THE UNITED REPUBLIC OF TANZANIA

NATIONAL EXAMINATIONS COUNCIL OF TANZANIA

ADVANCED CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

151/1 **COMMERCE 1**

(For Both School and Private Candidates)

Time : 3 Hours **ANSWERS** **Year : 2005**

Instructions

1. This paper consists of sections A and B with a total of **eight (8)** questions.
2. Answer **five (5)** questions choosing at least **two (2)** questions from each section. Question one (1) is compulsory
3. All writing should be in **blue** or **black** ink.
4. Communication devices and any unauthorised materials are **not** allowed in the examination room.
5. Write your **Examination Number** on every page of your answer booklet(s).

Prepared by Maria Marco for TETEA

1. (a) What are the different types of marketing?
   One type of marketing is product marketing, which focuses on promoting the features, quality, and benefits of a specific product to attract customers.

Another type is service marketing, which emphasizes intangible offerings such as banking, insurance, and hospitality by building trust and customer relationships.

Digital marketing is another form, where businesses use online platforms such as social media, websites, and emails to reach large audiences cost-effectively.

Direct marketing involves businesses reaching customers personally through methods like catalogues, phone calls, or emails, allowing for immediate feedback.

Relationship marketing is also a type, focusing on long-term customer loyalty rather than one-time sales, achieved through personalized services and follow-ups.

Niche marketing targets a small, specific group of customers with unique needs, ensuring specialized products or services are provided.

(b) Explain the significance of marketing to the economy.
Marketing stimulates production by creating demand for goods and services, leading to increased industrial activity.

It creates employment opportunities in advertising, distribution, sales, and customer service sectors.

It enhances consumer awareness by providing information about products, prices, and availability, which improves decision-making.

Marketing promotes competition among firms, encouraging innovation and better quality products at reasonable prices.

It facilitates international trade by connecting local producers with foreign markets, thereby earning foreign exchange.

Marketing also contributes to national income as businesses grow and pay taxes that support government development projects.

2. (a) Explain six kinds of mercantile agents.
   A factor is a mercantile agent who sells goods in their own name but on behalf of the owner, usually having possession of the goods.

A broker is an agent who arranges sales and purchases without taking possession of goods, acting as a middleman between buyers and sellers.

A commission agent sells goods on behalf of the principal and is paid a commission based on the value of sales made.

A del credere agent is similar to a commission agent but also guarantees payment by the buyer, receiving an additional fee for this risk.

An auctioneer is a mercantile agent who sells goods to the highest bidder in a public auction, acting on behalf of the owner.

A forwarding agent arranges the shipment of goods on behalf of a client, taking care of documentation, transport, and logistics.

(b) Explain how a wholesaler can be eliminated.
A wholesaler can be eliminated if manufacturers sell directly to consumers through factory outlets.

They may also be eliminated when producers supply retailers directly, bypassing the wholesaler to reduce costs.

The growth of large-scale retailers such as supermarkets makes it possible for them to purchase goods in bulk directly from producers.

Technological advancements like e-commerce allow producers to connect with customers without involving intermediaries.

Improved transport and communication systems make it easier for producers to distribute goods directly to customers.

Government policies encouraging direct sales and cooperative societies can also reduce the role of wholesalers.

3. (a) Outline the economic facts which are fundamental to the study of commerce.
   Human wants are unlimited and recur continuously, making trade and commerce necessary to satisfy them.

Resources used to satisfy wants are limited in supply, which brings the need for proper allocation through commerce.

Goods and services are produced to meet human needs, and their distribution requires commercial activities.

Specialization and division of labor improve efficiency in production, but they also create the need for exchange and trade.

Commerce develops because production, distribution, and consumption must be interconnected to sustain economic growth.

Trade is necessary since no individual or country can be self-sufficient, hence the reliance on exchange of goods and services.

(b) How does commerce remove the drawbacks of the process of exchange?
Commerce eliminates the problem of double coincidence of wants by introducing money as a medium of exchange.

It solves the problem of storage and preservation of goods through warehousing facilities.

It removes the limitation of place by using transportation and communication systems to connect buyers and sellers.

Commerce overcomes the limitation of time by making goods available when needed through proper distribution.

