

## COMMERCE

### SECTION A

#### REVISION QUESTIONS

#### THE SCOPE OF COMMERCE, PRODUCTION AND CONSUMPTION

- Which one of the following activities is under primary production?  
A. Coffee processing. C. Road construction  
B. Car manufacturing. D. Oil drilling
- The main branches of commerce are  
A. production and exchange C. buying, selling and aids to trade  
B. production and consumption D. home trade and foreign trade
- Which one of the following refers to the ability of a good or serve to satisfy a need?  
A. Consumption C. Utility  
B. Demand D. Production
- If an increase in the price of a commodity leads to a decrease in demand for another commodity, the two goods are said to be  
A. complementary goods C. consumer goods  
B. substitute goods D. inferior goods
- Interest is a reward for the service of  
A. labour C. capital  
B. entrepreneur D. land
- Which one of the following factors of production earns profits?  
A. Land C. Entrepreneur  
B. Labour D. Capital
- Which one of the following bridges the gap between a producer and a consumer?  
A. Production B. Trade C. Industry D. Commerce
- The demand for goods or services is determined by the following factors except the  
A. level of income C. level of technology  
B. price of other goods D. tastes of consumers
- The generation of gas from animal manure can be classified under  
A. Primary production C. Tertiary production  
B. Secondary production D. Direct production
- The quantity of goods a person is willing to buy at a given price and time is known as  
A. demand C. stock  
B. consumption D. supply
- Identify the set of items which represents capital goods  
A. raw materials, tools, furniture, equipment.  
B. furniture, equipment, vehicles tools.  
C. machines, tools, raw materials, radios.  
D. tools, machines, equipment, vehicles.
- Which one of the following terms refers to creation of usability?

- A. Satisfaction  
B. Exchange  
C. Production  
D. Consumption
13. A secondary school produces maize on its farm for consumption by students. What type of production is this?  
A. Direct  
B. Secondary  
C. Tertiary  
D. Indirect
14. Which one of the following factors influences a consumer's decision to buy?  
A. Cost of production  
B. Level of technology  
C. Number of producers  
D. Fashion and preferences
15. The reward to an entrepreneur is called  
A. Interest  
B. Wage  
C. Profit  
D. Salary
16. The final stage in the process of production is  
A. Consumption  
B. Exchange  
C. Distribution  
D. Trade
17. The main aim of commerce is to  
A. bridge the gap between producers and consumers.  
B. transform raw materials into finished goods.  
C. enable manufacturers produce and distribute goods.  
D. bridge the gap between producers and other middlemen
18. The following factors affect demand for a commodity except the  
A. number of buyers  
B. number of sellers  
C. tastes of consumers  
D. incomes of consumers
19. The main advantage of specialisation is that it  
A. saves time  
B. allows constant use of machine.  
C. leads to production of more goods.  
D. promotes development of skills
20. The main purpose of commerce is to  
A. enable traders to earn high profits.  
B. bridge the gap between producers and consumers.  
C. help manufacturers to produce goods.  
D. enable customers to buy goods cheaply
21. Which one of the following is a direct service?  
A. Insurance  
B. Farming  
C. Manufacturing  
D. Building
22. Which one of the following is a durable consumer good?  
A. Tractor  
B. Rice  
C. Shoe  
D. Radio
23. Which of the following is a characteristic of direct production?  
A. Production of sale  
B. Production of personal consumption  
C. Specialisation  
D. Large scale production
24. The ability of a good to satisfy a human want is termed as .....  
A. production  
B. utility  
C. consumption  
D. Demand

25. Tertiary production includes,
- A. Trading and hunting
  - B. Retail trade and teaching
  - C. Construction and oil refining
  - D. Wholesaling and farming
26. Which one of the following activities is an example of primary production?
- A. Road construction
  - B. Manufacturing
  - C. Teaching
  - D. Fishing
27. The reward for the use of land is called?
- A. Profit
  - B. Wages
  - C. Interest
  - D. Rent
28. The bearing of the risks in the production process falls on?
- A. Capital owners.
  - B. Labourers
  - C. Land owners
  - D. Entrepreneurs
29. A carpenter who makes furniture for his/her own use is engaged in
- A. Indirect production
  - B. Direct production
  - C. Indirect services
  - D. Direct production
30. Demand can be defined as the quantity of the goods and services that
- A. Satisfy human wants
  - B. are brought to the market at a given price
  - C. consumers are willing to buy at a given price
  - D. are desired by the consumers
31. Which of the following is a reward of the entrepreneur?
- A. Interest
  - B. Profit
  - C. Wages
  - D. Rent
32. The provision of services falls under the production called?
- A. Commerce
  - B. Primary
  - C. Tertiary
  - D. Secondary
33. A consumer will demand a commodity which
- A. satisfies his/her needs
  - B. is often scarce
  - C. is sold in bulk
  - D. has been extremely advertised
34. Trade means
- A. buying and selling manufactured goods only.
  - B. selling of goods and services to ultimate consumer.
  - C. buying and selling of goods and services with the intention of making profits.
  - D. any activity under taken to make profits.
35. Which of the following are classified under secondary industries?
- A. Mining and farming
  - B. Textile milling and road construction.
  - C. Mining and textile milling
  - D. Farming and road construction
36. A person who coordinates other factors of production process is called
- A. General Manager
  - B. Managing director
  - C. An entrepreneur
  - D. Production manager

37. Mining is an example of
- A. Tertiary production
  - B. Direct production
  - C. Secondary production
  - D. Primary production
38. How will the consumer react when there is a decrease in the price of the commodity?
- A. Increase quantity supplied
  - B. Increase quantity demanded
  - C. Decrease quantity demanded
  - D. Decrease quantity supplied
39. Which one of the following is not considered as productive activity?
- A. Looking after cattle
  - B. Hunting for leisure
  - C. Preparing food for the school.
  - D. Playing football for a soccer club
40. "Direct production means that
- A. every one sells the goods and services one produces.
  - B. one produces goods and services for one's own consumption
  - C. every house hold produces goods and services directly for other households.
  - D. goods and services must be produced directly if we are to survive.
41. Business occupations are
- A. activities aimed at making profits
  - B. primary production activities
  - C. secondary production activities
  - D. tertiary production activities
42. ....is a final stage in the process of production.
- A. Exchange
  - B. Distribution
  - C. Consumption
  - D. Trade
43. Production for the international market is known as
- A. direct production
  - B. indirect production
  - C. self sufficiency
  - D. subsistence
44. A tertiary producer refers to
- A. a producer of a service
  - B. a producer of raw materials
  - C. a producer of goods and services
  - D. a producer of semi-finished goods
45. Which of the following does not influence a consumer's decision to buy a commodity?
- A. Tastes and preferences
  - B. Income of buyer
  - C. Price of the commodity
  - D. Income of the seller
46. Activities aimed at getting the goods within the access of the consumer are referred to as
- A. production activities
  - B. trade activities
  - C. international activities
  - D. commercial activities
47. Two kinds of goods usually produced are
- A. Investment good and capital goods
  - B. Labour and capital
  - C. Assets and capital goods
  - D. Consumer goods and capital goods
48. Land and capital are factors of production, which of the following would provide a 3<sup>rd</sup> factor?
- A. Staff
  - B. Premises

- C. Vehicles  
D. Machinery
49. What does the word “market” mean in commerce?  
A. a place where items are bought and sold.  
B. buying and selling of goods and services.  
C. a place where consumers haggle over prices.  
D. an arrangement by which buyers and sellers are kept in a close contact.
50. ....may be defined as the activity aimed at bridging the gap between producers and consumers.  
A. Commerce  
B. Accounting  
C. Tertiary activities  
D. Production activities.
51. Which of the following attempts to satisfy most man’s wants?  
A. Trade  
B. Commerce  
C. Production  
D. Consumption
52. Which of the following is a reward of entrepreneurship?  
A. Rent  
B. wages  
C. Profits  
D. interest
53. Utility is defined as.....  
A. demand for a commodity  
B. usefulness in production  
C. ability to satisfy wants  
D. ability to satisfy consumer goods
54. A production unit is a place from which.....  
A. raw materials are extracted  
B. only commodities  
C. tertiary production is excluded.  
D. commodities or services are produced.
55. Tertiary production involves  
A. direct production  
B. production of services  
C. production of tertiary goods  
D. an activity under taken with the aim of making profit.
56. A teacher is an example of .....  
A. extractive industry  
B. a manufacturing industry  
C. a direct service  
D. a commercial industry
57. Activities aimed at getting the goods within the access of the consumer are referred as  
A. Production activities  
B. Trade activities  
C. Research activities  
D. Commercial activities
58. Producing goods for one’s consumption is known as .....  
A. self service  
B. direct services  
C. direct production  
D. barter trade
59. The desire backed by the ability to pay for a given commodity is known as

