

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

151/2

COMMERCE 2

(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 number four (4) 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).

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1. (a) State the special advantages of a private company over partnership.

A private company has limited liability, meaning shareholders are only liable up to the amount of their investment, unlike in partnerships where personal assets may be at risk.

It enjoys continuity of existence, as the death or withdrawal of a shareholder does not affect the company's operations, unlike partnerships which may dissolve.

A private company can raise more capital through the issuance of shares than a partnership can through contributions of partners.

It enjoys greater credibility and trust with banks and financial institutions, making it easier to secure loans.

It also has better management structures, as directors are responsible for decision-making, ensuring efficiency compared to partnerships.

(b) List down and explain the major characteristics which differentiate a private company from a public joint stock company.

A private company restricts the transfer of shares, while a public company allows free transfer of shares in the stock exchange.

A private company can be formed with a minimum of two members, whereas a public company requires at least seven members.

A private company is not required to publish its financial accounts, but a public company must make its financial information available to the public.

A private company cannot invite the public to subscribe for shares, while a public company can raise capital through public subscription.

A private company has fewer legal formalities and regulations compared to a public company, which is heavily regulated by law.

2. (a) Explain the characteristics of formal communication.

Formal communication follows established organizational structures and official channels.

It is usually documented, providing records that can be referred to in the future.

It is impersonal and focuses on organizational goals rather than personal relationships.

It is clear, precise, and follows professional language to avoid misunderstandings.

It ensures accountability since information passes through defined authority levels.

(b) Outline the factors which the management has to consider before installing a modern telecommunication system.

Management must consider the cost of installation and maintenance of the system.

They should assess the reliability and speed of the system to ensure effective communication.

The system should be compatible with existing technology within the organization.

Security of information transmitted must be considered to prevent data breaches.

The system should be user-friendly and require minimal training for staff.

Management should also evaluate the scalability of the system to accommodate future expansion.

3. (a) Describe the significance of banking.

Banking provides safe custody of money for individuals and businesses.

It facilitates trade by offering credit facilities such as loans and overdrafts.

Banking promotes investment by mobilizing savings and channeling them into productive ventures.

It supports payment systems through cheques, debit cards, and online transfers.

Banking also contributes to national economic growth by financing industries and infrastructure.

(b) Explain briefly the following:

(i) Automatic Teller Machines – These are computerized machines that allow bank customers to withdraw cash, deposit money, and check balances at any time without needing a teller.

(ii) Cheque cards – These are cards issued by banks to guarantee the payment of cheques up to a certain amount even if the customer has insufficient funds.

(iii) Banker's lien – This is the right of a bank to retain a customer's property or securities until a debt owed by the customer is cleared.

(iv) Town clearing – This is the process where banks within the same town exchange and settle cheques drawn on each other through a clearing house.

4. (a) Explain the most important quality of good money.

The most important quality of good money is acceptability. Money must be generally accepted by people as a medium of exchange for it to function effectively.

(b) Show how deflation can be removed in an economy of a country by means of monetary policy of the government.

The government can reduce interest rates to encourage borrowing and spending.

It can increase the money supply through open market operations to stimulate demand.

The central bank may lower reserve requirements to allow commercial banks to lend more.

The government can also increase public spending to inject money into the economy.

Such measures increase aggregate demand, thereby reducing deflationary pressures.

5. (a) How does taxation achieve social objectives.

Taxation helps in redistributing income by imposing higher taxes on the rich and using the revenue to provide services for the poor.

It discourages harmful activities such as smoking and drinking by imposing heavy excise taxes.

Tax revenue is used to provide public services such as healthcare, education, and infrastructure that benefit society.

It promotes social welfare by financing subsidies and social security programs.

(b) Explain the advantages and disadvantages of direct taxation.

Advantages include equity since it is based on income, making it fair to both rich and poor.

It provides a stable source of government revenue.

Direct taxes discourage hoarding and promote investment as people try to reduce taxable income.

Disadvantages include discouraging hard work because higher incomes attract higher taxes.

They may also lead to tax evasion as individuals underreport their incomes.

6. (a) How do soap producers in Tanzania benefit by advertising their products by means of radio or television?

They reach a wide audience quickly, creating mass awareness of their products.

Advertising improves their brand image and builds consumer trust.

It helps differentiate their products from competitors, increasing market share.

It stimulates demand and increases sales, leading to higher profits.

Advertising also introduces new products to the market effectively.

(b) Explain how some of the persuasive advertisements made by producers may create adverse effects to Tanzanian consumers.

Some advertisements may exaggerate product benefits, misleading consumers.

They may encourage unnecessary spending on luxury items instead of essential goods.

Advertisements may promote imitation of foreign lifestyles, leading to erosion of cultural values.

Some may target children with unhealthy products like sugary foods, causing health problems.

They may also create dissatisfaction by making consumers feel inferior without advertised products.

7. Explain the advantages and disadvantages of horizontal filing and vertical filing systems.

Horizontal filing stores files flat in drawers, making them easier to read titles and arrange systematically.

It allows easy insertion and removal of files.

However, it consumes more space and is less suitable for large volumes of files.

Vertical filing keeps files upright, saving space and allowing quick access.

It is more suitable for offices with heavy filing requirements.

However, titles on files may be difficult to read, and documents may wear out faster.

8. Write short notes on the following:

(a) Span of control – This refers to the number of subordinates directly supervised by a manager. A wide span reduces costs but may strain supervision, while a narrow span allows closer control but increases administrative costs.

(b) Delegation of responsibility – This is the process where managers assign tasks and authority to subordinates while retaining accountability. It improves efficiency and develops employees' skills.

(c) Line organization – This is the simplest form of organization structure where authority flows directly from top management to lower levels. It ensures clear responsibilities but may lead to rigidity.

(d) Principle of authority – This principle states that managers must have the right to give orders and make decisions, and subordinates must obey to ensure smooth functioning of the organization.