R (Free on rail),** the price quoted includes the cost of producing the goods plus the transportation expenses up to the nearest rail station. The buyer meets the remaining expenses up to his premises.

c) **D.D (Delivery to dock),** It involves the cost of producing the goods plus the transport charges up to the nearest dock. The remaining expenses are met by the exporter.

d) **F.A.S (Free alongside ship),** the price quoted includes the cost of goods up to the nearest dock plus the dock handling charges. The remaining expenses are met by the buyer.

e) **F.O.B (Free on Board),** the price quoted include all the above costs plus the loading expenses of the goods on to the ship.

f) **Cost & Freight,** the price quoted include all the costs until goods are taken off the vessel at the point of destination. This does not include the insurance costs.

g) **C.I &F (Cost, insurance and freight),** the price quoted includes the cost of goods, shiping charges and insurance premiums to cover the goods against risks.

h) **Loaded price,** it includes all costs up to the final port of destination plus the cost of offloading the goods at the port of destination.

i) **In bond,** it includes all the costs up to the final port of destination plus the storage charges of the goods in the bonded warehouse.

j) **Duty paid,** this involves all the above charges plus payment of all custom duties for goods.

k) **Franco,** the importer incurs all the expenses up to the buyer physical address or premises. This is the highest price charged by the importer.

(ii) ***Advalorem tax*** is a form of tax that is imposed according to the value of goods imported where as a ***specific tax*** is a tax that is imposed according to the weight and quantity of goods imported or exported.

34. (a) What is sole proprietorship?

(a) Why is sole proprietorship the most common form of business ownership in Uganda?

(b) What are the disadvantages of sole proprietorship?

Solution;

(a) Sole proprietorship refers to a business owned by one person who controls it and provides the necessary capital alone**.** He is sometimes assisted by family members or a few shop attendants but he remains the final authority on all the business affairs.

(b) Sole proprietorship is the commonest form of business ownership in Uganda because of the following reasons;

- It requires limited capital resources to start this kind of business hence many people find it convenient to operate it.
- It involves quick implementation of decisions since the owner is the final authority over the affairs of the business.
- It is very easy to supervise and control the business since it is small which may not be the case of large scale operations.
- It involves minimum establishment costs since it does not call for lengthy registration procedures and documentation.
- It promotes personal initiative which motivates hard work since the owner enjoys all the profits alone.
- It gives one freedom to conduct business at his own pace since he is accountable to himself.
- It is flexible hence the owner can easily change from one line of business to another to meet the consumer s tastes and preferences.
- It is not subjected to high taxes which large scale operations are subjected to hence preferred by many people.
- It involves direct personal contacts with the customers hence enabling the owner to meet the individual needs of his customers.
- It involves enjoyment of top secrecy since it is not a legal requirement for the owner to disclose his accounts to the public.
- It requires little space to establish since it is small hence convenient in most areas.
- It is the best form of business for provision of direct services like teaching since it involves direct contact between the two parties.
- It enables provision of employment opportunities to the family members and the relatives since the owner is the final decision maker.
- It involves less risks and losses due to the small size of the business which is not the case of large scale firms.
- It promotes creativity and innovativeness since the owner is independent in implementing his own plans.

(c) The disadvantages of sole proprietorship include;

- The owner suffers all the losses alone since this is a one man s business.
- It may be difficult for a sole trader to get financial assistance from banks due to lack of enough collateral securities.
- It involves bearing all the risks of the business alone since it is a one man s business.
- The owner suffers unlimited liability since his personal belongings may be claimed to settle the debts of the firm.
- It may take long to expand the business since one person may not be in position to raise adequate capital to invest in it.
- The owner is always over worked since he does most of the activities alone.
- The business lacks continuity since the death of the owner may lead to the collapse of the business.
- The owner enjoys limited profits since insufficient capital is invested in the business.
- There is no proper accounting system in this form of business hence leading to mismanagement of the firm.
- The owner has limited capacity to expand his business operations since he does not appeal to the public for funds.
- The prices charged from the customers are relatively higher than those charged by large scale firms hence limiting their turn over.
- It may involve stocking a limited range of products hence limiting consumer s choice due to inadequate capital invested.

35(a) what is the difference between a partnership and a partner?