- A. supply
  - B. utility
  - C. consumption
  - D. demand
60. An entrepreneur is rewarded with
- A. Interest
  - B. Rent
  - C. Profits
  - D. Wages
61. The main purpose of fixing minimum price
- A. Increase consumers' satisfaction
  - B. Protect consumers against exploitation
  - C. Motivate producers
  - D. Increase demand for certain goods.
62. Miners are classified under
- A. Tertiary producers
  - B. Secondary producers
  - C. Direct producers
  - D. Primary producers
63. Producers will offer more goods for sale when the prices are
- A. Low
  - B. Stable
  - C. Fluctuating
  - D. High
64. The process of production is complete when the goods reach the
- A. Premises of the retailer
  - B. Final consumer
  - C. Wholesaler
  - D. Bonded warehouse
65. Services of Uganda Petrol Station are examples of
- A. Secondary production
  - B. Primary production
  - C. Tertiary production
  - D. Direct production
66. Producers will increase the production of a commodity when
- A. Demand is constant
  - B. Demand is greater than supply
  - C. Supply is equal to demand
  - D. Supply is greater than demand
67. The ability of a good to satisfy human wants is called
- A. Consumption
  - B. Production
  - C. Utility
  - D. Exchange
68. Fishing, lumbering and mining activities are classified under

- A. Tertiary production  
B. Primary production  
C. Subsistence production  
D. Secondary production
69. The desire backed by the ability and willingness of a buyer to pay for a given commodity or service, at a given price, in a given period of time is called
- A. Demand  
B. Consumption  
C. Supply  
D. Exchange
70. Tools, machines and equipment are examples of
- A. Entrepreneurship  
B. Land  
C. Capital  
D. Labour
71. The following factors influence the quantity of a commodity consumed except
- A. Price of the commodity  
B. Tastes and preferences of the consumer  
C. Price of substitutes  
D. Income of the supplier

## HOME TRADE

1. Retail trade outlets which specialize in selling products of Mukwano Enterprises are classified under
- A. Supermarkets  
B. Multiple shops  
C. Departmental stores  
D. Tied shops
2. Which one of the following is a feature of supermarkets?
- A. Credit sales  
B. Pre-pricing  
C. After sales services  
D. Automatic vending
3. Wholesalers may be eliminated from the chain of distribution if the
- A. Goods are very cheap  
B. Manufacturers use their agents  
C. Demand for goods increase  
D. Manufacturers are far from the consumers
4. A motor company that sells cars on behalf of a motor-vehicle manufacturing industry is a good example of a
- A. Factor  
B. Broker  
C. Forwarding agent  
D. Merchant
5. The following are ways through which manufacturers differentiate their products except
- A. Blending  
B. Packaging  
C. Exhibiting  
D. Branding
6. Self-service is a common feature of a
- A. Chain store  
B. Single shop  
C. Supermarket  
D. Departmental store
7. An agent who guarantees payment for goods sold on behalf of the principle is called
- A. Broker  
B. Jobber

- C. Del credere  
D. Factor
8. Retailers who sell only Coca Cola products are examples of:-  
A. Single shops  
B. Tied shops  
C. Mobile shops  
D. Multiple shops
9. A retail business that depends on extensive advertising is the  
A. Mail order shops  
B. Multiple shops  
C. Departmental store  
D. Self-service stores
10. A commission agent is one who,  
A. Links buyers and sellers for a fee  
B. Sells goods on behalf of the manufacturer  
C. Sells goods by auction  
D. Guarantees payment for the principal
11. Which of the following is a feature of supermarket?  
A. Stocks goods from one producer  
B. Goods are pre-priced  
C. Sells goods in bulk only  
D. Prices are negotiable
12. The practice by large scale retailers to keep prices as low as possible is called  
A. Resale price maintenance  
B. Minimum price legislation  
C. Loss  
D. Maximum price legislation
13. The process of distinguishing related products by producers is called  
A. Branding  
B. Blending  
C. Pre-packaging  
D. Standardization
14. Shell petrol stations in Uganda are examples of:  
A. Tied shops  
B. Departmental shops  
C. Discount stores  
D. Supermarkets
15. A wholesaler offers the following services to a manufacturer except  
A. Giving credit facilities  
B. Buying goods in bulk  
C. Prompt cash payment  
D. Advertising the goods
16. An agent who sells goods on behalf of his/her client is known as;  
A. Broker  
B. Commission agent  
C. Factor  
D. Del credere
17. Which one of the following is an advantage of the retailer to the consumer?  
A. Offering wide variety of goods to the consumer  
B. Selling goods at low prices to customers  
C. Keep prices stable for the consumers  
D. Buying for the consumer only cheap goods from wholesaler.
18. Which one of the following functions of a wholesaler benefits consumers?  
A. Helping in keeping prices of goods stable  
B. Extending credit facilities to consumers  
C. Buying goods in large quantities and selling in small quantities consumers.  
D. Transporting goods to the consumers' premises
19. What is a retail establishment stocking one class of goods under one management?  
A. Departmental store  
B. Hyper-market  
c. Multiple shops  
d. Super markets



20. An agent who guarantees that his principal will receive payment for the goods he has sold on his behalf is called.
- A. Broker
  - B. Factor
  - C. Dealer
  - D. Del-credere
21. Which one of the following is a feature of cash and carry wholesale business?
- A. Offers self-service facilities
  - B. Extends credit facilities
  - C. Provides delivery facilities
  - D. Sells goods in bulk
22. Super markets are different from other large scale retail businesses because of
- A. Selling one type of goods
  - B. Self-service
  - C. Selling to only registered members
  - D. Extending credit facilities to consumers
23. The difference between a broker and a factor is that, a
- A. Broker owns the goods unlike a factor
  - B. Factor processes goods unlike a broker
  - C. Factor gets higher commission unlike a broker
  - D. Broker sells goods in his own names unlike a factor
24. The act of giving names to commodities is known as
- A. Pre-packing
  - B. Branding
  - C. Trade mark
  - D. Blending
25. Departmental store and multiple shops are grouped under,
- A. Wholesaler
  - B. Large scale industries
  - C. Super markets
  - D. Chain stores
26. Loss leaders are used by large scale retailers to
- A. Keep prices as low as possible
  - B. Stock more goods in the shelves
  - C. Dismiss unfaithful shop attendants
  - D. Increase sales
27. Itinerant traders would include
- A. Tied shops
  - B. Barrow boys
  - C. Village stores
  - D. Super markets
28. The type of business suitable for a person with small capital living along a busy highway is
- A. Village store
  - B. Vending
  - C. Hawking
  - D. Road side selling
29. Which of the following would not influence a wholesaler's decision to provide goods to other traders?
- A. His income
  - B. Seasonal demand
  - C. Gestation period
  - D. Government policy
30. Pre-packaging is commonly used in,
- A. Automatic vending
  - B. Mail order business
  - C. Price reduction
  - D. Self-service facility
31. Which of the following is a form of small scale retail business?
- A. Departmental stores
  - B. Super market

- C. Multiple shops  
D. Mobile shops
32. "Sales psychology is scientifically applied", this is one of the features of:  
A. Multiple shops  
B. Retail co-operatives  
C. Super market  
D. Departmental store
33. .... guarantees payment against goods to the principal whether the goods are sold or not.  
A. Factor  
B. Broker  
C. Jobber  
D. Del-credere
34. .... Is a system where a manufacturer fixes the price at which the retailer has to sell his products.  
A. Price fixing policy  
B. Price stabilization policy  
C. Resale price maintenance  
D. Minimum price fixing policy
35. .... guarantees the collection of debts from his clients  
A. A commission agent  
B. An import broker  
C. An underwriter  
D. A del-credere agent
36. The following are examples of after sales services except  
A. Repair service offered to customers by the seller  
B. Maintenance service provided by the seller  
C. Self-service offered by large scale retailers  
D. Transportation of purchased goods by the seller to the customer's premises
37. The wholesaler who deals in a limited range of stock, and combines selling, delivery and collection in one operation is called a  
A. General wholesaler  
B. Specialised wholesaler  
C. Truck wholesaler  
D. Cash and carry wholesaler
38. An itinerant trader is one who  
A. Sells goods in bulk  
B. Stocks goods from one producer  
C. Enjoys limited liability  
D. Has no specific premises
39. The type of large scale retail trade in which there is central control over shops working under different units is known as  
A. Multiple shops  
B. Supermarkets  
C. Departmental stores  
D. Tied shops
40. Retail businesses owned and managed by one firm, stocking the same classes of goods and with similar appearance in all branches are known as

- A. Departmental stores
- B. Multiple shops
- C. Supermarkets
- D. Variety chain stores

41. The system of instalment selling where the buyer takes ownership of the property after payment of the first instalment is known as
- A. Credit sale
  - B. Deferred payment
  - C. Hire purchase
  - D. Cash deposit

## DOCUMENTS USED IN HOME TRADE

1. Which one of the following documents helps the seller to find out the credit worthiness of the buyer who wants credit?
  - A. Credit note
  - B. Credit status inquiry
  - C. Letter of credit
  - D. Trade credit
2. Which one of the following documents will a seller send to the buyer if payment for the goods is required before delivery?
  - A. Delivery note
  - B. Catalogue
  - C. Proforma invoice
  - D. Price list
3. A credit transaction is one where payment
  - A. Is done before the goods and services are delivered.
  - B. For goods and services is done at a later date
  - C. Is higher than the value of goods and services purchased
  - D. And transfer of goods takes place at the same time
4. The document that acknowledges settlement of a debt is
  - A. An order
  - B. An invoice
  - C. A statement of account
  - D. A receipt
5. A document which shows a summary of transactions between a seller and a buyer for a particular period is called
  - A. An invoice
  - B. A consignment
  - C. A statement of account
  - D. A credit note
6. Which one of the following bank documents would help one to know the financial position of his/her client before transacting a business?
  - A. Bank financial statement
  - B. Letter of credit
  - C. Credit status inquiry
  - D. Credit transfer
7. The term of payment where the carrier demands for payment before releasing goods to the buyer is;
  - A. Spot cash
  - B. Prompt cash
  - C. Cash on Delivery
  - D. Cash With Order
8. Which one of the following abbreviations included in an invoice signifies the seller reserves a right to correct an invoice?
  - A. F.O.B.
  - B. C&F
  - C. C.I.F.
  - D. E. &O.E.

