

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

052/2

COMMERCE 2

(For Both School and Private Candidates)

Time: 3 Hours

ANSWERS

Year: 2013

Instructions

1. This paper consists of Eight questions.
2. Answer five questions, choosing at least two questions from each section. question number one is compulsory

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1. (a) Explain six roles which are played by Co-operatives in the economy.

Co-operatives play a significant role in economic development by providing employment opportunities. Many people are employed in cooperative societies, either as managers, accountants, or workers involved in production, processing, and distribution of goods and services. This reduces unemployment and improves livelihoods.

Another role is improving financial access for members. Many cooperatives offer financial services such as savings, loans, and insurance, helping individuals and businesses secure funds for investment and development.

Co-operatives also promote fair trade practices by eliminating middlemen who exploit producers. By buying directly from farmers and selling to consumers, cooperatives ensure fair pricing, improving farmers' earnings.

Another key role is enhancing rural development. Many cooperatives operate in rural areas, providing essential services such as agricultural support, storage facilities, and training. This boosts productivity and economic growth in less developed areas.

Co-operatives encourage savings and investments among members. Since they are owned by the members, they promote financial responsibility, helping people accumulate wealth and reinvest profits into productive activities.

Lastly, cooperatives enhance social welfare by supporting education, healthcare, and community development projects. Many cooperatives establish schools, clinics, and welfare programs that benefit their members and the wider community.

(b) Identify and explain four sources of capital for a partnership.

One source of capital is partners' contributions, where each partner invests a certain amount of money into the business. This forms the initial working capital and determines ownership shares.

Another source is bank loans, where the partnership borrows funds from financial institutions for expansion or operational costs. Banks provide secured or unsecured loans depending on the financial stability of the business.

A partnership can also obtain capital through retained earnings, which are profits reinvested into the business instead of being distributed to partners. This helps in financing growth without relying on external borrowing.

Lastly, partnerships can raise capital from trade credit, where suppliers allow them to buy goods on credit and pay later. This helps manage cash flow while ensuring smooth operations.

2. (a) Explain five factors influencing the choice of office equipment.

One factor is cost, as businesses must consider their budget when purchasing equipment. Expensive machines require high capital investment, while affordable options help maintain financial stability.

Another factor is purpose and functionality. The equipment must match the specific needs of the business, such as computers for data processing, printers for document production, and filing cabinets for record-keeping.

Durability and maintenance is another key factor. Businesses prefer equipment that lasts longer and requires minimal repairs to reduce operational costs.

Technology compatibility also influences the choice of office equipment. Modern businesses require digital tools that integrate with existing systems for efficiency and productivity.

Lastly, space availability determines the size and type of equipment that can be accommodated. Small offices may prefer compact and multifunctional machines to save space.

(b) Describe five functions of an office.

An office serves as a communication center, where information is exchanged through emails, phone calls, and meetings to ensure smooth business operations.

It also functions as a record-keeping unit, where important documents, financial statements, and customer details are stored for future reference and legal compliance.

An office acts as a decision-making hub, where managers analyze data, evaluate options, and formulate strategies to guide business growth and problem-solving.

Another function is coordination of activities, ensuring that different departments work together efficiently to achieve organizational goals.

Lastly, an office serves as a customer service point, where clients receive assistance, make inquiries, and complete transactions, improving business reputation and customer satisfaction.

3. (a) Analyze four characteristics of the public limited company.

A public limited company has limited liability, meaning shareholders are not personally responsible for company debts beyond their share investments. This encourages investment without excessive financial risk.

Another characteristic is share transferability, where shareholders can freely buy or sell company shares on stock exchanges. This provides liquidity and capital mobility.

A public limited company must disclose financial information, including annual reports, profit statements, and audits, to comply with legal and regulatory requirements. This ensures transparency and investor confidence.

Lastly, it raises capital through public share offerings, allowing large-scale funding for business expansion and investment in new projects.

(b) Critically explain six benefits of a company offering ordinary shares.

One benefit is raising long-term capital, as issuing ordinary shares provides a permanent source of financing without repayment obligations like loans.

Another benefit is diversification of ownership, allowing multiple investors to contribute funds and share business risks, reducing dependency on a few individuals.

