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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: 2018

Instructions

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

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1. (a) Explain four forms of marine losses which are covered by marine insurance contract.
- (b) Describe three types of marine losses which can be insured under marine insurance.

(a) Marine insurance covers different types of losses that may occur during the transportation of goods by sea. One form of marine loss is total loss, which happens when the ship or cargo is completely destroyed, stolen, or lost beyond recovery. This can result from severe storms, shipwrecks, or piracy.

Another form is partial loss, where only a portion of the cargo or ship is damaged, but the rest remains intact. For example, if a fire breaks out on the ship and destroys part of the cargo, the remaining goods can still be delivered, making it a partial loss.

A third form is constructive total loss, which occurs when the cost of repairing or recovering a damaged ship or cargo exceeds its value. In such cases, the insurer treats it as a total loss and compensates the insured accordingly.

The fourth form is particular average loss, which refers to damages that affect only a specific part of the cargo or ship, rather than the entire shipment. These losses are typically caused by rough handling, bad weather, or accidents during loading and unloading.

(b) Marine insurance also covers different types of losses based on their nature. One type is hull losses, which involve damages to the vessel itself. This includes physical damage to the structure of the ship caused by accidents, fires, or storms.

Another type is cargo losses, which involve damages or loss of goods being transported. Cargo losses can occur due to sinking, theft, spoilage, or poor handling during transit.

The third type is freight losses, which refer to losses suffered by shipowners when they cannot collect freight charges due to lost or damaged cargo. If the goods do not reach their destination, the shipowner may lose the expected payment, and marine insurance can cover such financial losses.

2. A wholesaler relieves the manufacturer from a number of business risks. By giving six points, explain the risks that manufacturers are served by a wholesaler.

Wholesalers play a crucial role in reducing risks for manufacturers, allowing them to focus on production rather than worrying about distribution challenges. One major risk that wholesalers handle is storage risk. Wholesalers purchase goods in bulk and store them in warehouses, reducing the burden on manufacturers who may lack sufficient storage space.

Another risk is market fluctuation risk. Wholesalers buy goods from manufacturers at agreed prices, protecting them from sudden changes in market demand and price drops. This ensures that manufacturers receive a stable income regardless of market conditions.

Wholesalers also absorb transportation risk by taking responsibility for delivering goods from the manufacturer to retailers or other buyers. This reduces costs and logistical challenges for manufacturers, who might otherwise struggle with distribution networks.

Another significant risk is financial risk. Wholesalers often purchase goods upfront, ensuring that manufacturers get paid immediately. This eliminates the risk of bad debts or delayed payments from retailers and final consumers.

Wholesalers also help reduce advertising and marketing risks. Since they buy in bulk, they take on the responsibility of promoting and distributing the goods to retailers, saving manufacturers the cost and effort of direct marketing.

Lastly, wholesalers manage product obsolescence risk. If products remain unsold for a long time, the wholesaler bears the cost instead of the manufacturer. This is particularly important for perishable goods or seasonal products that may lose value over time.

3. Elaborate nine factors which are to be considered before choosing the appropriate mode of transport to be used in transporting goods and services.

Choosing the right mode of transport is essential for cost efficiency, speed, and reliability. One of the primary factors to consider is the nature of goods. Perishable goods like fresh fruits and vegetables require fast transport, such as air freight, while bulky goods like machinery are best transported by sea or rail.

Another factor is cost considerations. Some transport modes, such as air freight, are expensive but fast, while others, like sea transport, are cheaper but slower. Businesses must choose an option that balances affordability and efficiency.

Distance and destination also play a role in selecting transport. Air transport is suitable for international shipments, while road transport is ideal for short-distance deliveries within a country.

Urgency of delivery is another crucial factor. If goods need to reach the market quickly, air transport is preferable. However, for non-urgent goods, road, rail, or sea transport may be more economical.

The safety and security of goods must also be considered. Fragile or valuable items require secure transportation options like air cargo or specialized courier services.