9. What is a kind of trade when a buyer can claim compensation from the seller if the goods are found to be defective?
- A. Condition  
B. Caveat emptor  
C. Warranty  
D. Subrogation
10. Which of the following documents does a buyer receive if he has been overcharged in an invoice?
- A. Advice note  
B. Debit note  
c. Delivery note  
D. Statement of account
11. A document sent to the buyer by the seller showing goods returned and effecting a reduction in the invoice is called a
- A. Credit note  
B. Debit note  
c. Delivery note  
D. Statement of account
12. In the following sets, which one is the correct order of use of the documents?
- A. Price current, advice note, invoice and debit note.  
B. Order, price current, invoice, advice note and debit note.  
c. Price current, invoice, order, advice note and debit note.  
D. Price current, order, advice note, debit note and invoice.
13. Which one of the following three combinations is the correct alternative for cash transactions?
- A. Cash with order, C.T.L, Spot cash.  
B. Cash on Delivery, F.O.B, Cheque  
c. Price list, Cash on Delivery, Catalogue.  
D. Cash with order, Cash on delivery, Spot cash.
14. When estimates for the cost of supplying a certain product are required, a buyer may invite suppliers to submit:
- A. Contracts  
B. Tenders  
c. Invoice  
D. Proforma invoice.
15. On receipt of goods returned by the buyer, a seller issues,
- A. A debit note  
B. An invoice  
C. A credit note  
D. A receipt
16. A retailer makes out a debit note in duplicate, which one of the following statements is not correct in respect of the debit note?
- A. If he was charged for cases which he sent back.  
B. In respect of goods which are found to be unacceptable and returned  
C. In respect of goods received in unsatisfactory condition but retained with an allowance claimed.  
D. If the wholesaler by incorrect pricing had undercharged the retailer.
17. Status inquiries will always be conducted on a new prospective customer. A procedure carried on by.....
- A. The buyer  
B. The seller  
C. The bank  
D. An agent
18. A document which contains a list of goods offered for sale by a trader is known as,
- A. Catalogue  
B. An invoice

- C. An order  
D. A delivery note
19. On the receipt of goods returned by the buyer, a seller issues,  
A. A credit note  
C. A debit note  
B. An invoice  
D. A receipt
20. Which one of the following documents is issued by the supplier when goods are returned by the customer?  
A. Credit note  
C. Delivery note  
B. Debit note  
D. Dispatch note
21. Which one of the following documents is sent by the seller in reply to an inquiry?  
A. Order  
C. Receipt  
B. Invoice  
D. Quotation

## INTERNATIONAL TRADE

1. The following are advantages of a Customs Union except  
A. Greater volume of trade among countries  
B. Transfer of technological know how  
C. Cooperation in other sphere like research  
D. Same currency and monetary system
2. The method of trade restriction used by a government to stop the importation of a particular product is  
A. Total ban  
C. Tariff  
B. Quota  
D. Exchange control
3. What is meant by Ex-works as used in trade? It is where the quoted price covers  
A. Only the cost of goods in the factory  
B. Charges for carriage to the docks  
C. Costs to the port of destination and unloading charges  
D. Only handling charges in a bonded warehouse
4. The difference between the value of visible exports and visible imports is known as  
A. Terms of trade  
C. Terms of payments  
B. Balance of payments  
D. Balance of trade
5. Which one of the following is an example of visible trade?  
A. Lumbering  
C. Fishing  
B. Touring  
D. Mining
6. A form of trade where imports are re-exported is called  
A. Bilateral  
C. Entrepot  
B. Customs drawback  
D. Multi-lateral
7. Import trade is sometimes controlled because it  
A. Protects growth of infant industries  
B. Reduces government revenue  
C. Creates employment in the exporting countries  
D. Hinders standards of living in the importing countries

8. What is a closed indent? It is a document
  - A. Which specifies the country of origin of goods
  - B. Which informs the importer of the date when the goods will be at port.
  - C. Where the importer simply sends the order to an agent
  - D. When the importer names the manufacturer or supplier of goods.
9. A price quotation which excludes the buyer from all import expenses is referred to as
  - A. Ex-works
  - B. In-bond
  - C. Franco
  - D. Loco
10. Entrepot trade refers to
  - A. Re-export trade
  - B. Multi-lateral trade
  - C. Trade between two countries
  - D. Barter trade
11. Multi-lateral trade refers to trade
  - A. Between two countries
  - B. Among many countries
  - C. In a variety of goods
  - D. On both goods and services
12. Government can best control imports through
  - A. Levying low excise duties.
  - B. Fixing import and export quotas
  - C. Charging high taxes on foreign goods
  - D. Giving subsidies to local producers.
13. F.O.B. quoted prices exclude
  - A. Cost of carriage to the docks
  - B. Loading expenses onto ships
  - C. Insurance charges
  - D. Handling charges at the docks
14. An order by the importer placed with an agent to purchase goods from a named exporter is
  - A. Pro-forma invoice
  - B. Letter of credit
  - C. Closed indent
  - D. Bill of lading
15. Which one of the following documents enables the correct calculation of the custom duties on the goods?
  - A. Bill of lading
  - B. Letter of hypothecation
  - C. Letter of credit
  - D. Certificate of Origin
16. The following are the methods of discouraging import trade except
  - A. Tariffs
  - B. Quotas
  - C. Excise duty
  - D. Embargoes
17. Why is it necessary to create a Custom Union? To
  - A. Have one government and political union
  - B. Create a larger market for producers
  - C. Collect more money from import
  - D. Keep out foreign products
18. If import prices rise faster than export prices, a country is said to be experiencing unfavourable
  - A. Terms of trade
  - B. Balance of trade
  - C. Terms of payment
  - D. Balance of payment

19. Which of the following explains why import trade is sometimes restricted? Because it
- A. Generates money to the exporting country
  - B. Creates employment in the exporting countries
  - C. Discourages growth of infant industries in importing countries
  - D. Hinders standard of living in importing country
20. A price quotation which includes all expenses up to the buyer's premises is called
- A. Franco
  - B. Loaded
  - C. Duty paid
  - D. Loco
21. A document where the importer specifies the manufacturer of the goods to be imported is called
- A. An order
  - B. A closed indent
  - C. A certificate of origin
  - D. An indent
22. Trade between countries can take place because
- A. Differences in costs of production
  - B. Same level of development
  - C. Equal distribution of resources
  - D. Having the same currency
23. Which one of the following methods of trade restriction is used by OPEC?
- A. Tariffs
  - B. Total ban
  - C. Price control
  - D. Quotas
24. Dumping as applied in trade means
- A. Disposal of goods that have gone stale
  - B. Disposal of goods in water to save a ship from sinking
  - C. Producing of too many goods that cannot be bought.
  - D. Selling goods abroad at a giveaway price.
25. Which one of the following sets are functions of a bill of lading?
- i) it acts as a receipt
  - ii) it is a contract of carriage (for the goods)
  - iii) it is a document of title to the goods
  - iv) it puts the liability of damages in transit onto the shipper
- A. i) ii) iii)
  - B. i) iii) iv)
  - C. i) ii) iv)
  - D. ii) iii) iv)
26. The difference between visible imports and visible exports of a country is called
- A. Balance of payment
  - B. Terms of trade
  - C. Balance of trade
  - D. Trade deficit
27. Which one of the following documents is a contract between the shipper and the ship owner?
- A. Airway bill
  - B. Charter party
  - C. Bill of lading
  - D. Bill of exchange
28. Which of the following terms is used in case of delivery of goods in internal routes made at the dock?
- A. Ex-warehouse
  - B. Ex-works
  - C. Ex-quay
  - D. Ex-station

- 29.....is a document that is signed by Uganda's High Commissioner in London for an importer in Uganda.
- A. Letter of hypothecation
  - B. Proforma invoice
  - C. Letter of credit
  - D. Consular invoice
- 30.The relationship between the value of visible and invisible exports and visible and invisible imports for a particular period is called
- A. Balance of trade
  - B. Balance of visible trade
  - C. Balance of invisible trade
  - D. Balance of payment.
- 31.A bill of lading is
- A. An indent
  - B. A document of title which evidences the ownership of goods
  - C. A certificate of inspection
  - D. A bill of goods in international trade
- 32.....best describes the relationship between the imports and exports of a country.
- A. Balance of payment
  - B. Entrepot trade
  - C. Balance of trade
  - D. Terms of trade
- 33.A form of trade where a country re-exports goods from another country is called
- A. Internal trade
  - B. Barter trade
  - C. Entrepot
  - D. Autarky
- 34.The arguments for protection in international trade excludes
- A. Infant industry argument
  - B. Revenue argument
  - C. Dumping argument
  - D. Mobility of factors of production argument
- 35.The difference between an import duty and an excise duty is that
- A. An import duty is paid by the government and the excise duty is paid by the consumers.
  - B. An import duty is imposed by the government and excise duty is imposed by the sellers.
  - C. Import duty is imposed on goods manufacture outside the country while excise duty is imposed on goods produced within the country.
  - D. An import duty is levied on goods produced within a country while excise duty is levied on goods produced outside the country.
- 36.Which of the following expenses will the importer not incur if his supplier quotes F.A.S. price?
- A. Ship freight
  - B. Dock handling charges
  - C. Insurance
  - D. Ship loading expenses
- 37.Which of the following eliminates the need for customs inspection and complications over payment each time a vehicle crosses a frontier?
- A. Preferred Trade Area
  - B. Transport International Routiers
  - C. Special hauliers
  - D. Forwarding and clearing agents.
- 38.Why do you think government may put restrictions on international trade?



