

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: 2013

Instructions

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

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1. (a) Analyse six types of advertising.

(b) Describe four main services likely to be offered to its clients by an advertising agency.

(a) Advertising plays a crucial role in promoting products and services. Different types of advertising exist based on purpose and medium used. One type is informative advertising, which provides detailed information about a product or service, such as its features, price, and usage. This is common in educational and awareness campaigns.

Another type is persuasive advertising, which focuses on influencing consumer decisions. It appeals to emotions, lifestyle, and brand image to convince customers to prefer one product over another. This type is used in competitive markets.

Reminder advertising is another type, designed to reinforce brand awareness and keep products in consumers' minds. Well-established brands such as Coca-Cola use this type to maintain their market presence.

Comparative advertising is where a company directly or indirectly compares its product to a competitor's to highlight superiority. This is commonly used in industries such as electronics and automotive sales.

Institutional advertising aims to build a company's reputation rather than promote a specific product. Organizations use it to enhance their corporate image, promote corporate social responsibility, or attract investors.

Lastly, direct response advertising encourages consumers to take immediate action, such as calling a number or visiting a website to order a product. It is commonly used in digital and television shopping platforms.

(b) Advertising agencies offer various services to their clients to enhance marketing effectiveness. One key service is marketing research, where agencies analyze consumer behavior, market trends, and competitors to create effective advertising strategies.

Another service is media selection and buying, where agencies determine the best platforms (TV, radio, online, billboards) to place advertisements for maximum reach and impact.

Agencies also provide creative development, which includes designing advertisements, writing scripts, and producing content that attracts and engages audiences.

Finally, advertising agencies offer campaign management and evaluation. They monitor the effectiveness of advertising campaigns, assess customer responses, and adjust strategies to improve performance.

2. (a) Elaborate six principles of insurance.

(b) Analyse four importance of insurance.

(a) Insurance operates based on key principles that ensure fairness and risk management. One principle is the principle of utmost good faith, which requires both the insurer and insured to provide honest and complete information regarding the insurance policy.

Another principle is the principle of insurable interest, which states that a person can only insure something if they would suffer financial loss if it gets damaged. For example, a person can insure their house but not their neighbor's house.

The principle of indemnity ensures that insurance compensates the insured only for the loss suffered, preventing them from making a profit from insurance claims.

The principle of contribution applies when the insured has multiple policies covering the same risk. In case of loss, all insurers share the compensation in proportion to the coverage provided.

The principle of subrogation allows the insurer to take legal action on behalf of the insured to recover the loss from a third party responsible for the damage.

Lastly, the principle of proximate cause determines that compensation is only provided if the loss is directly caused by the insured risk. If a policy covers fire damage but the loss occurs due to an earthquake, the insurer may not pay unless earthquake coverage is included.

(b) Insurance provides various benefits to individuals, businesses, and the economy. One key importance is risk management. Insurance helps businesses and individuals recover from financial losses caused by unforeseen events such as fire, accidents, or theft.

Another benefit is economic stability. By compensating losses, insurance prevents businesses from collapsing, ensuring job security and continuity of trade.

Insurance also encourages investment and business growth. Entrepreneurs and investors feel confident to start businesses knowing they are protected against potential risks.

Lastly, insurance contributes to national development by pooling funds that can be invested in infrastructure, healthcare, and social services through insurance companies.

3. (a) Explain five functions of an entrepreneur.
(b) Examine five limitations of division of labour.

(a) Entrepreneurs play a significant role in economic development and business management. One function is identifying business opportunities. Entrepreneurs analyze market needs and develop products or services to meet those demands.

Another function is organizing resources. Entrepreneurs coordinate factors such as capital, labor, and materials to ensure smooth business operations.

Entrepreneurs also bear business risks. They invest their resources in ventures that have uncertain outcomes and take responsibility for losses and gains.

Decision-making is another essential function. Entrepreneurs make strategic choices regarding pricing, production, marketing, and expansion to maximize profitability.

Lastly, entrepreneurs innovate and improve products. They introduce new technologies, improve existing processes, and find creative solutions to business challenges.

(b) Division of labor has several limitations despite its advantages. One limitation is monotony and boredom. Workers who perform the same task repeatedly may lose interest in their work, leading to decreased productivity and job dissatisfaction.