Infrastructure availability influences transport choices. Some areas have poor road networks, making rail or air transport more reliable. Similarly, landlocked countries may depend on rail and road transport rather than sea freight.

Another consideration is legal and regulatory requirements. Some countries have strict import/export regulations that may limit the use of certain transport modes. For instance, dangerous goods may require special permits for air or sea transport.

Flexibility and accessibility are also important. Road transport provides door-to-door services, making it more flexible than rail or sea transport, which requires additional handling at ports or terminals.

Lastly, environmental impact is an emerging concern. Companies are increasingly choosing eco-friendly transport options, such as electric trucks or rail transport, to reduce carbon emissions and comply with environmental regulations.

4. Examine six factors that influence labour supply in production.

Labour supply in production is affected by various economic and social factors. One key factor is wages and salaries. Higher wages attract more workers, while low pay discourages people from joining a particular industry or profession.

Another factor is working conditions. Employees are more likely to work in industries that offer safe, comfortable, and healthy working environments. Poor conditions, such as exposure to hazardous materials, reduce labour supply.

Education and skill levels also play a crucial role. Some industries require specialized skills, and if there are not enough trained workers, labour supply in that sector will be low. For example, the availability of skilled engineers influences the supply of labour in the manufacturing and construction industries.

Government policies and labour laws influence labour supply as well. Policies on minimum wages, working hours, and social benefits affect workers' willingness to participate in certain industries. Strict immigration laws can also limit foreign labour supply in some countries.

Another significant factor is demographic trends. The size of the working-age population affects labour supply. Countries with high birth rates and young populations tend to have a larger labour force, while aging populations may experience labour shortages.

Lastly, social and cultural factors impact labour supply. Some societies discourage women from working in certain industries, reducing the available workforce. Additionally, cultural values and work ethics influence how many people are willing to take on certain jobs.

5. (a) Explain six characteristics of good money.

(b) Describe three functions of money.

(a) Good money should possess several key characteristics to function effectively in an economy. One characteristic is durability, meaning money should withstand wear and tear over time without losing its value.

Another characteristic is portability, which ensures that money can be easily carried and used for transactions. Heavy or bulky forms of money would be impractical.

Divisibility is also crucial. Money should be easily broken into smaller units to facilitate transactions of different values. For instance, a currency system with denominations like 10, 50, and 100 enables convenient transactions.

Uniformity ensures that each unit of money is identical in value, making it widely accepted and preventing confusion during exchanges.

Stability in value is another important characteristic. Money should maintain its purchasing power over time, meaning inflation or deflation should not significantly reduce its worth.

Lastly, money must be widely accepted by people in trade and commerce. If a currency is not trusted or recognized, it cannot effectively serve as a medium of exchange.

(b) The three primary functions of money include:

Medium of exchange: Money facilitates the buying and selling of goods and services by eliminating the need for barter trade.

Store of value: Money allows individuals to save and use it in the future without losing its value.

Unit of account: Money provides a standard measure of value, enabling price comparisons and financial calculations.

6. Newspaper advertising is advantageous compared to posters and neon signs advertising. Justify this statement by giving six advantages of newspaper advertising.

Newspaper advertising offers several benefits over posters and neon signs, making it a preferred marketing tool for many businesses. One major advantage is wider audience reach. Newspapers have a large readership, including people of different ages and professions. Unlike posters that are limited to specific locations or neon signs that are only visible at night, newspapers allow businesses to reach a broader audience, including those in rural and urban areas.

Another advantage is cost-effectiveness. Running a newspaper ad is relatively affordable compared to neon signs, which require electricity and maintenance, or posters, which may need frequent replacement due to weather damage. With newspapers, a business can choose from different advertisement sizes and costs, making it a flexible and budget-friendly option.

Targeted advertising is another reason newspapers are more effective. Businesses can place ads in specific sections of the newspaper, such as business, sports, or health sections, ensuring they reach the right audience. Posters and neon signs, on the other hand, do not provide such targeting options, making it harder to reach specific customer groups.

