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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: 2018

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. Partnership deed is a very important document to the partnership business though it is not required by law. Verify this statement by giving six needs for a partnership deed to a partnership.

A partnership deed is essential because it clearly defines the roles and responsibilities of each partner. This helps in avoiding conflicts and misunderstandings that may arise due to unclear duties and expectations. By having a written agreement, partners can efficiently manage their contributions and obligations.

Another important need for a partnership deed is that it specifies the profit and loss-sharing ratio among partners. Without this document, profits and losses are divided equally by law, which may not be fair in cases where partners contribute different amounts of capital or effort. A partnership deed ensures that financial distributions are agreed upon and legally recognized.

A partnership deed also outlines the capital contribution of each partner. This is crucial in determining ownership percentages and financial liability. It prevents disputes that may arise if a partner claims to have contributed more than originally agreed.

Additionally, the deed provides guidelines for resolving disputes between partners. It includes procedures for arbitration or mediation, preventing legal battles that could negatively affect business operations. This ensures smooth functioning even when disagreements occur.

The partnership deed also includes conditions for admitting new partners or removing existing ones. This helps in maintaining business stability and continuity, as partners understand the process involved in restructuring the partnership.

Lastly, the partnership deed specifies the dissolution process. In case the business has to be closed down, the deed outlines how assets and liabilities will be distributed among partners, ensuring a fair and transparent exit strategy.

2. Evaluate six sources of raising short-term finance to a businessman.

One source of short-term finance is trade credit, where suppliers allow the business to buy goods on credit and pay later. This helps in managing cash flow and maintaining business operations without requiring immediate cash payments.

Another source is bank overdrafts, where a business can withdraw more money than what is available in its account. This facility helps in covering unexpected expenses and temporary cash shortages. However, interest is charged on the overdrawn amount.

A businessman can also obtain short-term loans from commercial banks. These loans are usually repaid within a year and help businesses finance urgent operational needs such as purchasing raw materials or covering payroll expenses.

Factoring is another source of short-term finance where a business sells its accounts receivable (invoices) to a financial institution at a discount. This provides immediate cash, improving liquidity without waiting for customers to make payments.

Businesses can also use retained earnings, where profits from previous operations are reinvested into the business instead of being distributed to owners. This is a cost-effective way of financing short-term needs without taking on debt.

Lastly, leasing is a method where a business rents equipment or machinery instead of buying it. This reduces immediate capital expenditure while allowing the business to use necessary assets without a large upfront investment.

3. (a) What is the main difference between brand mark and trademark?

A brand mark is a visual symbol, design, or logo that represents a business or product. It helps customers easily recognize a brand in the marketplace. A good example is the Nike “swoosh” symbol, which is identifiable without words.

On the other hand, a trademark is a legally registered brand name, logo, or slogan that protects a company’s identity and prevents other businesses from using similar marks. A trademark gives legal ownership and exclusive rights to use the brand name in commerce.

(b) Selling goods under a brand name is advantageous to both manufacturers and consumers. Analyse four advantages to each category.

For manufacturers, branding helps in customer loyalty. A strong brand creates a loyal customer base that continuously buys the product, increasing long-term sales and profitability.

Branding also allows manufacturers to charge premium prices. Well-established brands like Apple can sell their products at higher prices due to their perceived quality and reputation in the market.

Another advantage for manufacturers is brand recognition, which makes marketing easier. A well-known brand attracts customers without requiring excessive advertising efforts, saving promotional costs.

Lastly, branding helps manufacturers differentiate their products from competitors. A strong brand identity gives businesses a competitive advantage by making their products unique and preferred by consumers.

For consumers, branding provides assurance of quality. Customers trust reputable brands because they have a history of delivering reliable and high-quality products.

Branding also makes purchasing decisions easier. Consumers do not have to spend time comparing various products when they recognize a trusted brand that meets their needs.

Another advantage is product consistency. Branded products maintain uniform standards, ensuring that customers receive the same quality every time they purchase.

Lastly, branding enhances consumer confidence. When a product has a well-known brand name, customers feel secure that they are buying something authentic and worthwhile.

4. (a) Outline three effects of a persistent deficit balance of payment to a country.

A persistent balance of payments deficit leads to increased foreign debt. When a country imports more than it exports, it borrows from foreign lenders to cover the difference, leading to long-term financial obligations.

Another effect is currency depreciation. Continuous trade deficits reduce demand for the local currency, causing its value to fall in international exchange markets. This makes imports more expensive, leading to inflation.

Lastly, it negatively impacts economic growth. A country that relies heavily on imports instead of producing its own goods struggles with job creation and industrial development, leading to economic instability.

(b) Elaborate four methods used to overcome the problems of balance of payment disequilibrium.

One method is export promotion, where governments encourage local industries to produce more goods for international markets. This can be done through subsidies, tax incentives, and improved infrastructure to make exports more competitive.

Another method is import substitution, where a country reduces reliance on imported goods by producing them domestically. This strengthens local industries and reduces trade imbalances.

Foreign direct investment (FDI) is also a solution, where a country attracts foreign investors to establish businesses locally. This increases exports, creates jobs, and generates foreign exchange.