(b)What is the difference between the following types of partners?

i. *General partner and limited partner*
ii. *Active partner and dormant (sleeping) partner.*
iii. *Real partner and quasi(nominal) partner*
iv. *Minor partner and major partner*

(c) What is the meaning of the following forms of partnership?

i. *Permanent partnership*
ii. *Temporary partnership*
iii. *General partnership*
iv. *Limited partnership*

Solution;

a) **A partnership** refers to a relationship that subsist between two or more persons carrying on business in common with an aim of making profits where as a **partner** is one of the members that constitute a partnership.

b) ***Differences between the following types of partners;***

i. **A general partner** is one whose liability to the firm s debts is unlimited hence liable to meet the firm s debts from his personal property in case the firm fails to meet them where as a **limited partner** is one whose liability to the firm s debts is limited hence its restricted to his capital contribution.
ii. **An active partner** is a partner who contributes capital to the business, shares profits, responsible for all losses and debts incurred by the firm. He is actively involved in the management affairs of the business where as **a dormant partner** is a partner who contributes capital to the firm, shares profits and losses incurred, responsible for the debts of the firm but does not take an active part in the day to day running of the business management affairs.
iii. **A real partner** is one who contributes towards the firm s capital, shares profits and losses and he is also liable for the debts of the firm where as a **quasi partner** is one who does not contribute towards the capital of the firm, doesn t share profits and losses, does not take any active part in the management affairs of the business but only allows the business to use his name as a partner due to his reputation and conduct.
iv. **A minor partner** is one who has not attained majority age i.e. below 18 years. He is not liable for the debts of the firm where as **a major partner** is one who has attained a majority age i.e. above 18 years of age. He can take part in the management affairs of the business and is liable for the debts incurred by the firm.

c) **Meaning of the following forms of partnership;**

i. **Permanent partnership** is one formed with an intention of performing its activities indefinitely i.e. its end cannot be told at the time of formation.
ii. **Temporary partnership** is one formed for either a specific period of time or to serve a specific purpose such that at the expiry of a given period of time or achievement of a specific purpose, it is dissolved.
iii. **General partnership (ordinary partnership)** is one where all members share in the management of the business affairs hence they have unlimited liability. This implies that they are answerable to the debts of the firm up to the extent of selling off their personal belongings.
iv. **Limited partnership** is one whose membership is comprised of at least one general partner and the majority (limited partners) with unlimited liability. The limited partners do not participate in the management of the firm s activities.

36(a) what are the advantages and disadvantages of partnership?
(b) What are the features of partnerships?

Solution;

The advantages of partnership include;

- The formation of partnership is simple because it does not require many legal documents.
- The possibility of joint consultations among the members results into wise decisions.
- There is a possibility of specialization due to the big number of members hence each partner can take on a given task in which he has the greatest advantage.

- The workload is spread amongst many members due to division of labor hence partners are not overworked.
- There is a possibility of having access to financial assistance from money lenders because the number of collateral securities that the members can raise.
- The combination of talents from the various partners can promote efficiency in the management of the affairs of the firm.
- It s possible to improve on the capital base of the business by simply admitting new partners.
- The absence of one partner does not affect the operation of the firm s activities like in the case of sole trade.
- It s possible for the partnership to enjoy economies of scale due to the large capital invested in the business compared to sole trade.
- The losses made by the business are shared by all the members hence each partner feels a small impact.
- The partners can keep the secrets of the firm amongst themselves as laid down in the provisions of partnership.

The disadvantages of partnership include;

- ✓ The decision making process tend to be slow due to joint consultations amongst members.
- ✓ In case of ordinary partnership, the members suffer from unlimited liability since their personal belongings can be sold in case of a debt.
- ✓ The progress of the firm may come to a stand still in case of death, insanity or bankruptcy of an active partner.
- ✓ A mistake made by one partner may affect the whole firm.
- ✓ The sharing of profits among the members discourages the hardworking members.
- ✓ Some partners are not willing to surrender their properties on behalf of the business as security for bank loans. This may limit the progress of the firm.
- ✓ Partnership is not recognized as a separate legal entity hence it can t sue or be sued in its own name.
- ✓ Partnership may not be in position to raise more capital resources compared to public limited companies due to the restrictions in membership.
- ✓ Disagreements amongst members on important issues may affect the progress of the firm.
- ✓ Some partners may lack confidence in each other and this may hinder the success of the business.