It helps in grading, packaging, and advertising, which improve awareness and facilitate smoother exchanges.

Commerce also makes credit available, helping buyers and sellers transact even without immediate cash.

4. (a) Why do exchange and specialization go together?
   Specialization means individuals or regions focus on producing goods in which they have efficiency.

Exchange becomes necessary because no one can produce everything they need, so specialized products must be traded.

The growth of specialization increases dependency among producers, making exchange unavoidable.

Exchange ensures that the surplus produced by specialists can reach others who need it.

Thus, specialization and exchange are interdependent, as one cannot exist effectively without the other.

(b) Explain the different types of specialization.
Specialization by product occurs when an individual, firm, or country focuses on producing a particular product.

Specialization by process happens when production is divided into stages, with each worker handling one specific task.

Geographical specialization occurs when regions focus on producing goods based on their natural resources or climate advantages.

Specialization by trade involves individuals or firms concentrating on specific activities such as farming, fishing, or banking.

Specialization by factor of production occurs when resources such as land, labor, or capital are specifically used for one type of activity.

5. (a) Distinguish between periodic stock taking and perpetual stock taking.
   Periodic stock taking involves physically counting stock at specific intervals, such as monthly or yearly, to determine quantities.

Perpetual stock taking involves continuous record keeping of stock levels after each transaction, providing up-to-date information.

Periodic stock taking interrupts normal business operations during counting, while perpetual stock taking runs alongside daily activities.

Perpetual stock taking is more accurate since it updates records instantly, while periodic stock taking may miss interim shortages.

Periodic stock taking is cheaper to maintain, while perpetual stock taking requires advanced systems and higher costs.

(b) Explain the advantages of perpetual stock taking.
It provides continuous and updated information on stock levels.

It helps in detecting theft, loss, or errors immediately.

It ensures that reordering can be done promptly, reducing chances of stockouts.

It saves time during auditing since records are already updated.

It supports effective financial planning by giving accurate stock valuations anytime.

6. (a) State five (5) conditions which determine insurable risks.
The risk must be definite and measurable in terms of time, place, and amount.

It must be accidental and not deliberate from the insured party.

The risk should be predictable and based on statistical probability.

It should not be catastrophic, meaning it must not affect a large population at once.

The insured must have an insurable interest in the subject matter.

(b) Explain briefly the importance of insurance in commerce today.
Insurance provides protection against risks such as fire, theft, or accidents, reducing business losses.

It gives confidence to entrepreneurs to invest and expand without fear of risks.

Insurance facilitates access to credit since insured assets provide security for loans.

It contributes to economic stability by compensating losses and sustaining business operations.

It promotes savings and long-term investments through life and pension insurance schemes.

7. (a) What are the sources of information for exporting and importing?
   Government trade departments provide guidelines, tariffs, and market regulations.

Embassies and consulates supply information about trade opportunities in foreign countries.

International trade organizations like WTO and trade fairs offer information about markets and products.

Chambers of commerce provide valuable contacts and resources for exporters and importers.

Business magazines, journals, and online platforms also serve as sources of trade information.

(b) Explain the roles of BET in export promotion.
BET (Board of External Trade) identifies and develops foreign markets for local products.

It organizes trade fairs and exhibitions where exporters can showcase their goods.

BET provides training and advisory services to exporters to improve product standards.

It helps exporters with documentation and compliance with international regulations.

BET facilitates access to financial support and credit for exporters.

8. (a) State the effects of the changes in the rate of exchange.
   When the exchange rate rises, imports become expensive, reducing import levels.

A higher exchange rate makes exports cheaper abroad, promoting foreign sales.

A lower exchange rate reduces the cost of imports, leading to increased foreign purchases.

Frequent changes in exchange rates create instability in international trade.

Exchange rate fluctuations affect investment decisions and balance of payments.

(b) Explain briefly the following types of exchange rates:
(i) Floating exchange rate is determined by market forces of supply and demand without government interference.

(ii) Fixed exchange rate is controlled by government or central banks and remains constant for a long time.

(iii) Semi-fixed exchange rate is partly controlled by the government while still allowing limited influence of supply and demand.