

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

061

COMMERCE

(For Both School and Private Candidates)

Time : 3 : 30 Hours

ANSWERS

Year : 2000

Instructions

1. This paper consists of sections A, B and C.
2. Answer all questions in section A and B and **two** questions from section C.
3. Communication devices and any unauthorised materials are **not** allowed in the examination room.
4. Write your **Examination Number** on every page of your answer booklet(s).

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1. For each of the following choose the most relevant answer and write the letter which represents it in the answer booklet provided.

(i) In hire purchase buying

- A. hired cars are bought
- B. seller retains the goods until payment of the last instalment
- C. buyers own the goods on paying the first instalment
- D. purchases are made from hire premises

Answer: B. seller retains the goods until payment of the last instalment

Reason: In hire purchase, ownership remains with the seller until the buyer completes all instalment payments.

(ii) A principle of INDEMNITY means

- A. the insurance should claims damages from third parties
- B. the insured should not profit out of the insurance
- C. the insured should have insurable interest
- D. all matters related to insurance must be discharged

Answer: B. the insured should not profit out of the insurance

Reason: The principle of indemnity ensures compensation is only to restore loss, not to profit.

(iii) A mutual agency relationship exists in a business in which:

- A. all partners are enjoying limited liability
- B. no one partner has mutual liability
- C. no one partner has mutual liability
- D. one or more partners are general partners and liable for all the debts of the partnership

Answer: D. one or more partners are general partners and liable for all the debts of the partnership

Reason: In mutual agency, partners can bind each other, especially general partners.

(iv) Hedging is meant for:

- A. avoiding import duties
- B. reducing gains from price changes

- C. reducing distress to bond owners
- D. re-exporting importer's goods

Answer: B. reducing gains from price changes

Reason: Hedging is used to minimize risks of loss due to fluctuating prices.

(v) Which one of the following document must be completed by an importer when clearing goods before customs officer?

- A. Bill of sale
- B. Bill of lading
- C. Bill of entry
- D. Bill of sight

Answer: C. Bill of entry

Reason: Bill of entry is prepared by an importer to declare goods for customs clearance.

(vi) A basic feature of all mail order business is that:

- A. goods are sold through retailers
- B. customers must pay deposits
- C. customers order goods directly by post
- D. customers must collect goods from shops

Answer: C. customers order goods directly by post

Reason: Mail order business is based on direct ordering without physical contact with shops.

(vii) A trader hiring a ship for a single journey will take:

- A. time charter
- B. voyage charter
- C. charter by demise
- D. ships contract

Answer: B. voyage charter

Reason: Voyage charter refers to hiring a ship for a single journey.

(viii) Which of the following statements is FALSE?

- A. Commercial services add value to products
- B. Every type of production requires commercial services
- C. If there were no commercial services, no goods would be produced
- D. Commercial services continue long until the manufacturing process has been completed

Answer: C. If there were no commercial services, no goods would be produced

Reason: Goods can be produced without commercial services, but commerce aids in distribution and efficiency.

(ix) The voting rights of the shareholders are contained in the

- A. prospectus
- B. articles of Association
- C. annual general meeting
- D. memorandum of Association

Answer: B. articles of Association

Reason: Articles of association contain rules governing rights of shareholders including voting rights.

(x) Containerization is the method of:

- A. attractive packing of goods
- B. preparation of goods for deeper storage
- C. standard packing of transport units
- D. selling of pre-packed goods at a supermarket

Answer: C. standard packing of transport units

Reason: Containerization refers to standardized units for transporting goods efficiently.

2. Select the relevant corresponding item from Group A which matches with each of the explanations from Group B and write the answer booklet provided.

Group A

Coastal shipping, branded goods, treasury bills, bull, estimated credit, legal tender, buyer market, broker, prospectus, bond.

Group B

- (i) — acknowledgement of short term borrowing by the government in the form of a document.
- (ii) — the document used to attract subscribers of shares of a company.
- (iii) — stock exchange dealer in stocks.
- (iv) — one who negotiates the transactions between buyers and sellers.
- (v) — bear a distinctive trade name for identification.
- (vi) — these are those ships that sail from one port to another along the seashores.
- (vii) — means of payment which is acceptable, the term also describes the price invited or offered in the case of a takeover of a company.
- (viii) — a fair where shops or people usually set up outside towns with good road access and car parks to sell new and sometimes re-sale facilities and both buy and sell items.
- (ix) — buyer pays a deposit and then monthly instalments continue, while goods become property of the buyer.
- (x) — coins and bank notes of a country authorized to be used and legally accepted in payment for debts.

Answers:

- (i) Treasury bills
- (ii) Prospectus
- (iii) Bull
- (iv) Broker
- (v) Branded goods
- (vi) Coastal shipping
- (vii) Bond
- (viii) Buyer market
- (ix) Estimated credit
- (x) Legal tender

3. Write short notes on the following:

(a) **FOB price**

FOB means Free on Board price. It is the price of goods including all costs up to the point when the goods are loaded onto a ship at the port of shipment. It excludes costs of insurance and freight after loading. The buyer bears all risks and costs after the goods are on board.