- A. To evaluate its currency
  - B. To effect exchange control
  - C. To encourage expatriates into a country
  - D. To improve on its balance of payments position
39. Which one is the profit of British Insurance Companies in Uganda?
- A. A visible import for Uganda
  - B. A visible export for Britain
  - C. An invisible export for Britain
  - D. An invisible export for Uganda
40. An importer in Uganda wishes to order sugar from Kenya Sugar Co. Ltd in Nairobi but he does not know the company or the supplier, which document will he send?
- A. An invoice
  - B. A quotation
  - C. An open indent
  - D. A closed indent
41. A price is quoted as loco. This normally includes
- A. Packing
  - B. Insurance
  - C. Transport
  - D. The cost of goods
42. The F.O.B. is an abbreviation used in international trade. What does it mean?
- A. Free on bond
  - B. Forwarded on board
  - C. Free of breakage
  - D. Free on board
43. An agreement made between the shipping company and the hirer of a vessel is known as
- A. Charter party
  - B. Cover note
  - C. Contract
  - D. Bill of lading
44. Which of the following price quotations excludes loading expenses?
- A. C.I.F.
  - B. C&F
  - C. F.A.S.
  - D. F.O.B.
45. The law of Comparative Advantage encourages countries to:
- A. Dump in each other's country
  - B. Set up limited trade barriers
  - C. Specialize in the production of the goods suitable to their resources.
  - D. Increase in friendship amongst themselves
46. Invisible trade refers to trading in
- A. Smuggled goods
  - B. Services
  - C. Perishable products
  - D. Intermediate goods
47. Middlemen who sell products on behalf of foreign manufacturers in a home market are called
- A. Import merchants
  - B. Import commission agents
  - C. Import brokers
  - D. Del-credere agents
48. A situation where the country buys more goods from trade partners than it sells is called
- A. Unfavourable balance of trade
  - B. Favourable balance of trade
  - C. Unfavourable terms of trade
  - D. Favourable terms of trade
49. Which of the following documents acknowledges the receipt of goods by the shipper?
- A. Receipt
  - B. Insurance certificate
  - C. Bill of lading
  - D. Certificate of origin
50. A price quotation which includes all expenses to the nearest railway station is known as
- A. F.A.S.
  - B. F.O.B.



- C. Minor partner  
D. Major partner
6. Which one of the following pairs is a classification of a joint stock company?  
A. Registered and private  
B. Public and registered  
C. Registered and statutory  
D. Public and statutory
7. Sole proprietorship benefits the owner because  
A. The business expands faster  
B. Quick decisions can be made  
C. The owner has wider knowledge of the business  
D. It promotes specialization
8. Which one of the following documents has to be prepared when a public limited company wishes to make an issue of shares?  
A. Certificate of incorporation  
B. Memorandum of association  
C. Certificate of trading  
D. Prospectus
9. The minimum number of members needed to form a public limited company is  
A. Two  
B. Ten  
C. Fifty  
D. Seven
10. One major advantage of a partnership business over a sole proprietor is that,  
A. There is quicker decision making  
B. More capital is realized  
C. Higher profits are enjoyed  
D. There is more dedication to the business
11. A non-cumulative preference shareholder has missed dividends for the last 3 years due to lack of profits. If he holds 50 shares each of shs.10,000 at a rate of 6%, how much dividend will he get this year?  
A. Shs.18,000  
B. Shs.60,000  
C. Shs.90,000  
D. Shs.30,000
12. The following conditions apply to a limited partner except  
A. liability for the firm's debts up to the amount of capital contributed  
B. a right to act on behalf of the partnership  
C. sharing profits and losses  
D. contributes capital of the business
13. In a consumer's co-operative society, profits are shared according to each member's  
A. Role in the society  
B. Initial contribution to the society  
C. Purchases from the society  
D. Number of shares held
14. Which one of the following is true of marketing boards? They  
A. Only sell to local markets  
B. Buy from farmers through co-operative societies  
C. Only sell to foreign markets  
D. Buy goods direct from the small scale farmers
15. A debenture where some property is pledged against is called  
A. Irredeemable debenture  
B. Naked debenture  
C. Redeemable debenture  
D. Mortgage debenture
16. Which one of the following statements is correct about co-operatives?  
A. Members share profits equally  
B. Decision making is according to the number of shares held

- C. Profits are shared according to the participation  
D. The number of membership is limited to fifty
17. The most common form of business in East Africa is  
A. Sole proprietorship  
B. Partnership  
C. Joint stock companies  
D. Co-operatives
18. A partner who contributed capital, shares profits and losses but does not take part in the day-to-day running of the business is  
A. Limited partner  
B. Quasi partner  
C. General partner  
D. Dormant partner
19. A sole trader is one who  
A. Enjoys limited liability  
B. Only sells goods through an agent  
C. Enjoys all profits of the business  
D. Has an inflexible business
20. A limited partner  
A. Plays an active role in the running of the business  
B. Must have his or her name registered with the registrar of companies  
C. Does not share in the payment of any of the liabilities  
D. Enters into contract on behalf of the firm
21. The following are advantages of a sole proprietorship except  
A. Enjoyment of limited liability  
B. High level of flexibility  
C. Enjoyment of all profits  
D. Quick decision-making
22. The payment of dividends in a producer co-operative society depends on each member's  
A. Capital contributed  
B. Amount of sales  
C. Number of shares  
D. Honesty and loyalty
23. Sole proprietorships are preferred to partnerships because they  
A. Earn more profits  
B. Are easy to set up  
C. Enjoy limited liability  
D. Are easy to expand
24. Which one of the following documents allows a public limited company to appeal for shares from the public?  
A. Certificate of Incorporation  
B. Articles of Association  
C. Memorandum of Association  
D. Certificate of Origin
25. Which of the following is an advantage of a partnership?  
A. Unlimited liability  
B. Quick decision making  
C. Making no losses  
D. Pooling of resources
26. A limited partnership is a business in which  
A. At least one person enjoys limited liability  
B. There are no liabilities  
C. All partners enjoy limited liability  
D. All partners have unlimited liability
27. A document that empowers the public limited company to commence business is called  
A. Certificate of incorporation  
B. Articles of association  
C. Memorandum of association  
D. Certificate of trading
28. Sharing profits in a consumer co-operative society depends mainly on  
A. One's capital contribution  
B. Level of profits realized

- C. Ratio of purchases  
D. The number of shares one wants
29. An accumulative preference shareholder has missed dividends over the last three years due to lack of profits, if he holds fifty shares of shs.10,000 each at a rate of 6%, how much dividends will he get this year?  
A. Shs.18,000  
B. Shs.25,000  
C. Shs.30,000  
D. Shs.90,000
30. Which of the following is a basic principle of co-operatives?  
A. Profit maximization  
B. High interest on share capital  
C. Democratic administration  
D. Restricted membership
31. The Articles of Association  
A. States the liability of members of a company  
B. States the share capital of the company  
C. States the rights and powers of shareholders in a company  
D. Outlines the objectives for forming a company
32. The document where some property is pledged against it is  
A. Naked debenture  
B. Mortgage debenture  
C. Redeemable debenture  
D. Fixed debenture
33. The main reason why partners register their names with the registrar of business names is to  
A. Stop future quarrels among themselves  
B. Make names of real business owners known  
C. Get permission to proceed with the business  
D. Hide the names of the real business owners
34. Which of the following may not cause winding up of a limited company?  
A. Petition from the creditors  
B. Company's assets fail to cover debt  
C. One of the shareholders decides to sell his shares  
D. Voluntary winding up by shareholders
35. The total face value of the shares that have been provided by the company are referred to as  
A. Paid up share capital  
B. Issued share capital  
C. Called up share capital  
D. Nominal share capital
36. .... allows a public limited company to commence business  
A. A certificate of trading  
B. A certificate of incorporation  
C. Articles of association  
D. Memorandum of association
37. Which of these business units is most appropriate for firms offering goods and services that call for personal supervision and tastes?  
A. Partnership  
B. Sole proprietorship  
C. Friendly society  
D. Public limited company
38. Which of the following services is not a function of a marketing board  
A. Buying produce  
B. Processing produce into finished goods  
C. Stabilizing prices  
D. Storing produce

39. Nominal capital is

- A. The amount that the shareholders have been asked to pay
- B. The amount that has actually been received from the shareholders
- C. The maximum amount a company may rise by selling shares
- D. The total face of the shares that have been issued

40. Sharing profits in a co-operative society differs from other business units in that it depends on

- A. One's capital contribution
- B. Whether profit is realized that season or not
- C. The volume of sales and purchases a member makes with the society
- D. The number of shares one has in it

41. .... handles only one type of agricultural produce

- A. Central tender board
- B. Advisory board of trade
- C. Produce Marketing Board
- D. Commodity Marketing Board

42. A certificate of incorporation

- A. Gives the company a separate legal entity
- B. Sets out the rules and regulations of the company
- C. States the names, objectives and share capital of the company
- D. Gives the company permission to begin business and invites shares

43. When a company is "limited by shares" it means. ....

- A. The shares that a company may sell are limited in number
- B. The company itself enjoys limited liability but the shareholders do not
- C. Each shareholder has guaranteed to pay a certain sum if the company is insolvent.
- D. The liability of shareholders is limited to the capital they brought in.