(a) The features of partnerships include;

- ❖ It s formed when 2-20 members pool resources (capital) to carry on business.
- ❖ The liability of the ordinary members of the firm is unlimited to the firm s debts.
- ❖ Each of the partners is personally responsible for all debts of the firm.
- ❖ Each partner acts as an agent to the firm with authority to enter into contracts on behalf of the business except a limited partner.
- ❖ The responsibilities of the firm, profits and losses are shared in an agreed way.
- ❖ A partnership has limited life hence it may be dissolved by death, bankruptcy or insanity of an active member.
- ❖ Like soleproprietorship, partnership has also got unlimited liability except limited partnership.
- ❖ Transfer of shares is not allowed without the consent and knowledge of all the members.
- ❖ The major decisions of the firm are made by the majority through joint consultations.
- ❖ The partnership results from a contractual agreement or mutual agreement amongst the members.
- ❖ The partners are to act with utmost good faith with each other.
- ❖ The capital to the firm is contributed by the partners on an agreed basis hence no subscription is allowed from the public for extra capital.
- ❖ Any agreement made by a partner with in the scope of normal operations of the business binds all the partners.

37(a) what is the meaning of the term dissolution of partnership ?
(b) Under what circumstances may partnership be dissolved?
(c)What are the rights and duties of partners?

Solution;

a) **Dissolution of partnership** refers to the bringing of partnership to an end or it is the act of terminating partnership.

b) **The circumstances that may lead to the dissolution of partnership include;**
   - When the partnership operates at a loss continuously.
   - When the agreed period of the partnership has expired in case of a temporary partnership.
   - If a partner with an intention to dissolve the firm notifies the others in writing.
   - When an active partner dies, becomes insane or bankrupt.
   - When a partner damages the interest of the firm or acts centrally to the provisions of the partnership.
   - If all members voluntarily consent to dissolve the firm or when a situation prevails that makes it fair and just to dissolve the firm.
   - When an event occurs that makes it unlawful for the business to continue.
   - In case a law is enacted by the court that bans the activities of such a partnership.
   - When partnership lacks sufficient funds to carry on its activities.
   - When the partnership has achieved the purpose for which it was formed.
   - When the partnership does not conform to the regulations of its formation for instance when it s formed with less than two members or more than twenty members.
   - If there are disputes among the partners which have failed to be resolved.

(a) The rights and duties of partners include;

- ✓ Every partner has a right to share the profits made by the firm.
- ✓ Every partner has a right to air out his opinions on matters concerning the firm.
- ✓ A partner has a right to participate in any competing business after retirement; however, he has no right to use the firm s name.
- ✓ Every partner has a right to inspect the firm s books of accounts, documents of the firm e.t.c
- ✓ Every partner has a right to receive interest on capital if specified in the deed.
- ✓ Every partner has a right to participate in the management affairs of the business.
- ✓ Every partner has a right to use the firm s property for the purpose of the partnership business.
- ✓ Every partner has a duty to act in a just and faithful manar towards each other.
- ✓ Every partner has a right to act on behalf of the business except a limited partner.
- ✓ Every partner is personally liable for the debts of the firm.
- ✓ No partner has a right to sell shares to an outsider without the consent of other partners.
- ✓ No partner is allowed to participate in any business that competes with that of the firm. If one conducts a private venture that competes with partnership, all profits made by him should be surrendered to the partnership.
- ✓ A partner has a right to be indemnified for any liability incurred by him in the conduct of the business.
- ✓ Every partner has a right to access the firm s funds and has to render utmost good faith in displaying accounts.
- ✓ Every partner should work within the limits of his authority or else he will be made to compensate the firm for the loss as a result of his negligence.
- ✓ Every partner must do whatever it takes to protect the firm from making losses. In case a loss is made out of one s negligence, he will be called upon to make good such a loss.

38(a) what is a partnership deed?

(b)What are the contents of a partnership deed?

(c)Outline the provisions of the partnership act of 1934 cap 29 that will apply in the absence of the partnership deed.