Lastly, currency devaluation is sometimes used to make exports cheaper and more competitive in global markets. A weaker currency encourages foreign buyers to purchase more from the country, improving the balance of payments.

5. (a) With examples, describe the following office equipment:

(i) Executive furniture – This includes high-quality desks, chairs, and cabinets used by top managers and executives. For example, a CEO's office may have a luxury wooden desk and a leather chair to reflect authority and professionalism.

(ii) Special purpose furniture – This furniture is designed for specific tasks, such as drafting tables for architects or reception desks for front offices. These are customized to meet the unique needs of employees.

(iii) General furniture – This includes standard office desks, chairs, and shelves used by most employees. Examples are workstation desks, conference tables, and filing cabinets found in a typical office setting.

(b) Examine six disadvantages of an open office to both service providers and receivers of services. An open office leads to distractions, as noise and movement from colleagues reduce concentration and productivity.

It compromises privacy, making it difficult for employees to have confidential discussions or focus on sensitive tasks.

The risk of spreading diseases is higher, as employees share the same air and surfaces, increasing the chances of infections.

Open offices also cause stress, as constant visibility and lack of personal space can make employees uncomfortable.

It limits customization, as employees cannot arrange their workstations according to their preferences, reducing comfort and efficiency.

Security risks are increased, as documents and office equipment are more accessible, making them vulnerable to theft or unauthorized access.

6. Analyse six necessary procedures observed by importers in the settlement of imports through a letter of credit.

The first procedure is applying for a letter of credit (LC) from a bank. The importer must request their bank to issue an LC in favor of the exporter, ensuring that payment will be made upon fulfilling the contract terms.

Next, the bank reviews the application and issues the LC to the exporter's bank. The LC specifies the conditions under which the exporter will receive payment, including shipment deadlines and document requirements.

Once the LC is issued, the exporter prepares and ships the goods to the importer. After shipping, the exporter gathers necessary documents such as the bill of lading, commercial invoice, and packing list, which are required to claim payment.

The exporter then submits the required documents to their bank for verification. The bank checks if all documents comply with the LC conditions before forwarding them to the importer's bank.

Upon receiving the documents, the importer's bank reviews and verifies the shipment details before notifying the importer. If everything is correct, the bank releases the documents to the importer, allowing them to take ownership of the goods.

Finally, the importer makes payment to the bank, which then transfers the funds to the exporter's bank. This completes the transaction, and the importer receives their goods while the exporter gets paid.

7. Discuss six reasons for government intervention in commercial activities.

One reason for government intervention is to protect local industries from foreign competition. Without regulation, large multinational companies could dominate markets, making it difficult for small local businesses to survive. Governments impose tariffs, subsidies, and trade restrictions to support domestic production.

Another reason is to prevent monopolies and ensure fair competition. Some businesses may try to eliminate competitors and gain excessive market power, leading to unfair pricing and reduced consumer choices. Governments enforce antitrust laws to promote competition.

Governments also intervene to protect consumers by enforcing product safety standards, regulating prices, and ensuring businesses provide accurate product information. This prevents exploitation and ensures the public gets quality goods and services.

Intervention is necessary to regulate employment and labor conditions. Without government policies, businesses might exploit workers by offering unfair wages, unsafe working conditions, or excessive working hours. Labor laws ensure fair treatment of employees.

Governments also control inflation and stabilize the economy by regulating monetary and fiscal policies. They use taxation, interest rates, and government spending to balance the economy and prevent financial crises.

Lastly, intervention is crucial for public welfare and environmental protection. Governments regulate pollution, manage natural resources, and set environmental policies to prevent businesses from harming public health and the ecosystem.

8. (a) How does the progressive tax system and regressive tax system differ?

A progressive tax system imposes higher tax rates on individuals and businesses that earn more income. As earnings increase, the percentage of income paid in taxes also rises. This system promotes wealth redistribution by ensuring that high-income earners contribute more to public services.

A regressive tax system, on the other hand, imposes the same tax rate on everyone, regardless of their income level. This means that lower-income individuals pay a larger proportion of their earnings in taxes.

compared to high-income individuals. Regressive taxes, such as sales tax or value-added tax (VAT), tend to burden the poor more than the rich.

(b) Elaborate five impacts of progressive tax systems.

One impact of a progressive tax system is income redistribution, where wealthier individuals contribute more, helping to fund social programs and services such as education, healthcare, and infrastructure that benefit low-income earners.

Another impact is reduced income inequality by narrowing the gap between the rich and the poor. This creates a more balanced economy, promoting social stability and reducing poverty levels.

A progressive tax system also increases government revenue, as higher earners contribute more, enabling the government to invest in national development projects and essential services.

It encourages economic fairness, as taxation is based on an individual's ability to pay. This prevents excessive financial pressure on low-income earners while ensuring that the wealthy contribute their fair share.

Lastly, it can influence economic behavior, as individuals and businesses may seek legal ways to reduce taxable income, such as investing in tax-deductible activities like education, retirement savings, or charitable donations.