

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: 2020

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

maktaba.tetea.org



1. Loan is one of the sources of business capital which assists traders in establishing and expanding their business. Explain three benefits and three limitations of loan capital as a source of business capital to the business.

Loan capital provides several benefits to businesses. One benefit is that it allows businesses to expand operations by providing immediate funds for purchasing equipment, raw materials, or increasing production capacity. Another benefit is that loans help maintain business ownership, as unlike equity financing, they do not require giving up shares or control to investors. Additionally, loans offer flexibility in repayment, as businesses can negotiate terms that match their financial situation, making it easier to manage finances.

However, loan capital also has limitations. One limitation is the repayment obligation, as businesses must repay the loan regardless of whether they make profits or not, which can strain financial resources. Another limitation is the cost of borrowing, as interest rates and associated fees increase the total amount to be repaid. Lastly, accessing loans may require collateral, and small businesses may struggle to secure funding if they lack valuable assets.

2. Import trade is about buying goods and services from abroad and the transactions become complete when payment is made. Elaborate six methods of payment used in import trade to accomplish the transactions.

Importers use various payment methods to complete transactions. One method is an advance payment, where the buyer pays the seller before goods are shipped. This method ensures that the seller receives funds before delivery. Another method is an open account, where the seller ships goods first and allows the buyer to pay later within an agreed period. This method favors buyers but poses a risk to sellers.

A letter of credit is another secure method where the buyer's bank guarantees payment upon fulfillment of contract terms. This reduces risks for both parties. Documentary collection involves banks acting as intermediaries, where the seller submits shipping documents to the bank, and the buyer receives them only after making payment.

Telegraphic transfers (TT) or wire transfers allow quick direct payments from the buyer's bank to the seller's account, making transactions fast and secure. Lastly, consignment payments involve the seller shipping goods but retaining ownership until the buyer sells them, and payment is made based on sales revenue.

3. Many governments in developing countries failed to collect taxes effectively because of improper strategies they adopted. Suggest six strategies which the developing countries should adopt in order to improve tax collection.

Developing countries can improve tax collection by adopting better strategies. One strategy is widening the tax base by ensuring more individuals and businesses are registered as taxpayers, reducing reliance on a

few sources. Another strategy is implementing digital tax systems to improve efficiency and reduce tax evasion by automating collection processes.

Strengthening tax enforcement is also crucial, where governments should increase audits and penalties for tax evasion to ensure compliance. Educating citizens about the importance of taxation can encourage voluntary compliance, reducing tax resistance.

Simplifying tax procedures can also enhance compliance, as complex tax systems discourage businesses from paying taxes. Lastly, reducing corruption in tax collection agencies ensures that revenue is properly managed and reaches the government without leakages.

4. A trader from India needs to buy cashew nuts from a cashew-nut dealer in Tanzania. Explain chronologically the procedures that the cashew-nut dealer in Tanzania has to follow in order to sell cashew nuts to India.

The Tanzanian cashew-nut dealer must follow several steps to export the product to India. First, the dealer must obtain an export license from the Tanzania Revenue Authority (TRA) and other relevant authorities to legally export the goods. Next, the dealer must identify and negotiate with the buyer in India, agreeing on terms such as price, quantity, and payment method.

The dealer then prepares export documentation, including an invoice, packing list, certificate of origin, and a phytosanitary certificate to ensure the cashew nuts meet international standards. The next step is arranging for transportation and shipping, where a freight forwarder is hired to handle logistics and obtain a bill of lading.

Customs clearance follows, where the dealer submits export declarations and pays duties if required. Once the goods are shipped, the dealer sends the documents to the buyer, who then makes payment based on the agreed terms.

5. Analyse four benefits of a centralized filing system and two benefits of a departmental filing system in any business office.

A centralized filing system offers several benefits. One benefit is improved document security, as records are stored in a single location with controlled access, reducing the risk of loss or unauthorized use. Another benefit is cost efficiency, as centralized storage reduces duplication of files across different departments, saving space and resources.

Additionally, a centralized system enhances efficiency, as documents are systematically organized, making retrieval faster and easier. Lastly, it improves consistency, as standardized filing procedures ensure uniformity in record-keeping, reducing errors and misplacements.

A departmental filing system also has benefits. One benefit is faster access to records within specific departments, as documents are stored near the users who need them most. Another benefit is reduced

workload on a central office, allowing each department to manage its files independently, increasing efficiency.

6. Explain six essential roles of marketing boards in marketing agricultural products.

Marketing boards play a crucial role in supporting agricultural markets. One role is price stabilization, where boards regulate prices to protect farmers from extreme market fluctuations. Another role is ensuring quality standards by setting and enforcing regulations that improve the marketability of agricultural products.

Marketing boards also provide market research and information, helping farmers make informed decisions about production and sales. They assist in storage and distribution, ensuring that agricultural products are properly stored and transported to markets without losses.

Another key role is providing financial support to farmers through loans and subsidies to enhance production. Lastly, marketing boards promote local and international trade by connecting farmers with buyers and securing export markets.

7. Why are many countries engaged in multilateral trade? Explain by giving six points.

Countries engage in multilateral trade for various economic benefits.

One reason is market expansion, where countries gain access to larger markets, increasing opportunities for businesses to sell goods and services internationally.

Another reason is resource optimization, as multilateral trade allows countries to specialize in producing goods they are best suited for while importing what they lack.

Multilateral trade also enhances economic growth by increasing trade volumes and foreign exchange earnings.

Additionally, it encourages innovation and technology transfer, as countries benefit from knowledge sharing and advanced production techniques.

Another reason is improved diplomatic relations, as trade agreements strengthen international cooperation and economic partnerships.

Lastly, multilateral trade provides access to diverse goods and services, improving consumer choices and living standards.