Solution;

a) **A partnership deed** is a written agreement prepared by partners before entering into a partnership. It outlines the terms and conditions under which the business would be conducted hence acting as a reference in case of any mis understandings that may arise at a future date.

b) **The contents of a partnership deed include;**
   - ✓ The name of the firm and location
   - ✓ The name, address and occupation of each partner
   - ✓ The type of each partner
   - ✓ The capital contributed by each partner
   - ✓ The ratio in which profits and losses are to be shared
   - ✓ The rights and duties of partners
   - ✓ The procedures adopted at the time of dissolution of the partnership
   - ✓ The duration of the partnership
   - ✓ The procedure in which the books of accounts would be kept
   - ✓ The purpose for which partnership is formed
   - ✓ The method of settling disputes among partners
   - ✓ The conditions for admission of new partners and removal of old partners from the firm.
   - ✓ The salary allowed to the active partners if any

(c)The provisions of the partnership act 1934 that will apply in the absence of a partnership deed include;
- ➢ All profits and losses are to be shared equally by the partners
- ➢ No interest is to be allowed on any capital contributed by a partner
- ➢ No salary is to be allowed to any partner
- ➢ Any partner who advances a loan to the firm is entitled to an interest at a rate of 5% per annum.
- ➢ Each partner has a right to inspect the accounting books of the firm
- ➢ Any differences arising amongst the partners should be resolved by the decisions made by the majority members.
- ➢ Each partner has a right to participate in the conduct of the business
- ➢ No change may be made in the nature of the business without the consent of all the partners.

39(a) what is a joint stock company?
(b)What are the features of a private limited company?
(c)What are the features of a public limited company?

Solution;

(a) A joint stock company is a corporate body which has a legal existence of its own and formed to perform specific functions. It may also be defined as an artificial person created under law and having an entity of its own quite separate from the members that comprise it.

(b) The features of a private limited company include;
- Membership is between 2-50 excluding employees.
- The shares are not freely transferable.
- It s formed with an intention of making profits.
- The liability of members is limited to their capital contributions.
- It s not a legal requirement to publish their annual accounts.
- It can start business after receiving a certificate of incorporation.
- The promoters must prepare both the memorandum of association and articles of association.
- It is not allowed to offer shares to the public for subscription.
- It has a separate legal existence.
- A private limited company requires a quorum of 2 members at a general meeting for any valid business of the meeting to be conducted.
- It should have at least one director to commence business.

N.B. The companies act defines a private limited company as a company which by its articles restricts the right to transfer shares of the company. I.e. a person can not freely sell off his shares as he may wish like a public company but must seek consent of the directors of the company.

(c) The features of a public limited company include;

- ✓ Membership ranges from 7 to infinity i.e. there is no maximum limit to membership.
- ✓ The liability of the shareholders is limited to their capital contributions.
- ✓ It has a legal entity of its own separate from the members that comprise it.
- ✓ The shares are freely transferable.
- ✓ It can start business after receiving a certificate of trading.
- ✓ It is a legal requirement for them to publish their annual accounts.
- ✓ It issues a prospectus to the public encouraging them to buy its shares.
- ✓ Its capital is raised through issue of shares to the public and the capital raised is called share capital.
- ✓ The owners of the company are called share holders.
- ✓ The quorum at the general meetings for this company is 3 members.
- ✓ A public limited company requires a minimum of 2 directors to operate legally.

40. What are the advantages and disadvantages of joint stock companies?

Solution;

The advantages of joint stock companies include;

- ✓ They are in position to raise more capital due to the large number of share holders involved.
- ✓ They are in position to get financial assistance from banks since they can raise enough collateral securities.
- ✓ They are efficient since they are in position to employ specialists in the various departments.
- ✓ They are assured of a continued existence since death, bankruptcy or insanity of one member does not lead to the dissolution of the company.
- ✓ The freedom to transfer shares in a public limited company acts as an incentive to the share holders who may wish to convert their shares into cash at any time they wish.
- ✓ The employees may be allowed and encouraged to buy shares in the company. This motivates them to work hard.
- ✓ The risks are not heavily felt in joint stock companies since they are spread amongst many shareholders which is not the case of sole trade.
- ✓ The share holders enjoy limited liabilities hence their personal belongings are not confiscated in case of a debt.
- ✓ The publishing of accounts in public limited companies helps to safeguard the shareholders against fraud.
- ✓ The large amount of capital contributed enables the company to produce on large scale hence lowering the cost of production and increasing the profit margin of the firm.
- ✓ The joint stock company is recognized as a legal entity i.e. can enter into contracts, can sue, can own property e.t.c

The disadvantages of joint stock companies include;

- The formation of a company is an expensive process which requires several formal procedures like preparation of the memorandum of association, articles of association e.t.c.
- The share holders have little control over the affairs of the company since control is in hands of the board of directors.
- There is too much bureaucracy in these companies hence a delay in decision making due to extensive consultations.
- There is lack of confidentiality in joint stock companies due to the public declaration of profits annually.
- They are subjected to diseconomies of scale due to over production.
- There is lack of personal initiative in these companies compared to sole trade since profits are shared amongst many share holders.
- There is lack of flexibility since it is not easy to change from one line of business to another.
- The directors of the company may have their own interests which may conflict with those of the share holders hence affecting the progress of the company.