Another issue is loss of skills. Since workers specialize in specific tasks, they may not acquire diverse skills, making it difficult to adapt to different roles.

Overdependence on others is another limitation. If one worker fails to complete their task, it can delay the entire production process, causing inefficiencies.

Division of labor also leads to job insecurity. Workers who specialize in one task may struggle to find new employment if their job is automated or eliminated.

Lastly, high initial costs can be a drawback. Implementing division of labor requires investments in machinery, training, and production systems, which may be expensive for businesses.

4. (a) Evaluate four functions of middlemen in the commercial sector.

(b) Identify and explain six factors that influence the choice of channels of distribution.

(a) Middlemen perform key functions in commerce by facilitating the movement of goods from producers to consumers. One function is breaking bulk. Wholesalers buy large quantities of goods from manufacturers and sell them in smaller units to retailers, making products accessible to consumers.

Another function is storage and warehousing. Middlemen store goods until demand arises, ensuring a continuous supply and preventing shortages.

Middlemen also help in price stabilization. By managing supply levels, they prevent extreme price fluctuations, benefiting both producers and consumers.

Lastly, middlemen provide financing. Wholesalers and retailers may offer credit facilities to customers, enabling them to purchase goods and pay later, which boosts sales.

(b) Various factors influence the choice of distribution channels. One important factor is the nature of the product. Perishable goods such as fresh fruits require shorter distribution channels, while durable goods can go through longer supply chains.

Another factor is market size and location. If customers are concentrated in one area, direct selling may be preferred. For widely dispersed markets, wholesalers and retailers are necessary.

Cost considerations also play a role. Direct distribution reduces costs, but in some cases, using intermediaries may be more efficient than managing logistics internally.

Competitor strategies influence distribution choices. Businesses may adopt similar channels as competitors to maintain market relevance.

Legal and regulatory factors affect distribution decisions. Some industries, such as pharmaceuticals, require authorized distributors to ensure compliance with regulations.

Lastly, product value and complexity determine distribution needs. Expensive or complex products like cars require specialized dealers who provide after-sales services, whereas everyday items like soap can be sold through multiple retail outlets.

5. (a) Explain five factors that led to the growth of trade in Tanzania.

(b) Outline five basic economic factors that give rise to commerce in Tanzania.

(a) Trade in Tanzania has expanded due to several factors. One key factor is improved transportation networks. The development of roads, railways, and ports has facilitated the movement of goods and people, making trade more efficient.

Another factor is economic liberalization. Government policies that allow private businesses to operate freely have increased trade opportunities and attracted foreign investors.

Technological advancements have also contributed to trade growth. The use of digital platforms and mobile banking has made transactions easier and faster.

Urbanization and population growth have increased demand for goods and services, leading to more trade activities.

Lastly, regional trade agreements, such as the East African Community (EAC), have enabled Tanzania to trade freely with neighboring countries, boosting exports and imports.

(b) Economic factors that drive commerce include availability of natural resources, labor supply, capital investment, entrepreneurship, and government policies that promote business growth.

6. (a) Explain five means of payment used in Home Trade.

(b) Describe five procedures adopted when a trader purchases goods on credit in local trade.

(a) In home trade, different means of payment are used to settle transactions between buyers and sellers. One commonly used method is cash payment, where money is exchanged directly at the point of sale. This method is quick, convenient, and widely accepted for small transactions.

Another means of payment is cheques, which are written instructions to a bank to pay a specific amount from the buyer's account to the seller. Cheques are preferred for large transactions because they reduce the risk of carrying large sums of cash.

Bank transfers and electronic payments have become popular in modern trade. Businesses use direct bank transfers, mobile banking, or online payment platforms to make payments securely and efficiently. This method is especially useful for business-to-business transactions.

Credit card and debit card payments allow traders and consumers to make purchases without using cash. Debit cards deduct money directly from a bank account, while credit cards allow buyers to pay later. These methods enhance convenience, especially for retail trade.

Finally, hire purchase agreements are used when buyers acquire goods by making an initial deposit and then paying the remaining amount in installments. This method is common for purchasing expensive items such as machinery, vehicles, and household appliances.

(b) When a trader purchases goods on credit in local trade, they must follow several procedures. The first step is negotiating credit terms with the seller. The buyer and seller agree on the credit period, repayment schedule, and any applicable interest charges.