44. What does unlimited liability refer to?

- A. Shareholders are free to limit their liability
- B. Shareholders are free to withdraw from the company
- C. Liability of shareholders is restricted to only the assets contributed to the company.
- D. Liability of the shareholders is unrestricted. It can extend beyond the contribution of shareholders.

45. A Statutory Marketing Board is normally

- A. Set up by the producers to market their products
- B. Set up and controlled by the government under the Act of Parliament
- C. Set up to control the activities of other marketing boards
- D. Established and controlled by the Registrar of the co-operative societies.

46. .... is the most important documents prepared by the owners when forming a limited liability company

- A. Certificate of incorporation
- B. Articles of association
- C. Memorandum of association
- D. Certificate of trading

47. .... does not contribute any capital or take part in the business but allows the firm to use his name as a partner

- A. Quasi partner
- B. A limited partner
- C. A dormant partner
- D. An active partner

48. A minor partner in a partnership business is one
- A. Who takes an active role in the running of the business
  - B. Who allows his or her name to be used as a partner
  - C. Below the age of 18 years
  - D. With unlimited liability towards the debts of the business
49. Which of the following documents gives details on how a company holds its meetings?
- A. Prospectus
  - B. Articles of Association
  - C. Memorandum of Association
  - D. Certificate of Incorporation
50. The following are principles of co-operatives except
- A. Democratic administration
  - B. Subrogation
  - C. Open and voluntary membership
  - D. Payment of dividends according to members' contributions
51. A situation where a company is unable to continue functioning due to debts is called
- A. Insolvency
  - B. Bankruptcy
  - C. Deliciency
  - D. Dissolution
52. The type of business where profits are shared according to members' participation is called a
- A. Partnership
  - B. Public limited company
  - C. Co-operative
  - D. Public corporation
53. Misunderstandings among partners can be solved by
- A. Eliminating some partners
  - B. The decisions of the quasi partners
  - C. Referring to the partnership deed
  - D. Dissolving the partnership
54. A type of partnership formed for purposes of carrying out financial transactions is called
- A. Limited
  - B. Syndicate
  - C. Permanent
  - D. Temporary
55. Identify the document which governs the rules and regulations for the internal organisation of a company.
- A. Memorandum of Association
  - B. Partnership Deed
  - C. Articles of Association
  - D. Certificate of Incorporation
56. Which one of the following is not a short term source of finance for a business?
- A. Bank overdraft
  - B. Credit buying
  - C. Salary advance
  - D. Debentures
57. A quasi partner is one who
- A. Contributes capital to the business
  - B. Allows the business to use his or her name
  - C. Actively takes part in day-to-day activities of the business
  - D. Is entirely liable for the debts of the business
58. Which document of a public limited company calls upon the public to subscribe for its shares?
- A. Articles of Association
  - B. Certificate of Incorporation
  - C. Prospectus
  - D. Memorandum of Association

## **PUBLIC SECTOR, PRIVATISATION AND COMSUMER PROTECTION**

1. When the government takes over all firms operating in a particular industry, this is known as,
  - E. Privatization of industries
  - F. Nationalization of industries
  - G. Merging of industries
  - H. Delocalization of industries
2. Which one of the following organizations is responsible for consumer protection?
  - A. Uganda Revenue Authority (URA)
  - B. Uganda Human Rights Association
  - C. Uganda Investment Authority
  - D. Uganda Bureau of Standards
3. The government may set up a business enterprise to
  - A. Earn more profits
  - B. Enlighten the public on how to conduct business
  - C. Provide essential services
  - D. Sell shares to the members of the public.
4. The main reason for existence of public corporations is to
  - A. Sell shares to the public cheaply.
  - B. Provide certain essential goods and services to the public cheaply.
  - C. Enlighten the public on how to conduct business
  - D. Maximize profits from the distribution of goods and services to the public.
5. A tax levied on goods produced within a country is called?
  - A. Specific tax
  - B. Advalorem tax
  - C. Excise duty
  - D. Customs duty
6. Which one of the following is true of indirect taxes? They are charged on:
  - A. Personal incomes
  - B. Expenditure
  - C. Excess goods produced
  - D. Illegal goods and services
7. The main purpose of setting up corporations is to
  - A. Maximize profits
  - B. Sell shares to the public
  - C. Provide essential goods and services
  - D. Advise the public on how to conduct business.
8. Excise duty is a form of
  - A. Indirect tax
  - B. Proportional tax
  - C. Income tax
  - D. Direct tax
9. One of the main functions of a public enterprise is to
  - A. Provide entrepreneurship skills to the public
  - B. Make profits for the government
  - C. Encourage competition in the private sector.
  - D. Provide essential services to the public.
10. A tax which is charged on imported goods according to the commodity price is called
  - A. Advalorem tax
  - B. Specific tax
  - C. Direct tax
  - D. Quantitative tax
11. Which of the following means may the government employ to protect consumers?
  - A. Fixing maximum prices for goods and services
  - B. Fixing minimum prices for goods and services
  - C. Collecting high taxes from traders



- D. Allowing consumers to buy at any price they like.
12. Which of the following best explains why government established state enterprises?
- A. Reduce exploitation of consumers
  - B. Minimize competition
  - C. Generate profits
  - D. Provide unprofitable but desirable services.
13. Why is consumer protection essential in advertising?
- A. Checks the dangers of misleading advertisements
  - B. Creates demand for goods
  - C. Helps in reducing prices
  - D. Promotes market research
14. Value Added Tax (VAT) is
- A. A tax levied on goods from other countries
  - B. A tax paid by consumers at the time of purchase of the commodity
  - C. A direct tax paid on the Value Added to the product
  - D. An indirect tax paid on the Value Added to the product.
15. A consumer in Uganda may not protect himself from an intensified advertising campaign through
- A. Common sense
  - B. A consumer association
  - C. A co-operative society
  - D. A manufacturer's association
16. Which of the following is not an example of a public enterprise?
- A. Public corporations
  - B. Departmental stores
  - C. Municipal enterprises
  - D. Marketing boards
17. The difference between an import duty and an excise duty is that
- A. An import duty is paid by the government and the excise duty is by the consumers.
  - B. An import duty is imposed by the government and excise duty is imposed by the sellers.
  - C. Import duty is imposed on goods manufactured outside the country while excise duty is imposed on goods produced within the country.
  - D. An import duty is levied on goods produced within a country while excise duty is levied on goods that have been produced outside the country.
18. Which of the following is not an establishment within the public sector?
- A. Parastatal bodies
  - B. Local authorities
  - C. Public corporation
  - D. Public limited company
19. Excise duty is imposed on goods
- A. Produced and consumed within a country
  - B. Produced for export
  - C. Imported into a country for re-export
  - D. Considered to be harmful
20. When the government wants to protect consumers against being overcharged, it
- A. Extends subsidies to consumers
  - B. Increases taxes on consumers' incomes
  - C. Imposes higher taxes on goods
  - D. Eliminates imports completely
21. Which one of the following is not a reason for privatising government owned enterprises?
- A. Reduce public expenses
  - B. Reduce foreign control of the economy

- C. Improve service delivery  
D. Increase tax revenue
22. Which of the following forms of businesses is an example of a public enterprise?  
A. Parastatal  
B. Partnership  
C. Co-operative store  
D. Sole proprietorship
23. The following are reasons why government charges taxes on business except to  
A. Promote local authorities  
B. Raise revenue  
C. Gain popularity  
D. Discourage consumption of harmful goods
24. The transfer of state owned enterprises to individuals is referred to as  
A. Nationalisation  
B. Privatisation  
C. Localisation  
D. decentralisation

## INSURANCE

1. The principle of utmost good faith in insurance states that  
A. The insured who suffers loss should be compensated  
B. The insured should reveal all the necessary information about the property when applying for an insurance policy  
C. There must be a close relationship between the risk insured and the cause of the loss suffered  
D. The insurer takes ownership of the scrap of the insured property
2. Assessors in insurance are responsible for  
A. Determining the premium  
B. Taking the scrap of the destroyed property  
C. The calculation of the sum insured  
D. Estimating the extent of damage and the value of compensation
3. A business firm insured a vehicle worth shs.5,000,000 for shs.4,000,000 against accident. How much would the firm be compensated if the vehicle is destroyed?  
A. Shs.4,000,000  
B. Shs.5,000,000  
C. Shs.1,000,000  
D. Shs.9,000,000
4. Why is an insurance contract referred to as a contract of indemnity? Because it  
A. Is profitable to the insured  
B. Gives confidence to the insured  
C. Compensates the insured  
D. Ensures safety of property
5. The regular payment an insured makes for insurance cover is called  
A. Premium  
B. Sum insured  
C. Surrender value  
D. Brokerage
6. The main function of insurance to business is to  
A. Make profits  
B. Guarantee compensation  
C. Ensure efficiency  
D. Prevent risks
7. A business has stock worth shs.8,000,000 and insures it for shs.4,800,000 against fire. If half of the stock is destroyed by fire, how much will the business be compensated?