- Conflicts are very common amongst the share holders hence affecting the company activities.

41(a) Define and give the contents of;

i. Memorandum of association

ii. Articles of association

b) Give the meaning of the following documents as used in the company formation;

i. Certificate of incorporation

ii. Prospectus

iii. Certificate of trading

Solution;

i. **Memorandum of association** is a document that lays down and defines the powers and limitations of the company. It governs the relationship of the company with the outside world. It lays out the various activities or nature of businesses the company has been formed to engage in. The contents of the memorandum of association include;
   - ***Name clause,*** where the name of the company is indicated ending with the word limited implying that the liability of the share holders is limited to their capital contributions.
   - ***Situation/location clause*****,** which shows the company registered office and address to which correspondences are to be sent.
   - ***Objective clause*****,** which lays down and outlines the aims and objectives for which the company was formed.
   - ***Capital clause*****,** which shows the amount of capital that the company expects to raise through issue of shares.
   - ***Liability clause*****,** which shows that the liability of the share holders is limited to their capital contribution.
   - ***Declaration clause*****,** which is signed by at least 7 members in case of a public limited company and a minimum of 2 members in case of a private limited company showing their willingness to form themselves into a company.

ii. **Articles of association;** It is a document that lays down the rules and regulations that govern the internal affairs, conduct and management of the company. It acts as a constitution for the company. It contains matters relating to;
   - ✓ Qualification of directors
   - ✓ Rights and powers of share holders
   - ✓ Appointment and powers of directors
   - ✓ Procedures of transferring shares
   - ✓ Methods of sharing profits
   - ✓ Procedures of book keeping and auditing
   - ✓ Procedures of conducting general meetings
   - ✓ Dismissal of employees
   - ✓ Method of sharing profits
   - ✓ Procedures of electing the management committee.e.tc

(b)Meaning of the following documents;

i. ***Certificate of incorporation*** is a document that gives a company a legal existence as an artificial legal person created by law. It is a document that marks the birth of a company. A private limited company can start its activities after receiving the certificate of incorporation.

ii. ***Prospectus*** is a document prepared by the promoters of the company inviting the public to subscribe for the shares. It is any notice or advertisement offered to the public to subscribe for the shares of the company.

iii. ***Certificate of trading*** is a document issued by the registra of companies that empowers a public limited company to commence business.

42. Distinguish between the following;

i. Equity shares and preference shares.

ii. Cumulative preference shares and non-cumulative preference shares.

iii. Redeemable preference shares and irredeemable preference shares.

iv. Participating preference shares and deferred shares.

Solution;

i. ***Equity/ordinary shares*** refers to shares which do not carry a fixed rate of return, owned by founders of the company, carry voting rights, entitled to dividends after preference shares and are generally irredeemable where as ***preference shares*** are shares where the holders have a first right on the sharing of dividends and are entitled to a fixed rate of dividends.

ii. ***Cumulative preference shares*** are shares that are entitled to a fixed rate of dividends irrespective of whether the company has declared profits or incurred losses in the year. The holders have a right to claim for the arrears of the dividends until when they are paid hence dividends keep on accumulating till they are cleared where as ***Non-cumulative preference shares*** refers to those shares where the holders are entitled to a fixed rate of dividends but only for the years in which dividends were declared hence arrears are not carried forward to the subsequent years.

iii. ***Redeemable preference shares*** refer to shares that can be bought back by the company from the share holders after a given period of time. These shares are normally issued when the company needs funds temporarily where as ***irredeemable preference shares*** refer to shares which are not bought back by the company from the holders hence if a member wants to convert his shares into physical cash, he can sell them to any member of the public.

iv. ***Participating preference shares*** are shares where the holders in addition to a fixed rate of dividends are entitled to any extra profit that after the ordinary share holders have been paid where as ***deferred shares*** refer to those shares whose dividends can be postponed to some future period. They are held by founders of the company.