The second step is providing a trade reference or credit history. Sellers often check the financial background of the buyer to assess their ability to pay. This can be done by reviewing previous transactions or requesting references from other suppliers.

Once credit is approved, the trader must sign a credit agreement. This legally binding document outlines the terms of the transaction, including repayment deadlines and penalties for late payments.

The next step is receiving the goods and an invoice. The supplier delivers the goods along with an invoice, which serves as a record of the transaction and states the amount to be paid.

Finally, the trader makes payments as per the agreed terms. They must ensure timely payments to maintain a good business relationship and creditworthiness for future transactions.

7. (a) Elaborate four factors that may hamper the effectiveness of communication between a sender and a recipient.

(b) Describe six factors that determine the means of communication for effective communication.

(a) Effective communication is crucial in business and daily life, but several factors can hinder it. One major obstacle is language barriers. If the sender and recipient speak different languages or use technical jargon unfamiliar to the recipient, the message may not be understood correctly.

Another challenge is poor listening skills. If the recipient does not pay full attention or misunderstands key points, communication breaks down. Distractions, multitasking, or lack of interest contribute to poor listening.

Noise and distractions in the environment also affect communication. External factors such as background noise, poor telephone connections, or weak internet signals can distort the message, leading to misinterpretation.

Lastly, emotional and psychological factors can impact communication. If the recipient is stressed, angry, or uninterested, they may not process the message properly, leading to misunderstandings or conflicts.

(b) The choice of communication method depends on various factors to ensure effective message delivery. One important factor is the nature of the message. Urgent messages require fast communication methods such as phone calls or emails, while formal business contracts may be sent through postal services or official documents.

Another factor is the audience. The method of communication depends on whether the recipient is an individual, a group, or an organization. For example, businesses may use official memos for internal communication and advertisements for external audiences.

Cost considerations also influence communication choices. Businesses prefer cost-effective methods such as emails and phone calls over expensive printed materials or international courier services.

Technological availability plays a key role. In areas with limited internet access, traditional communication methods such as letters or face-to-face meetings may be preferred over digital communication.

Confidentiality and security of the message determine the method used. Sensitive business information or legal documents may require secure communication channels such as encrypted emails or registered mail.

Finally, feedback requirements affect communication choice. If instant feedback is needed, interactive methods such as video calls or live meetings are preferred over one-way communication like printed advertisements.

8. (a) Outline six methods employed by the Central Bank to control credit.
(b) Examine four factors which the bank manager takes into account before granting a loan.

(a) The Central Bank controls credit to maintain economic stability and prevent inflation. One method is adjusting interest rates. By increasing interest rates, borrowing becomes expensive, reducing the amount of money in circulation. Lower interest rates encourage borrowing, increasing economic activity.

Another method is open market operations, where the Central Bank buys or sells government securities. Selling securities reduces money supply, while buying securities injects money into the economy, influencing credit availability.

Reserve ratio requirements also regulate credit. The Central Bank mandates commercial banks to keep a certain percentage of customer deposits as reserves. A higher reserve ratio limits the money available for lending, controlling inflation.

Moral suasion is another tool used by the Central Bank. It persuades commercial banks to adopt credit policies that align with national economic goals, such as limiting loans to risky borrowers or promoting credit for essential industries.

Credit ceilings and selective credit controls help in restricting or promoting loans in specific sectors. The Central Bank may set lending limits for particular industries to control excessive borrowing in high-risk sectors.

Lastly, margin requirements regulate credit by determining the percentage of a loan that must be covered by the borrower's own funds. By increasing margin requirements, the Central Bank reduces excessive speculative borrowing.

(b) When granting a loan, bank managers assess several factors to determine the borrower's creditworthiness. One key factor is the borrower's credit history. Banks check previous loan records, repayment behavior, and financial stability to evaluate the risk of default.

Another important factor is the purpose of the loan. Banks assess whether the loan will be used for productive purposes, such as business expansion or asset acquisition, rather than risky investments.

The borrower's income and repayment ability are also considered. Banks review salary records, business profits, or financial statements to ensure the borrower can meet repayment obligations.

Finally, collateral security is an important factor. If a borrower fails to repay the loan, the bank requires an asset, such as property or equipment, to recover the funds. The value of the collateral must be sufficient to cover the loan amount in case of default.