Newspaper advertising also allows for detailed information. Unlike posters and neon signs, which have limited space for content, newspapers allow advertisers to include detailed descriptions, contact information, and even images. This enables businesses to communicate more effectively with potential customers.

Another key advantage is credibility and trust. Many people trust newspapers as a source of reliable information, making advertisements in newspapers appear more credible compared to posters or neon signs, which may sometimes be ignored or seen as informal. Businesses that advertise in newspapers benefit from the trust that readers have in the publication.

Lastly, newspaper ads have a longer lifespan. Unlike neon signs, which only work when powered on, or posters, which can be torn down, newspapers are often kept for reference. Readers may cut out advertisements for future use or share them with others, extending their impact beyond the day of publication.

7. (a) Elaborate five characteristics of large-scale retail business.

(b) Analyse four advantages of small-scale retail business.

(a) Large-scale retail businesses operate on a wide scale and possess several distinguishing characteristics. One key characteristic is bulk purchasing. Large retailers buy goods in large quantities directly from manufacturers, which allows them to get discounts and sell at competitive prices. This reduces costs and ensures a steady supply of goods to customers.

Another characteristic is multiple branches. Large-scale retailers often have several outlets in different locations, making their products more accessible to customers. This expansion helps them dominate the market and increase sales.

Standardized pricing is also a major feature. Unlike small retailers who may adjust prices based on location or customer type, large-scale businesses maintain uniform prices across all branches. This ensures transparency and consistency in pricing.

Another characteristic is use of advanced technology. Large retail businesses use computerized inventory systems, electronic payments, and digital marketing to improve efficiency. This allows them to manage stock effectively, process transactions quickly, and enhance customer service.

Lastly, large-scale retailers engage in extensive advertising and promotions. They use television, radio, newspapers, and online platforms to attract customers. Their ability to invest in large-scale advertising helps them maintain brand visibility and dominate the market.

(b) Small-scale retail businesses also offer several advantages, making them essential in the economy. One major advantage is low startup costs. Unlike large retailers that require huge capital investments, small businesses can be started with minimal resources. This makes them accessible to many entrepreneurs.

Another advantage is personalized customer service. Small retailers interact directly with customers, allowing them to offer tailored services and build strong customer relationships. This personal connection helps in customer retention and loyalty.

Flexibility in pricing and operations is also an advantage. Unlike large businesses that must follow strict pricing structures, small retailers can adjust prices based on demand, competition, and customer negotiation. They can also easily adapt to market changes.

Finally, small businesses contribute to local economic development. They create employment opportunities, support local suppliers, and help circulate money within communities. Many small-scale businesses grow over time, contributing to the overall development of the economy.

8. Commerce is part and parcel of human life. Justify this statement by giving six importance of commerce to the society.

Commerce plays an essential role in everyday life and economic development. One key importance of commerce is facilitating exchange of goods and services. Commerce enables people to buy and sell products, ensuring that individuals and businesses can access the goods they need. Without commerce, people would struggle to obtain essential items like food, clothing, and medicine.

Another major importance is job creation. Commerce provides employment opportunities in various sectors, including retail, transport, banking, and manufacturing. Millions of people work in businesses related to buying and selling, making commerce a major driver of job growth and income generation.

Commerce also promotes economic growth by increasing trade and production activities. Businesses generate income, pay taxes, and contribute to national development. As commerce expands, more investments flow into industries, boosting economic progress.

Another crucial role of commerce is enhancing international trade. Countries engage in importing and exporting goods, allowing them to access products that are not available locally. This improves the variety and quality of goods in the market, benefiting both consumers and businesses.

Commerce improves living standards by making goods and services more accessible and affordable. Through efficient distribution networks, commerce ensures that products reach consumers at reasonable prices. This allows people to enjoy modern conveniences, such as smartphones, electronics, and healthcare products.

Finally, commerce promotes innovation and technological advancement. Businesses continuously seek better ways to attract customers, improve efficiency, and reduce costs. This leads to the development of new technologies, such as e-commerce, digital payments, and automated supply chains, which enhance trade efficiency and customer experience.