

08. HOME TRADE

1. i)Free of All Expenses

ii)Or Nearest Offer

iii)Cash With Order

iv) I Owe You

2. i)Rack jobbers and drop shippers

- Drop shippers specialize in supplying certain line of products while shippers operate

from offices where they make orders

ii) Specialized and generalized wholesalers

- Specialized deals in one product while generalized deal I specific product in one line

of production

3. -When debtors financial status in a doubt

-When there is fear of delay in payment

-When the amount involved is large

-In case the traders deals in different currencie

4. -Goods brought

- The returns made

-Payment made

-Receipt of cash to date

-Balance outstanding/amount due

-Any discount allowed

5. -Requires a lot of patience

-Involves a lot of movement/difficulties to move incase of poor health

-Carriage involved calls for a lot of care

-Operated under high risk of bad weather

-Limited ability to carry many goods

-High chances of insecurity/theft/fraud

6. (i) High interest rates charged
(ii) Can only be used in selected (stores) businesses
(iii) One might be tempted to overspend

7. (i) Banking

(ii) Insurance

(iii) Transport

(iv) Communication

(v) Advertising.

8.

- (i) Lack of standard measure of value.
(ii) Indivisibility of commodities.
(iii) Problem of storage.
(iv) Requires double coincidence of wants.
(v) Some commodities are bulky / difficult to carry.
(vi) Lack of unit of account.
(vii) Lack of standard of deferred payment

9.

<i>Transaction</i>	<i>Assets</i>	<i>Capital</i>	<i>Liabilities</i>
(a) Additional investment in cash	increase	increase	No effect
(b) Purchase of stock by credit	increase	No effect	increase
(c) Pre-paid loan in cash	decrease	No effect	decrease
(c) Took a loan to pay another loan	increase	No effect	Increase/decrease

10. . General line wholesalers

- Truck mobile wholesalers
- Rack jobbers
- Cash and carry wholesalers

11. (a) Consignment note and delivery note is: consignment note is used when the supplier

hires the services of a transporter to deliver goods to the buyer while a delivery note

is used when the supplier uses his own transport to deliver goods to the buyer

(b) Credit note and debit note

Credit note is prepared by the seller and issued to the buyer to effect decrease in

invoice value (in case of over charge) while debit note is used to increase the

invoice value (correct undercharge)

12.

$$\text{Discount } \frac{3}{100} \times 4000 = \text{Shs.}120$$

$$4000 - 120 = \text{Shs.}3880$$

13. (a) Gives a description of the goods and the prices at which the seller can supply

the goods to the buyer

b) Accompanies the goods and it contains the list of goods delivered

c) To inform the buyer that goods have been dispatched

d) To correct an under-charge

13. i) When the seller requests the buyer to make payment of goods before delivery

ii) When the seller doesn't want to give out goods on credit

iii) When the importer of goods want to get customs clearance before the goods are sent

iv) When the seller wants to show the buyer the amount he/she would have to pay for if he/she

buys goods on approval

v) When the seller employs agents to sell goods for him/her.

14. i) Seller enjoys a higher sales turn over

ii) Seller enjoys higher profits due to interest on hire purchase sales

iii) Seller can re-posses item incase of default in payments

iv) Capital from down payments enables the seller to continue in trading

v) Seller can sell his trade debts to a factor which provides him with working capital

15. - Buyer is able to start using the item before completing all the payment

- The buyer is able to buy expensive goods that may otherwise be unaffordable

- The buyer is able to plan for the payment of the regular installments

- The buyer is free to return the goods before completion of payment of goods if dissatisfied

16. -Must be signed by the drawer or creditor

- Must be accepted by the debtor in order for it to be valid
- Must be accepted unconditionally/ willing fully
- Must bear appropriate revenue stamp

17. - Nature of document e.g. title deed will be always stored

- The policy of the firm
- Legal requirement
- Whether or not the transaction to which the document relates is over

18. - Must bear signature of the drawer

- Must be accepted by debts
- Should be unconditionally accepted
- Must bear appropriate revenue stamp

19. if 1625 shs=100%

„ = 95%

$$= \frac{1625 \times 95}{100}$$

100

$$= 1543.75 \text{ (amount to be paid after quality discount)} \sqrt{1}$$

If 1543.75 = 100%

$$\therefore ? = 97.5\%$$

$$= \frac{1543.75 \times 97.5}{100}$$

100

Amount to be paid after cash discount = kshs 1505 $\sqrt{1}$

If 100 packets = kshs 1505

$$\therefore 1 \text{ packet} = ?$$

$$= \frac{1505 \times 1}{100} \sqrt{1}$$

100

Price per packet = kshs 15.05 $\sqrt{1}$