N.B - A Share is defined as a unit of capital of a joint stock company which has a face value.

43(a) what is a debenture?

(b)Explain the different types of debentures.

(c)What are the differences between shares and debentures?

(d)Outline the grounds that may justify the winding up of a company.

Solution;

(a) A debenture is a loan certificate or document that evidences that a company has borrowed a specified sum of money from a person named on its face and the company undertakes to pay a fixed rate of interest.

(b) The different types of debentures include;

- **Mortgage/secured debentures;** these are debentures which have a security attached to them or some property pledged against them. These debentures are fully backed up by some company assets.
- **Naked/un secured debentures;** these are debentures which have no security attached to them hence in case of failure of the company to pay, the debenture holder has no right to sell the company s property to recover his money.
- **Redeemable debentures;** these are debentures that are bought back by the company after a given period of time and the debenture holder is given interest for the period held.
- **Irredeemable debentures;** these are debentures that are not bought back by the company hence the money borrowed remains owing until the company is dissolved.

(c) The differences between shares and debentures include;

- Shares are usually irredeemable whereas debentures are redeemable.

- A share is a unit of capital whereas a debenture is a unit of loan.
- Share holders are paid dividends while debenture holders are paid interest.
- A share holder is one of the owners of the company while a debenture holder is a creditor.
- Share holders have voting rights on the affairs of the company while debenture holders do not have any voting right since they are not the owners of the company.
- Share holders may not get dividends if the company makes losses but the debenture holders are entitled to their interest whether the company makes profits or losses.

(d) The grounds that may justify the winding up of a company include;

- Where the number of share holders have fallen below the statutory minimum i.e. less than 2 in case of a private limited company and less than 7 in case of a public limited company.
- When the company does not commence its operations in the year of incorporation.
- Where the company is formed as a public limited company but has not been issued with a certificate of trading.
- Where there is a justifiable lack of confidence in the management.
- When the company has failed to achieve its objective.
- When the court finds out that the company is insolvent and its continued existence would only further accumulation of debts.
- Where the company was formed for an illegal purpose.
- Where the members decide to voluntarily liquidate the company.

44. What are the differences between a partnership and a company?

Solution;

The differences between a partnership and a company include;

- The maximum number of members that constitute a partnership is 20 whereas for a company (private limited) is 50 while a public limited company has got no maximum limit.
- In a partnership, members can engage in many business activities while a company can only engage in the activity stipulated in the memorandum of association hence a partnership is not affected by ultravires rule.
- In a partnership, members can not sell their shares without the consent of all partners whereas in a public limited company, share holders can sell their shares without any restrictions.
- A partnership is not recognized as a separate legal entity whereas an incorporated company is recognized as a legal entity which can sue or be sued in its own name.
- The liability of partners to the debts of the firm is unlimited except in case of limited partnership while the liability of shareholders in a company is limited to the debts of the firm.
- In a partnership, every partner has a right to manage the activities of the firm whereas in a company, management is in hands of the board of directors elected by the shareholders.
- The formation of a partnership is by mutual agreement which may be written or not whereas a company is formed by registration following the procedures in the company Act.

45(a) what is a cooperative society?

(b)Explain the principles of cooperatives.

(c)Give reasons why cooperatives have failed to succeed in Uganda.

Solution;

a) **A cooperative society** is an association of individuals (producers or consumers) that have agreed to come together, share responsibility and carry out activities to achieve a common goal.

b) The principles of cooperatives include;

- **Open and voluntary membership;** entry is free for any interested member who can comply with the rules of the association.
- **Democratic control/administration;** the affairs of the cooperative society are conducted in a democratic way basing on the principle of one man one vote irrespective of the shares held by an individual in the cooperative society.

- **Dividend repayment;** the profits made by the society are distributed among the members in form of dividends according to an individuals contribution to the society.
- **Interest on share capital;** members get interest from the society depending on their capital contribution. The rate of interest is fixed at a given rate which should be known by all the members.
- **Cooperation;** cooperatives must cooperate with other cooperatives at local, national and international levels since they have a lot to share in common and learn from each other.
- **Capital contribution;** the capital to the society is supposed to be contributed by the members.
- **Neutrality;** cooperative societies are not supposed to discriminate amongst members basing on tribe, religion, politics e.t.c
- **Educational promotion;** cooperative societies provide education to the members on successful business techniques.

