

**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: 2019**

**Instructions**

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

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1. Insurance is necessary to both traders and the government in their day-to-day activities. Justify this statement by giving three needs of insurance to traders and to the government.

Insurance plays a crucial role in protecting traders from financial losses and ensuring business continuity. One of the key needs for traders is protection against risks and uncertainties. Businesses face risks such as fire, theft, and natural disasters that can lead to significant financial losses. Insurance helps traders recover from such losses without severe financial setbacks.

Another important need is business stability and continuity. When traders insure their businesses, they can operate with confidence, knowing that they are protected against unforeseen circumstances. This allows them to focus on growth without the fear of losing their investment due to accidents or damages.

Insurance also provides legal and contractual compliance. Some business transactions and government regulations require traders to have insurance, such as workers' compensation insurance or liability coverage. Having insurance ensures that traders meet legal requirements and avoid potential legal penalties.

For the government, insurance is essential in protecting public infrastructure. Roads, bridges, airports, and other public properties are insured against damages caused by natural disasters or accidents, reducing financial burdens on the government.

Another need for the government is compensation for national emergencies. During events such as pandemics, floods, or national disasters, the government relies on insurance claims to fund relief programs and rebuild affected areas.

Lastly, insurance helps the government promote economic stability. By ensuring that businesses and individuals recover quickly from financial losses, insurance contributes to steady economic growth and prevents large-scale economic crises.

2. Analyse eight business challenges facing domestic traders in Tanzania.

Domestic traders in Tanzania face several challenges that affect their business operations and profitability. One of the major challenges is high taxation and regulatory costs. Traders often struggle with multiple taxes, licenses, and compliance costs, which reduce their profit margins and increase the cost of doing business.

Another challenge is lack of access to affordable credit. Many small and medium-sized enterprises (SMEs) face difficulties in securing loans from banks due to high-interest rates and stringent lending requirements. This limits their ability to expand and improve their businesses.

Poor infrastructure is another major challenge. Inadequate roads, unreliable electricity, and inefficient transport systems increase operational costs and delay the delivery of goods, affecting business efficiency.

Domestic traders also face stiff competition from foreign products. Imported goods, often sold at lower prices, create a tough market environment for local traders, reducing their market share and profitability.

Limited market access is another issue. Many local traders struggle to reach a broader customer base due to inadequate distribution channels and lack of effective marketing strategies.

Inflation and currency fluctuations impact business stability. Rising prices of goods and services reduce consumer purchasing power, leading to lower sales and revenue for traders.

Another challenge is poor business management skills. Many traders lack formal education in financial management, marketing, and customer service, leading to inefficient business operations.

Lastly, unreliable supply chains affect product availability. Traders often experience shortages due to supply chain disruptions, which hinder their ability to meet customer demands and maintain consistent sales.

3. (a) With the aid of a diagram, describe five main aspects of communication.

(b) Explain three factors that hinder effective communication.

(a) The five main aspects of communication include:

Sender: The person or entity that initiates the message by encoding and delivering it.

Message: The information being communicated from the sender to the receiver.

Medium: The channel used to transmit the message, such as verbal, written, or electronic communication.

Receiver: The person or group that decodes and interprets the message.

Feedback: The response from the receiver that confirms whether the message was understood.

(b) Three factors that hinder effective communication include:

Language barriers: Differences in language or vocabulary can cause misunderstandings and misinterpretation of messages.

Noise and distractions: External factors such as loud environments or poor internet connections can interfere with message delivery.

Lack of clarity and conciseness: If the message is vague or too complex, the receiver may struggle to understand it, leading to ineffective communication.

4. (a) Examine four ways used in issuing new shares in the stock exchange market.  
(b) Analyse four qualifications of being a member of the stock exchange.

(a) Four ways of issuing new shares in the stock exchange market include:

Initial Public Offering (IPO): A company sells shares to the public for the first time to raise capital.

Rights Issue: Existing shareholders are given the opportunity to buy additional shares at a discounted price.

Private Placement: Shares are sold to specific investors, such as institutions or wealthy individuals, rather than the general public.

Bonus Shares: Additional shares are given to existing shareholders as a reward, usually from retained earnings.

(b) Four qualifications of being a member of the stock exchange include:

Financial stability: Members must have sufficient capital to participate in stock trading.

Regulatory compliance: Members must follow the rules and guidelines set by the stock exchange authority.

Good reputation: A strong business and ethical record are required to gain membership.

Brokerage license: Individuals or firms must obtain a license to operate as stock traders.

5. Evaluate four similarities and four differences between the Central Bank and Commercial Banks.

Similarities:

Both regulate financial transactions and ensure economic stability.

Both provide financial services such as loans, deposits, and money transfers.

Both contribute to monetary policies that control inflation and economic growth.

Both operate under government regulations and financial laws.

Differences:

The Central Bank controls the money supply, while commercial banks serve customers directly.

The Central Bank does not accept deposits from individuals, but commercial banks do.

The Central Bank regulates interest rates, while commercial banks set their own rates based on market conditions.

Commercial banks operate for profit, while the Central Bank serves national economic interests.

6. (a) A wholesaler cannot be eliminated from the channel of distribution. Argue for this statement by giving five reasons.

(b) Examine four disadvantages of wholesale trade.

(a) Reasons why wholesalers are essential:

They provide bulk storage, reducing the need for retailers to hold large inventories.

They help manufacturers reach wider markets by distributing products efficiently.

They offer financial support to manufacturers by purchasing goods upfront.

They reduce marketing costs for producers by handling distribution and sales.

They stabilize product prices by regulating supply according to market demand.

(b) Disadvantages of wholesale trade:

Wholesalers increase the final price of goods due to their profit margins.

They may delay deliveries, affecting the supply chain.

Some wholesalers create monopolies, limiting market competition.

Retailers may become dependent on wholesalers, reducing their bargaining power.

7. Analyse four main types of advertising and give four functions of advertising agencies.

Types of advertising:

Informative advertising: Provides details about a product, its features, and benefits.

Persuasive advertising: Encourages consumers to choose one product over competitors.

Reminder advertising: Reinforces brand awareness and loyalty.

Comparative advertising: Highlights the superiority of one product compared to competitors.

Functions of advertising agencies:

They create marketing campaigns for businesses.

They conduct market research to target the right audience.

They design and produce advertisements for different media platforms.

They monitor campaign effectiveness and suggest improvements.

8. Explain how industries benefit from specialization in the production process. Give six points.

Industries benefit from specialization in various ways:

Increased productivity: Workers focus on specific tasks, improving efficiency.

Higher quality products: Specialization allows workers to perfect their skills, leading to better output.

Cost reduction: Specialization reduces training costs and improves production speed.

Faster innovation: Skilled workers contribute new ideas for product improvement.

Better resource utilization: Industries can allocate resources efficiently based on expertise.

Market competitiveness: Specialized production leads to high-quality goods, attracting more customers.