

08 - HOME TRADE

The topic entails:-

- Explanation of the meaning of trade and importance of trade.
- An attempt of classification of trade and why its done.
- Discussion of type and functions of various retailers and wholesalers.
- Meaning, importance, source, destination and functions of various documents used in home trade are discussed.
- Meaning and main terms of payment used in home trade
- Meaning, various and merits and demerits of means of payment.

1. Write in full the following abbreviations:

- i) Franco
- ii) O.N.
- iii) C.W.O
- iv) I.O.U

2. Outline the difference between the following types of wholesalers:

- i) Rack jobbers and drop shippers
- ii) Specialized and generalized wholesalers.

3. State **four** circumstances under which a customer would prefer to be paid by a banker's cheque

4. Give **four** contents of a statement of account

5. State **four** limitation of hawking

6. State **four** disadvantages a person may experience when using credit cards

7. Name **four** commercial services which are useful to a manufacturer

8. Give **four** disadvantages of barter trade

9. Show how the following transactions may affect the items of balance sheet, stating whether it is

an increase , decrease or no effect

Transaction	Assets	Capital	Liabilities
(a) Additional investment in cash			
(b) Purchase of stock by credit			
(c) Pre-paid loan in cash			
(c) Took a loan to pay another loan			

10. Identify the type of wholesaler described in each of the following cases in the table below:

Description	Type of wholesaler
(a) They sell a wide range of goods within one line of products	
(b) They stock their products in vehicles and move around selling to other traders	
(c) They stock particular types of goods and sell to other specialized traders	
(d) They operate on a self-service basis where other traders pick, pay and transport goods on their own	

11. Differentiate between the following documents used in home trade:

- (a) Consignment note and delivery note
- (b) Credit note and Debit note

12. A trader sold a bag of sugar at Kshs.4000. The buyer was allowed a trade discount of 10%. If he

pays the debt in two weeks and cash discount of 3% if payment is made within one month.

Calculate the amount the trader received if the buyer paid within 15days

13. In the spaces provided below, state the business document, to which each of the following

statement relates

Statement	Document
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	

14. State **four** circumstances under which a proforma invoice can be used
15. State **four** benefits of selling goods on hire purchase terms
16. List **four** advantages of hire purchase to the buyer
17. List **four** essentials of a bill of exchange
18. State **four** factors that determine the period for which documents should be stored
19. Identify **four** essentials of a valid bill of exchange
20. Mama Cindy purchased 100 packets of sweets worth kshs1625.if she was allowed a 5% quantity discount and 2 ½% cash discount, calculate the price she paid per packets of sweets