(b) **Discount store**

A discount store is a type of retail outlet that sells goods at lower prices than typical retail prices. It often sells in bulk or at reduced profit margins to attract customers. These stores usually stock consumer goods such as groceries, clothing, and electronics.

(c) **Ex-ship**

Ex-ship is a delivery term where the seller is responsible for delivering goods to the port of destination. The seller bears all costs and risks until the goods are unloaded from the ship at the destination port. The buyer takes responsibility once the goods are unloaded.

(d) **Automatic vending**

Automatic vending is a method of selling goods through machines. Customers insert money or use cards to receive goods like snacks, beverages, or tickets. It reduces the need for sales personnel and is often placed in public areas for convenience.

(e) **Participating preference shares**

Participating preference shares are a type of preference shares that entitle holders to receive a fixed dividend and, in addition, share in extra profits with ordinary shareholders. They combine features of both preference and equity shares.

4. What is a retailer's mark-up?

Mr. Nakaubi buys an article for Sh. 16,000. He wishes to make a gross profit of 30%. His indirect expenses are expected to be 15% of the gross profit. Calculate:

(i) **Selling price**

Cost price = 16,000

Gross profit = 30% of 16,000 = $0.3 \times 16,000 = 4,800$

Selling price = Cost price + Gross profit = $16,000 + 4,800 = 20,800$

(ii) Mark-up percentage

$$\begin{aligned}\text{Mark-up \%} &= (\text{Gross profit} \div \text{Cost price}) \times 100 \\ &= (4,800 \div 16,000) \times 100 \\ &= 30\%\end{aligned}$$

(iii) Gross profit

$$\text{Gross profit} = 4,800$$

(iv) Expenses

$$\text{Expenses} = 15\% \text{ of Gross profit} = 0.15 \times 4,800 = 720$$

(v) Net profit

$$\begin{aligned}\text{Net profit} &= \text{Gross profit} - \text{Expenses} \\ &= 4,800 - 720 = 4,080\end{aligned}$$

5. (a) Define the term office.

An office is a place or department within an organization where administrative, clerical, and managerial work is carried out. It serves as the center for communication, record keeping, and coordination of business activities.

(b) Mention and explain the functions of a modern office.

One function of a modern office is communication. Offices handle communication within and outside the organization through letters, emails, telephones, and reports.

Another function is record keeping. Offices maintain accurate records of transactions, employees, and finances for reference and legal purposes.

A third function is coordination. The office coordinates different departments by providing information and instructions necessary for smooth operations.

A fourth function is control. Offices provide management with data to monitor performance and ensure resources are used effectively.

Another function is decision-making support. Offices supply processed information that helps managers in planning and making sound decisions.

6. Explain the advantages and disadvantages of credit sales to a customer.

One advantage of credit sales is that it enables customers to obtain goods even when they do not have immediate cash, allowing them to meet urgent needs.

Another advantage is convenience, as it allows customers to spread payments over time, reducing financial pressure.

A disadvantage is that customers may overspend beyond their income, leading to indebtedness.

Another disadvantage is the possibility of paying higher prices when interest or charges are included in credit terms.

It may also affect a customer's creditworthiness if they fail to pay on time, reducing their chances of future credit.

7. (a) Define a commercial bank.

A commercial bank is a financial institution that accepts deposits from the public and provides loans for business and personal use, aiming to make a profit mainly through interest and service charges.

(b) Explain three sources of a commercial bank's profits.

One source of profit is interest earned on loans given to individuals, businesses, and organizations. Banks charge higher interest on loans than they pay on deposits, creating profit.

Another source is fees and commissions. Banks charge fees for services like issuing bank drafts, money transfers, and ATM usage.

A third source is investments. Banks invest in government securities, bonds, and other ventures, earning returns that contribute to profits.

8. Explain how the government is involved in commerce.

The government is involved in commerce by providing infrastructure such as roads, railways, ports, and communication networks, which facilitate the movement of goods and services.

It also participates through regulation. The government makes laws and policies to ensure fair trade practices, consumer protection, and safety standards.

Another involvement is provision of financial institutions. The government establishes banks, insurance companies, and cooperatives to support trade.

The government also promotes foreign trade by signing trade agreements and encouraging exports.

In addition, it may provide subsidies or incentives to support industries and improve commerce.

9. What is a joint stock company?

A joint stock company is a type of business organization owned by shareholders who invest capital in the form of shares. Profits are shared in proportion to the number of shares held.

Outline four advantages and disadvantages of a joint stock company.

One advantage is that it has limited liability, meaning shareholders risk only the money invested in shares.

Another advantage is that it can raise large amounts of capital by issuing shares to the public.

It also has continuity since the company exists independently of its owners, even after shareholders die or sell shares.

A fourth advantage is that it enjoys public confidence due to legal regulations and audits.

One disadvantage is that formation involves complex legal procedures, which can be expensive and time-consuming.

Another disadvantage is that decisions may be slow due to bureaucracy and the involvement of many shareholders.

A third disadvantage is that profits are shared among many shareholders, which reduces individual returns.

A fourth disadvantage is that it is subject to heavy taxation compared to other forms of businesses.