- A. Shs.2,400,000  
B. Shs.4,000,000  
C. Shs.4,800,000  
D. Shs.6,400,000
8. Which insurance policy would provide cover of goods stolen by factory workers?  
A. Workman's compensation  
B. Public liability  
C. Fidelity guarantee  
D. Pilferage
9. Which of the following insurance principles is applied when the insured over declares the value of his/her property?  
A. Proximate cause  
B. Utmost good faith  
C. Indemnity  
D. Insurable interest
10. The amount of money a person gets on a life policy before the maturity date is known as  
A. Premium  
B. Sum insured  
C. Workman's compensation  
D. Surrender value
11. An evidence of agreement between the insurer and the insured is called  
A. Cover note  
B. Insurable interest  
C. Policy  
D. Fidelity guarantee
12. The spreading of risks by an insurance company among several insurers is referred to as  
A. Co-insurance  
B. Assurance  
C. Underwriting  
D. Subrogation
13. Which type of insurance policy is compulsory to all commercial private vehicles in Uganda?  
A. All risks  
B. Comprehensive  
C. Third party  
D. Road license
14. Assurance refers to cover against  
A. Events that may or may not occur  
B. Damage by fire  
C. Events that are bound to happen  
D. Non-insurable risk
15. A businessman insured his stock against theft for shs.200,000. His stock increased to shs.300,000 but his insurance cover did not change. Thieves stole shs.200,000 worth of stock. The remaining stock was valued at shs.100,000. How much will he be compensated?  
A. Shs.150,000  
B. Shs.200,000  
C. Shs.100,000  
D. Shs.300,000
16. Which of the following insurance policies is compulsory for all vehicles/  
A. Comprehensive  
B. Accident policy  
C. Fidelity guarantee  
D. Third party
17. Joyce insured her new car for shs.12,000,000. By the time an accident occurred, it was valued at shs.9,000,000 and the scrap was valued at shs.1,200,000. If Joyce opted to retain the scrap, how much would she obtain from the insurance company?  
A. Shs.7800,000  
B. Shs.1,000,000  
C. Shs.9,000,000  
D. Shs.10800,000
18. Which one of the following is the correct order when taking up an insurance policy?  
A. Applying for policy, paying premium, issuing cover note and issuing insurance policy.  
B. Applying for policy, issuing cover note, paying premium and issuing insurance policy.  
C. Issuing cover note, paying premium, issuing insurance policy and applying for insurance policy.  
D. Applying for policy, issuing cover note, issuing insurance policy and paying premium.

19. The practice where valuable goods are insured by more than one insurance company is called
- A. Re-insurance
  - B. Co-insurance
  - C. Over insurance
  - D. Under insurance
20. The principle of insurance that requires one to disclose all relevant information about what is to be insured is called
- A. Indemnity
  - B. Proximate cause
  - C. Insurable interest
  - D. Utmost good faith
21. The principle of insurance violated when the insured over values his/her property is called
- A. Utmost good faith
  - B. Insurable interest
  - C. Subrogation
  - D. Proximate cause
22. The insurance policy which covers goods in ships or on ports is called
- A. Voyage policy
  - B. Marine hull policy
  - C. Floating policy
  - D. Marine cargo policy
23. Which insurance principle refers to a financial compensation, which restores the insured to the original financial position?
- A. Insurable interest
  - B. Indemnity
  - C. Proximate cause
  - D. Subrogation
24. Okello insured his car against accident for shs.4,000,000. He then had an accident. Before the accident, the value of the car was shs.3,000,000. The wreck was valued at shs.4,000,000. If Okello chose to keep the wreck, how much was he compensated?
- A. Shs.400,000
  - B. Shs.2600,000
  - C. Shs.3,000,000
  - D. Shs.3,400,000
25. The sum insured refers to the
- A. Value of the property insured
  - B. Number of properties insured
  - C. Total amount of compensation received
  - D. Total number of risks insured
26. A principle of insurance where the insured must suffer the final loss is called
- A. Utmost good faith
  - B. Proximate cause
  - C. Insurable interest
  - D. Subrogation
27. The role of insurance to a business is to
- A. Make profits
  - B. Guarantee compensation
  - C. Guarantee safety
  - D. Ensure efficiency
28. One of the principles of insurance which requires the insured to surrender the scrap after the compensation has been met is
- A. Indemnity
  - B. Subrogation
  - C. Utmost good faith
  - D. Insurable interest
29. Re-insurance is defined as
- A. The taking out of more than one policy on same property.
  - B. The confirmation by the insured with his insurer in respect to property insured
  - C. The insurer also undertakes insurance from a bigger firm
  - D. Bigger insurance firms offering insurance to smaller firms
30. What can an insurer do in order to reduce her liability on property, which is too expensive to insure?

- A. Increase the premium  
B. Over-insure  
C. Re-insurance  
D. Under-insure
- 31.....is a financial involvement capable of being insured  
A. Indemnity  
B. Insurable interest  
C. Subrogation  
D. Contribution
- 32.The two major kinds of risks are  
A. Insurable and non-insurable  
B. Insurer and insured  
C. Life and general  
D. Marine and accident
- 33.The significance of the doctrine of proximate cause to the insured is  
A. To compensate those with financial involvement to the subject matter of insurance  
B. To compensate those persons who deal with them openly and honestly  
C. To compensate those who are in a legal relationship with the subject matter of insurance  
D. To honour claims where the insured risk was the cause of the loss or damage
- 34.Sempa insured his car against damage by accident for shs.560,000. When the accident occurred, he claimed compensation from his insurer. It was found that prior to the accident, the value of the car had been estimated at shs.480,000. The wreck was valued at shs.80,000. The insurer paid him  
A. Shs.480,000 and the insurer took the wreck  
B. Shs.560,000 and the insured took the wreck  
C. Shs.560,000 and the insurer took the wreck  
D. Shs.400,000 and the insurer took the wreck
- 35.Mr. Adam's car was insured by him against damage by accident for shs.280,000. The car was valued at shs.190,000. He had an accident and the wreck was worth shs.60,000. If Mr. Adam decided to keep his wreck how much cash would he expect from the insurance company?  
A. Shs.60,000  
B. Shs.130,000  
C. Shs.190,000  
D. Shs.220,000
- 36.A businessman insured his stock for shs.30,000 and during a seasonal trade, he allowed his stock to rise to shs.40,000, but omitted to increase his insurance cover. The insurance adjustor valued stock not stolen at shs.15,000. How much would the insurance company therefore pay?  
A. Shs.15,000  
B. Shs.30,000  
C. Shs.40,000  
D. Shs.45,000
- 37.The surrender value of a life assurance policy is  
A. The minimum value of an insurance cover in order to be accepted by the insurance company  
B. A penalty payable to the insurance company because of late payment of the premium  
C. The actual amount paid by the insurance company in case of a motor accident  
D. The amount a person will receive if he ceases his life assurance policy.
- 38.The contract between the insured and the insurer is called  
A. Cover note  
B. Insurance policy  
C. Charter party  
D. Proposal

39. A trader insured a stock of goods worth shs. 14,000,000 for shs. 10,000,000 against theft. If all the goods were stolen, how much would the insured be compensated?
- A. Shs. 4,000,000  
B. Shs. 10,000,000  
C. Shs. 24,000,000  
D. Shs. 14,000,000
40. The arrangement made among insurance companies to spread the risk insured is known as
- A. Co-insurance  
B. Re-insurance  
C. Over-insurance  
D. Under-insurance
41. The amount of money the insured pays regularly to the insurer for an insurance policy is known as
- A. Sum insured  
B. Surrender value  
C. Contribution  
D. Premium
42. Which principle of insurance is abused when the insured undervalues the property insured?
- A. Utmost good faith  
B. Subrogation  
C. Insurable interest  
D. Proximate cause
43. The event against which an insurance is taken out is called a
- A. Premium  
B. Loss  
C. Risk  
D. pool

## **MONEY AND BANKING**

1. Which one of the following services is not rendered by microfinance institutions?
- A. Giving credits  
B. Accepting deposits  
C. Giving financial advice  
D. Issuing currencies
2. Which one of the following is a function of Uganda Chamber of Commerce?
- A. Reducing selling expenses for trade  
B. Set price for consumer goods  
C. Encourage consumption  
D. Create and expand foreign markets
3. A person or firm in whose favour the payee transfers a cheque is known as
- A. The drawer  
B. An endorser  
C. The drawee  
D. An endorsee
4. The facility which enables a bank customer to make regular payments to a named payee is called
- A. Credit transfers  
B. Bank draft  
C. Credit card  
D. Standing order
5. A stale cheque refers to
- A. An out-dated cheque  
B. An insufficient fund  
C. A post-dated cheque  
D. A forged cheque
6. Which of the following types of accounts is most suitable for a business?
- A. Current account  
B. Savings account  
C. Fixed deposit account  
D. Salary account
7. Standing order as used in banking is