Ordinary shares also increase business credibility, making it easier to attract additional investments, partnerships, and credit facilities from financial institutions.

A company issuing shares enhances liquidity, as shareholders can sell their stakes in stock markets, increasing investor confidence and participation.

Additionally, no mandatory dividend payments exist, unlike debt financing, where interest must be paid regularly. The company can decide whether to distribute profits or reinvest in business growth.

Lastly, offering shares improves financial flexibility, allowing companies to adjust capital structure and take advantage of new investment opportunities without incurring debt.

4. (a) Identify and explain six documents used in International Trade.

One document is a bill of lading, which serves as proof of shipment, a contract of carriage, and a document of title for goods transported by sea.

Another document is a commercial invoice, which details the transaction, including product descriptions, quantities, prices, and payment terms, serving as a key reference for customs clearance.

A certificate of origin certifies the country where goods were manufactured, helping determine eligibility for trade agreements and tariff rates.

An airway bill is similar to a bill of lading but is used for air cargo shipments, detailing transportation terms and delivery instructions.

A letter of credit is a financial guarantee issued by a bank, assuring the seller that payment will be made once shipment conditions are met.

Lastly, a packing list provides detailed information about the contents of a shipment, including weight, dimensions, and handling instructions, assisting in logistics and customs checks.

(b) What do you think would happen to a country if it refused to trade with any other country? Give four points.

If a country refused to trade, it would face economic stagnation, as it would lack access to international markets, reducing revenue from exports.

There would also be scarcity of essential goods, especially if the country does not produce everything it needs, leading to high prices and lower living standards.

Another consequence is limited technology and innovation, as trade restrictions would prevent access to new ideas, machinery, and advanced production techniques.

Lastly, the country would suffer weakened international relations, as isolation from global trade networks could lead to diplomatic tensions and reduced foreign investments.

5. (a) Elaborate five advantages of ploughing back profits of a business firm.

Ploughing back profits reduces dependence on external borrowing, allowing the company to fund expansion without paying interest on loans.

It improves business stability, ensuring a steady financial reserve that can be used for emergencies or unexpected expenses.

Reinvesting profits enhances company growth, supporting new product development, marketing campaigns, and infrastructure improvements.

Ploughing back profits increases shareholder value, as retained earnings lead to higher business valuation and potential future dividends.

Lastly, it builds financial credibility, making it easier to attract investors and lenders when additional funding is needed.

(b) Describe five methods used by businesses to increase turnover.

One method is expanding product lines, offering new or improved goods to attract more customers and boost sales.

Another method is investing in marketing, using advertising, promotions, and digital campaigns to increase brand awareness and customer engagement.

Businesses also optimize pricing strategies, using discounts, seasonal sales, or value-based pricing to attract buyers and increase revenue.

Enhancing customer service improves loyalty, leading to repeat purchases and positive word-of-mouth referrals.

Lastly, businesses expand into new markets, such as exporting to foreign countries or opening new branches, to increase sales volume and profitability.

6. (a) Elaborate five benefits enjoyed by a small-scale firm after managing to change into a large-scale firm.

One major benefit of transforming into a large-scale firm is economies of scale, where production costs per unit decrease as the company grows. Larger firms can buy raw materials in bulk at discounted prices, invest in efficient technology, and reduce overhead costs, leading to higher profitability.

Another benefit is increased market share, as a larger business can expand its customer base, reach new geographical areas, and dominate the industry. This makes the company more competitive and less vulnerable to small competitors.

Large firms gain better access to financing from banks and investors. Lenders are more willing to offer loans and credit facilities to well-established businesses with a strong financial track record, allowing for further expansion.

Another advantage is greater brand recognition and reputation. As a firm grows, it becomes more visible and trusted by consumers, which leads to increased sales and long-term customer loyalty. Large businesses can also afford marketing campaigns that strengthen their market presence.

Lastly, diversification of products and services becomes easier for a large firm. Unlike small firms, larger businesses have the resources to invest in research and development, allowing them to introduce new products or enter new industries, reducing dependence on a single product line.

(b) Give five reasons why there are so many different kinds of small-scale firms in your area.

