

**THE UNITED REPUBLIC OF TANZANIA**  
**NATIONAL EXAMINATIONS COUNCIL OF TANZANIA**  
**ADVANCED CERTIFICATE OF SECONDARY EDUCATION EXAMINATION**

**052/1**

**COMMERCE 1**

(For Both School and Private Candidates)

**Time: 3 Hours**

**ANSWERS**

**Year: 2012**

**Instructions**

1. This paper consists of seven questions.
2. Answer five questions, question number one is compulsory

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1. (a) Commercial activities are used to overcome trade imbalance in order to affect trade. Justify.
- (b) Explain three problems faced by home trade.

(a) Trade imbalance occurs when a country imports more goods and services than it exports, leading to a deficit in the balance of trade. Commercial activities help to overcome this imbalance by promoting local production and enhancing exports. One way commercial activities achieve this is through industrialization. By developing local industries, a country can produce goods for both domestic consumption and export, reducing reliance on imported goods.

Another important factor is diversification of products and markets. Commercial activities encourage businesses to expand their product offerings and explore new international markets. This helps reduce dependency on a few goods or trading partners, balancing trade flows.

Encouraging foreign investment is another commercial strategy to address trade imbalances. Foreign direct investment (FDI) in manufacturing and services increases local production, creates jobs, and enhances export capabilities, thereby reducing trade deficits.

Furthermore, trade policies and government support play a vital role. Governments implement policies such as tariffs on imports, subsidies for exporters, and tax incentives for local industries to promote domestic production and exports, improving trade balance.

Lastly, enhancing transport and infrastructure supports trade by reducing logistics costs and improving access to international markets. Better roads, ports, and rail networks facilitate the movement of goods, making local products more competitive in global trade.

(b) Home trade, which involves buying and selling goods within a country, faces several challenges. One major problem is poor infrastructure. Many regions lack well-developed transport and communication networks, making it difficult for traders to move goods efficiently. Poor roads and unreliable electricity supply also increase operational costs.

Another issue is limited access to credit. Many small-scale traders struggle to secure loans from banks due to high-interest rates, lack of collateral, and strict lending conditions. This limits their ability to expand their businesses and compete effectively.

Unfair competition is also a problem. Large retailers and supermarkets often dominate the market, offering lower prices and extensive product variety. This makes it difficult for small traders to attract customers, leading to reduced profits and business closures.

2. (a) Describe six qualities of a good retailer.
- (b) Explain four types of Small-Scale Retailers.

(a) A good retailer must possess several qualities to run a successful business. One important quality is customer service skills. A good retailer should be polite, friendly, and helpful to customers, ensuring they have a positive shopping experience.

Another key quality is product knowledge. Retailers should understand the features, benefits, and usage of the products they sell. This enables them to answer customer questions and make appropriate recommendations.

Honesty and integrity are also crucial. A good retailer should be transparent in pricing and transactions, avoiding dishonest practices such as misleading advertising or selling counterfeit goods.

Business management skills are essential for success. Retailers should be able to manage inventory, finances, and employees efficiently to ensure smooth operations and profitability.

A good retailer must also be adaptable to market changes. Consumer preferences, technology, and economic conditions change over time. Retailers who quickly adapt to trends, such as online shopping, can stay competitive.

Lastly, effective communication skills help retailers build strong relationships with customers, suppliers, and business partners. Good communication ensures smooth transactions and enhances customer loyalty.

(b) Small-scale retailers operate in different ways based on their business model. One type is hawkers and mobile traders, who sell goods by moving from place to place. They offer convenience to customers by bringing products directly to them, especially in crowded areas.

Another type is market traders, who operate in local markets and sell a variety of goods, such as fresh produce, clothing, and household items. They usually have small stalls and serve a specific community.

General stores (convenience shops) are also common. These small retailers sell everyday essentials, such as groceries and toiletries, and are typically located in residential areas for easy access.

Lastly, specialty shops focus on selling specific products, such as electronics, books, or beauty products. These retailers attract customers looking for specialized items and expert advice.

3. (a) Briefly explain the following commercial terms.

(i) Sales Promotion

(ii) Publicity

(b) Mention and explain various methods used in sales promotion.

(a) (i) Sales Promotion refers to short-term incentives designed to boost product sales and attract customers. It includes special offers, discounts, and free samples to encourage immediate purchases.

(ii) Publicity is the process of creating awareness and promoting a business or product through media coverage. Unlike advertising, publicity is usually unpaid and comes from news reports, interviews, or public relations events.

(b) Several methods are used in sales promotion to attract customers and increase sales. Discounts and price reductions lower the cost of products for a limited time, encouraging customers to buy more.

Free samples allow customers to try a product before purchasing, increasing the likelihood of future sales, especially for new or improved products.

Buy-one-get-one-free (BOGOF) offers attract customers by giving them extra value for their money, making products more appealing.

Contests and sweepstakes engage customers by offering rewards, such as cash prizes or free merchandise, creating excitement around a brand.

Loyalty programs reward frequent buyers with points, discounts, or gifts, encouraging repeat purchases and customer retention.

Coupons and vouchers provide customers with price reductions on their next purchase, ensuring they return to the store.

4. (a) Describe agents of production.

(b) With the aid of a diagram, explain levels of production.

(c) Elaborate four costs of production.

(a) Agents of production refer to the key factors required to produce goods and services. These include land, which provides natural resources such as minerals, forests, and water for production; labor, which involves human effort in manufacturing and services; capital, which consists of machinery, equipment, and money used to facilitate production; and entrepreneurship, which combines the other factors and takes business risks to create goods and services.

(b) Levels of production can be categorized into three main stages:

- Primary production involves extracting natural resources, such as farming, fishing, and mining.
- Secondary production transforms raw materials into finished goods through manufacturing and construction industries.

- Tertiary production involves services such as transport, banking, and retailing, which support the movement and sale of goods.

(c) Production costs are divided into different categories. Fixed costs are expenses that do not change regardless of production levels, such as rent and salaries.

Variable costs fluctuate depending on production volume, such as raw material expenses and electricity bills.

Direct costs are expenses directly linked to production, such as wages paid to factory workers and the cost of raw materials.

Indirect costs include expenses that support production but are not directly tied to a specific product, such as administrative expenses and marketing costs.

5. (a) Explain the term inventory control.

(b) State four objectives of inventory control.

(c) Explain seven functions of a wholesaler.

(a) Inventory control refers to the process of managing stock levels to ensure that a business has the right quantity of goods available at the right time while minimizing storage costs and avoiding shortages or excess stock.

(b) The main objectives of inventory control include ensuring product availability, reducing storage costs, preventing losses from theft or damage, and optimizing the ordering process to avoid overstocking or understocking.

(c) Wholesalers perform several functions in the distribution chain. They buy goods in bulk from manufacturers, ensuring steady demand for producers.

They store goods in warehouses, preventing shortages and ensuring year-round availability.

Wholesalers break bulk, allowing retailers to buy smaller quantities suited to customer demand.

They provide credit facilities, enabling retailers to buy now and pay later.

They assist in price stabilization by regulating supply according to market demand.

They offer marketing support by promoting goods to retailers.

Lastly, wholesalers help in risk-bearing by absorbing losses due to product damage, theft, or market fluctuations.