- A. An instruction to the bank to pay a stated amount of money to the person named in the document
  - B. A document issued by the bank to its customers allowing them to purchase goods on credit up to stated amounts
  - C. An instruction by a customer to pay specified amounts of money to specified person(s) on regular basis for a specified period
  - D. An instruction by a customer which authorises the bank to pay a specified amount to each named person on a given list
8. A cheque is drawn in favour of Peter. What is Peter?
- A. Payee
  - B. Drawee
  - C. Drawer
  - D. Endorsee
9. Money borrowed from the bank for which interest is only paid on the excess amount is called
- A. Fiduciary issue
  - B. Bank overdraft
  - C. Loan
  - D. Bonus
10. Which of the following may a drawer use to pay rent to a land lord on a monthly basis for a year?
- A. Credit transfer
  - B. Money order
  - C. Bank draft
  - D. Standing order
11. The advantage of a credit card is that it
- A. Can be used anywhere
  - B. Economises the use of cash
  - C. Guarantees payment over the set amount
  - D. Enable the holder to buy goods cheaply
12. Double coincidence of wants occurs when each of the parties involved in barter trade has
- A. Exactly what the other one has
  - B. Exactly what the other one wants
  - C. Twice as much as the other
  - D. Similar wants as the other
13. The summary below shows Mary's current account for the month ending January 2000. January 2<sup>nd</sup>, the account had been overdrawn by shs.150,000, January 15<sup>th</sup>, pay in slip showed shs.600,000. January 29<sup>th</sup>, drew a cheque for shs.400,000. How much did Mary have on her account by January 31<sup>st</sup>?
- A. Shs.1,150,000
  - B. Shs.50,000
  - C. Shs.850,000
  - D. Shs.350,000
14. What are the financial institutions that facilitate the negotiation of bills of exchange?
- A. Discount houses
  - B. Investment trusts
  - C. Building societies
  - D. Finance houses
15. The interest charged by a central bank on any short loans is called
- A. Bank overdraft
  - B. Interest rate
  - C. Bank draft
  - D. Bank rate
16. The following services are rendered by commercial banks except
- A. Giving loans to consumers
  - B. Accepting deposits for custody
  - C. Opening letters of credit to intending importers
  - D. Replacing old bank notes in circulation

17. What is true about most commercial banks? They
- A. Are government owned
  - B. Offer savings accounts only
  - C. Are joint stock companies
  - D. Offer current accounts only
18. Which of the following functions is not performed by a central bank?
- A. Issuing currency
  - B. Lender of last resort
  - C. Creating credit by lending to individuals
  - D. Exchange control
19. Why is a cheque crossed? So that:-
- A. It may not be endorsed
  - B. Payment is done through the payee's account
  - C. It can be cashed across the counter
  - D. It can bounce easily
20. The account in a bank where withdrawal is only by cheque is
- A. Fixed deposit account
  - B. Savings account
  - C. Current account
  - D. Joint account
21. What makes a bear cheque unsafe?
- A. Payee is not named on its face
  - B. Payee has to be named on its face
  - C. Payee and drawer are the same
  - D. Carries two parallel lines on its face
22. Of what significance is a deposit account to the banker?
- A. He earns interest
  - B. He uses it to get loans
  - C. He uses it as a loan finance
  - D. He uses it for settling his debts
23. Which of the following is not a means by which central banks control credit?
- A. Accepting deposits from the people
  - B. Increasing or decreasing cash ratio
  - C. Selective credit control
  - D. Calling for special deposits
24. Mr Turya wrote to UCB main branch to pay Mr Bagabaga a sum of shs.50,000. UCB main branch is referred to as
- A. Drawer
  - B. Drawee
  - C. Payee
  - D. Banker
25. Legal tender is a term used to mean
- A. Currency
  - B. Money
  - C. A country's bank notes and coins
  - D. A country's earnings from her exports
26. What is a bank loan?
- A. A large sum of money borrowed from a friendly organisation
  - B. Money borrowed from the bank for the purpose of expanding a business
  - C. Money overdrawn on the customer's account in excess of what is deposited
  - D. A large sum of money borrowed from a bank for a fixed term at a fixed rate of interest and backed by collateral security.
27. What do you call a banking policy used by a person who pays many people at a time?
- A. Pay roll
  - B. A bank loan
  - C. An overdraft
  - D. Credit transfer
28. A cheque is drawn in favour of Peter. How is Peter described?
- A. A payee
  - B. A drawee
  - C. A drawer
  - D. An endorsee



29. A customer can issue a ..... to his bank to effect specified regular payments to a named person for a specified period.
- A. Credit transfer
  - B. Standing order
  - C. Banker's draft
  - D. Money order
30. A cheque payable at a future date is called
- A. Stale cheque
  - B. Crossed cheque
  - C. Post-dated cheques
  - D. Open cheque
31. A cheque against which the bank refuses to make payment is known as
- A. Post-dated cheque
  - B. Crossed cheque
  - C. Stale cheque
  - D. Dishonoured cheque
32. An instruction by an account holder to the bank to regularly pay a specified sum of money to a named person for a given period of time is called
- A. Standing order
  - B. Credit transfer
  - C. Bank draft
  - D. Overdraft

## SALES PROMOTION AND ADVERTISING

1. Advertising is important because it
- A. Decreases costs of production
  - B. Creates the demand for goods and services
  - C. Reduces the price of goods
  - D. Discourages competition
2. The form of advertising commonly used by Uganda Breweries Ltd is
- A. Informative
  - B. Mass
  - C. Persuasive
  - D. Indirect
3. Advertising is important to a business because it,
- A. Increases the sale of goods and services
  - B. Creates employment opportunities
  - C. Reduces the price of goods and services
  - D. Increases the supply of goods and services
4. The best method for advertising a new brand of typewriter is through the
- A. News papers
  - B. Radio
  - C. Posters
  - D. Television
5. Which one of the following media would be most suitable to advertise a cheap commodity which is for general consumption in Uganda?
- A. News papers
  - B. Radio
  - C. Television
  - D. Posters
6. What is the purpose of Uganda Manufacturer's Association (UMA) show grounds at Lugogo?
- A. Reduce selling expenses

- B. Reduce prices of goods
  - C. Discourage customers from purchasing imported goods
  - D. Create market for goods
7. Which of the following is least suitable for advertising a new brand of typewriter?
- A. Radio
  - B. Newspapers
  - C. Television
  - D. Direct contact with probable customers
8. “Omo removes dirt and stains which ordinary producers leave behind”. This statement is an example of
- A. Persuasive advertising
  - B. Direct advertising
  - C. Informative advertising
  - D. Indirect advertising
9. “Cigarette smoking is dangerous to your life.” This warning on packets of cigarettes is a form of
- A. Consumer survey
  - B. Sales promotion
  - C. Consumer protection
  - D. Persuasive advertisement
10. Which of the following medium of advertising is suitable for agricultural tools demanded by rural farmers?
- A. Television
  - B. Magazine
  - C. Radio
  - D. Direct mail

## TRANSPORT

1. Which of the following is true of tramp steamers? They
- A. Follow a fixed time table and specific routes
  - B. Do not follow specific routes but use a specific time table
  - C. Only follow specific routes
  - D. Do not follow a fixed timetable
2. Railway transport is preferred to road transport because
- A. It is cheaper over long distances
  - B. Goods can be sold enroute
  - C. It is faster over short distances
  - D. It is suitable and economical for expensive goods
3. The most suitable mode of transport for milk from Kampala to Jinja is
- A. Road
  - B. Air
  - C. Rail
  - D. Water
4. The most suitable form of transporting ammunition, newspapers and gold from Kampala to Dar-es-Salaam is
- A. Road
  - B. Air
  - C. Water
  - D. Rail
5. Road transport is widely used in Uganda because it is
- A. Reliable
  - B. Quick
  - C. Cheap
  - D. Flexible
6. Which of the following characteristics is true of tramp steamers?