(c) The reasons why cooperatives have failed to succeed in Uganda include;

- ✓ Poor transport network in some parts of the country limit the movement of farmers produce to the marketing centers.
- ✓ Lack of adequate storage facilities to absorb the farmers produce results into wastages.
- ✓ Excessive government interference in the affairs of cooperatives where by even some officials are politically appointed undermines the principle of democratic control.
- ✓ Lack of competent leader s leads to mismanagement hence undermining the success of the society.
- ✓ Lack of adequate capital due to poverty amongst the members makes it difficult for the society to purchase modern equipments hence affecting their success.
- ✓ Some members are reluctant to pay their subscriptions in time which results into shortage of funds to efficiently manage the activities of the society.
- ✓ Corruption and embezzlement of the cooperative funds by the top officials makes the society unable to purchase the required farm in puts and meeting other overhead costs.
- ✓ Most farmers are conservative hence reluctant to adjust to the modern methods of production.
- ✓ The problem of price fluctuations tends to undermine the financial position of the cooperatives especially those engaged in agricultural production.
- ✓ Political instabilities in some parts of the country affect the success of cooperatives in such areas.
- ✓ Stiff competition from private traders who are financially strong and offer better prices for the produce limits their market.
- ✓ Lack of adequate collateral securities makes it hard for these cooperatives to access financial assistance from the money lenders.
- ✓ The scattered nature of the population tends to limit the degree of mobilization of members hence limiting their success.
- ✓ Discrimination amongst members basing on tribe, politics e.t.c tends to undermine the success of cooperatives.

46(a) what is the meaning of the following;

i. **Consumers cooperative society**
ii. **Producers cooperative society**
iii. **Savings and credit cooperative society**

(b)What are the roles of cooperatives in the economic development of Uganda?

Solution;

(a)

i. **A consumer cooperative society** is a voluntary association of consumers who agree to contribute capital to buy goods that they require collectively. It is an organization formed by consumers to retail products they wish to purchase.
ii. **A producers cooperative society** is an association of producers who agree to come together with an aim of improving production and marketing of their products collectively.

iii. **A savings and credit cooperative society** is an association where people join together in order to put their savings into a common pool from which they can get credit when need arises.

b) **The roles of the cooperative societies in the economic development of Uganda include;**

- They provide farmers with transport facilities hence encouraging massive production in the country.
- They provide financial assistance to the farmers in form of loans hence enabling them afford improved seeds and other farm inputs which helps to improve agricultural production.
- They provide farm inputs to the farmers like fertilizers and other inputs at subsidized prices hence encouraging massive production.
- They provide marketing facilities to the farmers output through setting up buying centers near the farmers hence improving on their incomes.
- They have helped to change the economy from subsistence sector to a monetary sector through buying the farmers produce.
- They eliminate wasteful competition and exploitation of farmers by some middle men who underpay them by giving farmers a fair price.
- They negotiate for better prices for the farmers produce since they have a high bargaining power than individuals.
- They provide employment opportunities to the people in certain areas like transport, marketing e.t.c
- They provide storage facilities to the farmers hence encouraging them to increase output.
- They help in uniting people from a diversified background which may be condusive for development.
- They provide banking services to the members hence promoting a saving culture in the economy.

47(i) what are marketing boards?

(ii)Explain the various types of marketing boards.

Solution;

i. **Marketing boards** are trading organizations set up by the government or private individuals to buy agricultural produce from the farmers and sell it to the consumers or processors.

ii. **The various types of marketing boards include;**

- **Commodity marketing board,** this is a marketing board set up to handle the production and marketing of one type of agricultural output for instance coffee marketing board for coffee and lint marketing board for cotton.
- **Produce marketing board,** this is a marketing board established to handle the production, purchasing and marketing of a wide range of agricultural output for instance the Uganda produce marketing board. It handles output like maize, millet, beans e.t.c
- **Advisory marketing board,** It is a marketing board set up to carry out research into better methods of production and pass on the findings in form of advisory services to the farmers.
- **Export marketing board,** It is a marketing board established to promote the marketing one or a wide range of products to the foreign markets.
- **Voluntary marketing board,** It is a marketing board set up by producers and registered as a corporate body. Its powers and areas of operation are defined by the memorandum of association and articles of association.
- **Statutory marketing board,** It is a marketing board formed by the act of parliament and its powers, area of operation, functions and status are defined by the act that created it.