One reason is low startup costs, as small businesses require minimal capital investment. Many entrepreneurs can start businesses such as grocery stores, barber shops, and food stalls with limited resources.

Another reason is high demand for local goods and services. Many small-scale firms cater to the everyday needs of local communities, such as tailoring shops, mobile money services, and repair businesses, making them essential for economic activity.

Flexibility in operations is also a key factor. Small businesses can easily adapt to changes in market demand, customize their products, and operate without strict corporate structures, allowing them to survive in different environments.

Another reason is self-employment opportunities, as many individuals start small businesses due to limited job opportunities. Owning a small-scale business allows people to earn a living and support their families.

Lastly, government support and incentives encourage the growth of small firms. Many governments provide loans, training, and tax benefits to promote entrepreneurship and job creation, leading to the rise of various types of small businesses.

7. Argue for and against the government involvement in business.

Arguments in Favor of Government Involvement in Business

One strong argument for government involvement is the protection of public interests. Governments regulate industries to ensure businesses operate fairly, prevent consumer exploitation, and uphold product safety standards. Without regulations, companies might sell harmful or substandard goods.

Another reason is the provision of essential services. Some industries, such as electricity, water supply, healthcare, and education, require government participation because private companies may not invest in unprofitable sectors, leaving some citizens without essential services.

Governments also intervene to stabilize the economy. They implement policies such as price controls, subsidies, and tax incentives to promote economic stability, reduce inflation, and encourage investments.

Another reason is employment generation, as government-owned enterprises create jobs in various sectors, reducing unemployment and improving living standards.

Lastly, government involvement prevents market monopolies, ensuring fair competition and preventing single companies from dominating entire industries and setting unfair prices.

Arguments Against Government Involvement in Business

One argument against government involvement is inefficiency and bureaucracy. Many government-run businesses suffer from mismanagement, excessive regulations, and delays in decision-making, leading to slow service delivery and financial losses.

Another issue is lack of innovation. Unlike private businesses, government enterprises often lack competition, reducing incentives for innovation and modernization. This can lead to outdated services and inefficiencies.

Government businesses also face political interference, where decisions are influenced by political motives rather than economic logic. Politicians may appoint unqualified managers or misuse public resources, leading to poor performance.

Another disadvantage is higher tax burdens on citizens. Government-run businesses often require taxpayer money to cover losses, increasing the financial burden on the public. In contrast, private businesses operate based on profit incentives, making them more sustainable.

Lastly, crowding out private investment occurs when the government dominates industries that could be better handled by private enterprises. This discourages entrepreneurs and foreign investors, slowing economic growth.

8. (a) Describe six essentials of a contract.

One essential is offer and acceptance, where one party makes a proposal, and the other party agrees to the terms. A contract is not valid unless both parties mutually consent to the agreement.

Another essential is consideration, which means that something of value must be exchanged between the parties. This can be money, goods, services, or promises, making the contract legally binding.

Capacity to contract is another requirement. Both parties must have the legal ability to enter into a contract. Minors, mentally incapacitated individuals, and intoxicated persons cannot legally form a binding agreement.

Another essential is legality of purpose. A contract must be for a lawful purpose; agreements related to illegal activities such as drug trafficking or fraud are not enforceable in court.

Genuine consent is also required. Both parties must enter the contract voluntarily without coercion, fraud, or undue influence. If one party is forced or misled, the contract can be declared void.

Lastly, the contract must be in the correct form. Some contracts, such as real estate agreements and business partnerships, must be in writing and signed to be legally enforceable.

(b) Examine four methods of sale of goods.

One method is cash sales, where goods are sold and payment is made immediately. This is common in retail shops, supermarkets, and small businesses where customers buy and pay on the spot.

Another method is hire purchase, where a buyer pays for goods in installments while using them. Ownership transfers to the buyer only after the final payment is made. This is common for expensive goods like cars and electronics.

Auction sales involve selling goods to the highest bidder. Auctions are often used for selling government property, artworks, vehicles, and land. Buyers compete by bidding higher prices, and the highest offer wins the item.

Lastly, credit sales allow buyers to take goods and pay later. This method is common in wholesale businesses where customers (retailers) receive products and pay after selling them. It enables businesses to operate smoothly without needing immediate cash.