- A. Have no timetable  
B. Follow regular routes
7. Which one of the following forms of transport is suitable for transporting flowers?  
A. Road  
B. Railway  
C. Air  
D. Water
8. The introduction of containerisation in transport means  
A. No need for special handling equipment  
B. Easier loading and unloading  
C. Increased insurance costs  
D. Higher freight charges.
9. Air transport is preferred if  
A. Necessity for speed outweighs increase in cost  
B. Destination is near  
C. Cost of transport is not considered  
D. Speed does not matter
10. Which of the following is an agreement for hiring a ship for a specific route?  
A. Voyage charter  
B. Ship manifest  
C. Floating policy  
D. Time charter
11. Containerisation in transport is associated with  
A. Easier loading and unloading  
B. High freight charges  
C. Increased insurance risks  
D. Reduced customs duty
12. A contract by which a ship is leased is called a  
A. Bill of lading  
B. Consignment note  
C. Charter party  
D. Freight note
13. The force which drives a given unit of carriage in transport is referred to as  
A. Method of propulsion  
B. Unit of carriage  
C. Demurrage  
D. Terminal

## COMMUNICATION

1. A post office facility which is used to send money in case of an emergency is called  
A. Registered post  
B. Postal order  
C. Expedited mail service  
D. Telegraphic money order
2. Which one of the following refers to the term "telex"?  
A. A telecast programme  
B. Techniques for sending messages by means of teleprinter through the Post Office.  
C. A method of transmitting messages by telephone through the Post Office.  
D. A means of sending urgent messages by telegram through the Post Office.
3. How do you call a system where one can dial direct without passing through a switch board?  
A. S.T.D.  
B. COD  
C. Coin Boxes  
D. External communication
4. The service provided by the post office to visiting traders to receive their letters for a particular period is called  
A. Speed post  
B. Business reply post

- C. Poste restante  
D. Telegraphic address
5. The advantage of using telephone services in business transactions is that they
- A. Allow face to face communication
  - B. Provide a record of communication
  - C. Enable detailed communication at a very low cost
  - D. Enable immediate feedback to be received
6. Which of the following is an advantage of registered letters to the sender?
- A. Compensated in case of loss
  - B. Payment is on delivery
  - C. Lower charges
  - D. Fast delivery
7. The postal service which enables a message typed at the sender's machine to be automatically printed at the receiver's set is called
- A. Telegram
  - B. Typewriter
  - C. Telex
  - D. E-mail

## WAREHOUSING

1. A bonded warehouse is where
- A. Imported goods are stored awaiting collection
  - B. Manufacturers store their goods before they are collected
  - C. Agricultural goods are stored before they are processed
  - D. Imported goods are stored before payment of customs duties
2. The main function of a bonded warehouse is to.
- A. Safeguard customers' goods
  - B. Advertise goods on behalf of customers
  - C. Blend and brand goods for sale
  - D. Keep goods pending payment of customs duty.
3. Which type of warehouse can an importer who has cleared his goods and has no space of his own use?
- A. Private
  - B. Public
  - C. Bonded
  - D. Personal store
4. ....are owned privately for renting to the public as warehouses.
- A. Bonded warehouses
  - B. Public warehouses
  - C. Silos
  - D. Wholesalers' warehouses
5. A document showing the duty payable and kept by the collector of the goods from the bonded warehouse is called
- A. Memorandum
  - B. Custom's warrant
  - C. Consignment note
  - D. Warehouse keeper's order
6. Identify the warehouse where goods are kept before customs duty on them is paid
- A. Public warehouse
  - B. Manufacturers' warehouse
  - C. Bonded warehouse
  - D. Private warehouse

## TYPES AND MEANS OF PAYMENT

- The system of instalment selling where the buyer takes ownership of property immediately after paying the first deposit is known as
  - Hire purchase
  - Mortgaging
  - Credit sale
  - Deferred payment
- A bill of exchange payable after maturity date is called
  - A sight bill
  - A retired bill
  - An usance bill
  - A documentary bill
- A bill of exchange which is settled by the drawee before maturity date is called a
  - Retired bill
  - Dishonoured bill
  - Usance bill
  - Discounted bill
- The following documents are negotiable instruments except
  - Money order
  - Bill of exchange
  - Promissory note
  - Cheque
- The terms of payment where goods sold are paid within a given period of time is called
  - Cash on delivery
  - Spot cash
  - Prompt cash
  - Cash With Order
- Identify from the following a document drawn and signed by the person who owes money
  - Promissory note
  - Statement of account
  - Credit note
  - Bill of exchange
- Which one of the following is a bill of exchange payable to the drawer before maturity date?
  - Retired bill
  - Usance bill
  - Sight bill
  - Conditioned bill
- The safest method of sending money urgently from Kampala to Gulu is by
  - Expedited Mail Service
  - Ordinary Money Order
  - Post5al order
  - Telegraphic Money Order
- The form of selling where the seller owns the property until the final installment is paid is
  - Deferred payment
  - Credit transaction
  - Hire purchase
  - Future deal
- Which one of the following is the fastest means of transferring money from Kampala to Arua?
  - Registered post
  - Postal order
  - EMS
  - Telegraphic Money Order
- Which one of the following is true about hire purchase retailing?
  - Goods become the property of the buyer after all installments have been paid.
  - If the buyer fails to pay an installment, the seller has no right to repossess the goods.
  - The goods become the property of the buyer in first installment.
  - An initial deposit on a commodity is not essential.
- One of the following reasons explains the existence of installment selling.
  - Decreases costs of selling.

- B. Enables customers buy goods offered at low prices.
  - C. Enables consumers buy highly priced goods.
  - D. Encourages consumers to buy items that they may not require.
13. The means of payment which enables businessmen abroad to make small payments is called
- A. Personal cheques
  - B. Money orders
  - C. Travelers cheques
  - D. Credit transfer system
14. What happens to the customers in both hire purchase and deferred payment in case of defaulting?
- A. In both cases, the seller takes back his goods.
  - B. In deferred payment, the seller takes back his goods while in hire purchase he is allowed to keep them.
  - C. In hire purchase, the seller takes back his goods while in deferred payment, he does not.
  - D. In both cases, the buyer retains the goods.
15. A drawer of a bill of exchange is
- A. A person who owes money on a bill of exchange
  - B. A person demanding payment on a bill of exchange
  - C. The place where the bill of exchange must be kept safely
  - D. A drawing showing a person who draws a bill of exchange
16. In hire purchase agreement,
- A. The product becomes the property of the buyer as soon as the first installment is paid.
  - B. The product remains the property of the seller until the last installment is paid.
  - C. The goods are hired by the buyer and later returned to the seller after use.
  - D. The goods are not repossessed by the seller if the buyer fails to complete payment.
17. What is a usance bill?
- A. It is a bill of exchange payable on demand.
  - B. It is a bill of exchange payable at a future date.
  - C. It is a bill of exchange that has already been paid.
  - D. It is a bill of exchange resulting from a trading activity.
18. Restrictive endorsement on a bill of exchange will include such instructions as
- A. Pay to Mark Ocaya or order.
  - B. Pay to Mark Ocaya only.
  - C. Pay bill after three days of grace.
  - D. Not negotiable
19. The drawer of a bill of exchange is a person
- A. Who restricts the bill
  - B. To whom the bill is addressed
  - C. In whose favour a bill is endorsed
  - D. Demanding payment against the bill
20. Which one of the following means of payment is offered by only the post office?
- A. Promissory notes
  - B. Money orders
  - C. Traveller's cheques
  - D. Drafts
21. A written order from one person to another to pay a named third party a specified sum of money is known as
- A. Bill of exchange
  - B. Promissory note
  - C. Demand note
  - D. Bill of lading

22. The following are negotiable instrument except
- A. Bill of exchange
  - B. Bill of lading
  - C. Cheque
  - D. Promissory note
23. The following are negotiable instruments except
- A. Promissory notes
  - B. Bills of exchange
  - C. Cheques
  - D. Money orders

### SIZE AND GROWTH OF A FIRM

1. The main reason why Hot Loaf Bakery is located in Kampala is because
  - A. There is cheap labour
  - B. Some of its raw material is imported
  - C. The production process requires plenty of water
  - D. The product needs to be near the market.
2. An arrangement where companies sell their products at an agreed price is called
  - A. Consortium
  - B. Cartel
  - C. Merger
  - D. Trust
3. What form of integration is involved when Mukwano Soap Industries Ltd joins Mbale Soap Works and Madhvani to form one soap industry?
  - A. Forward integration
  - B. Backward integration
  - C. Vertical integration
  - D. Horizontal integration
4. Three companies, Kibimo Co. Ltd which grows pineapples and oranges, Ngetta C. Ltd, which deals with fruit canning and Bukulu Co. Ltd who are exporters of fresh and canned fruits wish to operate in one name and hence have combined business. What type of integration would be most appropriate for them?
  - A. A cartel
  - B. A consortium
  - C. A vertical combination
  - D. A horizontal combination
5. What type of merger is created when a tea processing firm and fish processing plant combine?
  - A. Lateral
  - B. Conglomerate
  - C. Vertical
  - D. Horizontal
6. The form of integration where two firms are engaged in the production of a commodity at different stages is known as
  - A. Vertical
  - B. Horizontal
  - C. Consortium
  - D. Cartel

### STOCK EXCHANGE MARKET

1. Which one of the following is a function of stock exchange?
  - A. Buying and selling shares and other securities
  - B. Buying and selling of goods
  - C. Exchanging different currencies

D. Buying and selling of treasury bills

2. A jobber who deals in new issues of shares is called a
  - A. Bull
  - B. Broker
  - C. Stag
  - D. Bear
3. A client in stock exchange does not need the services of
  - A. A jobber
  - B. A bull
  - C. A bear
  - D. An insurer
4. Par value of a share is
  - A. The original price on which dividends are based
  - B. Always higher than the normal value
  - C. The price of a share
  - D. Always lower than the nominal value
5. The value of any share written on its face is known as
  - A. Market value
  - B. Dividend value
  - C. Ad valorem
  - D. Nominal value
6. Which organisation is responsible for the buying and selling of shares and stocks in Uganda?
  - A. Uganda revenue Authority
  - B. Capital Markets Authority
  - C. National Bureau of Standards
  - D. Uganda Insurance regulatory Authority
7. Par value of a share refers to its
  - A. Market price
  - B. Resale price
  - C. Exact price
  - D. Fixed price