**JINJA HOINT EXAMINATION BOARD**

**MOCK EXAMINATIONS**

**800/1 COMMERCE – 2019**

**MARKING GUIDE**

**SECTION A**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | B | 6. | B | 11. | B | 16. | A |
| 2. | D | 7. | A | 12. | D | 17. | C |
| 3. | C | 8. | D | 13. | A | 18. | A |
| 4. | C | 9. | D | 14. | D | 19.. | C |
| 5. | A | 10. | B | 15 | C | 20. | B |

**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 in 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 un standardized weights and measures.
* To promote 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 x

= shs 2,270,000 ***(04 marks)***

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

= 2,270,000 + 253,000 – 655,000

= shs 1,868,000 ***(04 marks)***

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

= 130,000 + 2,270,000

= shs 2,400,000 ***(04 marks)***

iv) **Margin**  =

=

= 5.42% ***(04 marks)***

v) **Mark up** =

=

= 5.73% ***(04 marks)***

**Note**: *01mark-correct formula*

*02 marks –correct substitution*

*01 mark –correct answer with correct units*