

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

061

COMMERCE

(For Both School and Private Candidates)

Time: 2:30 Hours

ANSWERS

Year: 2003

Instructions

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

maktaba.tetea.org



1. For each of the items (i) - (x), choose the correct answer from among the given alternatives and write its letter beside the item number.

(i) The main objective of commerce is to:

- A. enable consumers to buy goods
- B. enable traders to earn profit
- C. bridge the gap between producers and consumers
- D. help manufacturers to produce goods for use
- E. satisfy human needs

C

Reason: Commerce primarily aims to bridge the gap between producers and consumers by facilitating the exchange, distribution, and availability of goods and services through activities like trade, transport, and warehousing.

(ii) Communication may be defined as:

- A. the process of delivering goods through post office
- B. any process that involves passage of goods from the seller to the buyer
- C. passage or transfer by using any media with the intention of getting positive response from the recipient
- D. the passage or transfer of message by using post office with the intention of getting positive response from the recipient
- E. advertising goods using newspapers alone

C

Reason: Communication involves the transfer of messages or information through various media (e.g., phone, email) with the intent of receiving a response, not limited to specific methods like post offices or advertising.

(iii) Which one of the following is not an advantage of indirect taxation?

- A. tax evasion is difficult
- B. cost of collection is relatively easy
- C. the tax may be shifted to the people not intended to pay for it
- D. the tax payer does not feel the burden directly
- E. those with small incomes can be reached

C

Reason: Indirect taxation (e.g., VAT) has advantages like difficulty in evasion, low collection costs, and reaching small income earners. However, the ability to shift the tax burden to unintended payers (e.g., consumers instead of businesses) is a disadvantage, as it may lead to inequity.

(iv) A favourable balance of trade means:

- A. a country's value of exports exceed its value of imports within a specific year
- B. a country's value of imports exceed the value of exports within a specific year
- C. excess in the growth of value of goods produced in a specific year compared with the previous year
- D. more traders have moved in the country in the specific year compared with the previous year
- E. more goods were registered to be exported in a specific year than in the previous year

A

Reason: A favourable balance of trade occurs when a country's visible exports exceed its visible imports in value over a specific period, indicating a trade surplus.

(v) Which of the following is an example of tertiary production?

- A. Road construction
- B. School teacher
- C. Agriculture
- D. Production of foods for household use
- E. Manufacturing goods for exchange

B

Reason: Tertiary production involves providing services. A school teacher provides educational services, which is tertiary. Agriculture (primary), manufacturing (secondary), and road construction (secondary) involve producing goods or infrastructure.

(vi) Profit margin is:

- A. net profit
- B. stock turn
- C. difference between selling price and cost price of goods sold
- D. net profit divided by average stock
- E. gross profit divided by sales

E

Reason: Profit margin is the ratio of gross profit to sales, expressed as a percentage: $(\text{Gross Profit} / \text{Sales}) \times 100$. It measures profitability relative to sales revenue.

(vii) A retailer does not perform the activity of:

- A. changing the form of goods
- B. storage of goods
- C. advising his customers
- D. offering credit to customers
- E. buying the goods from wholesalers

A

Reason: Retailers buy, store, offer credit, and advise customers, but they do not change the form of goods (e.g., manufacturing or processing), which is typically a producer's role.

(viii) A proforma invoice is:

- A. an enquiry
- B. an order
- C. a quotation
- D. a receipt
- E. a cheque

C

Reason: A proforma invoice is a preliminary document sent to a buyer, acting as a quotation that outlines the price, quantity, and terms of goods before a formal sale, often used in international trade.

(ix) In warehousing "WARRANT" implies:

- A. evidence document of releasing goods in the warehouse
- B. a document of receiving and releasing goods in the warehouse
- C. practical application of the duty utmost good faith
- D. both evidence of releasing and practical application of the duty of utmost good faith
- E. a document of receiving goods at the Railway warehouse

A

Reason: A warehouse warrant is a document that serves as evidence of ownership and allows the holder to release goods from the warehouse, often used as a negotiable instrument in trade.

(x) Which of these is not a function of the Bank of Tanzania?

- A. It is the sole currency issuing authority
- B. It advises the government on financial matters
- C. It acts as a banker to commercial banks
- D. It provides assistance to the export trade
- E. It provides banking facilities to parastatal bodies

D

Reason: The Bank of Tanzania issues currency, advises the government, acts as a banker to commercial banks, and provides facilities to parastatals. However, directly assisting export trade is not a core function; that's typically handled by trade boards or export agencies.

2. Match the items in list A with the responses in list B by writing the letter of the corresponding response beside the item number.

LIST A	LIST B
(i) Changing raw materials into finished goods	O. Production
(ii) A means by which an importer obtains credit and exporter gets assurances of payment due to him	M. Letter of credit
(iii) The management of stocks in a warehouse so that the goods are available when required	G. Management of stock
(iv) A document which acts as the title of ownership to goods as well as an acknowledgement for imported goods	B. Bill of lading
(v) Implies the situation of fulfillment of a need to get the right item	H. Utility
(vi) A word used to a wholesaler with large warehouses operating on a very large scale like a country	A. National wide wholesaler
(vii) Loans made to a company which carries a fixed rate of interest	K. Debentures
(viii) A periodical valuing of all goods on hand	I. Stock taking
(ix) Protection against price fluctuation and a buyer guaranteed a certain quantity at a fixed price at the future rate	E. Hedging
(x) Shops which sell the products of a particular manufacturer	D. Tied shop

Answers

LIST A	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
LIST B	O	M	G	B	H	A	K	I	E	D

SECTION B

3. Write short notes on the following:

- (a) **Credit instruments:** Financial documents used to facilitate credit transactions, e.g., bills of exchange, promissory notes, and cheques, which allow deferred payments and assure sellers of payment.
- (b) **Stock control:** The process of managing inventory levels to ensure goods are available when needed, minimizing overstocking or stockouts, e.g., using reorder levels and stock-taking to monitor goods.
- (c) **Price elasticity of supply:** A measure of how responsive the quantity supplied is to a change in price,

calculated as (% change in quantity supplied) / (% change in price), e.g., if price doubles and supply triples, supply is elastic.

(d) **Partnership deed:** A legal agreement between partners outlining the terms of the partnership, including profit-sharing, roles, capital contributions, and dispute resolution, ensuring clarity and preventing conflicts.

(e) **Principles of taxation:** Guidelines for a fair tax system (per Adam Smith), including equity (tax based on ability to pay), certainty (clear rules), convenience (easy to pay), and economy (low collection costs).

4. Explain briefly the functions of the Board of External Trade (BET).

The Board of External Trade (BET) in Tanzania:

(i) **Promotes exports:** Facilitates the export of Tanzanian goods by identifying markets and providing support, e.g., promoting coffee exports.

(ii) **Market research:** Conducts studies to identify global demand and opportunities for Tanzanian products.

(iii) **Trade fairs and exhibitions:** Organizes events to showcase Tanzanian goods, attracting foreign buyers.

(iv) **Advises government:** Provides recommendations on trade policies to enhance external trade.

(v) **Supports exporters:** Offers training, financial assistance, and logistics support to exporters to improve competitiveness.

5. Study the schedule below:

Demand in kg: 200 400 600 800 1000

Price in Shs per kg: 100 80 60 40 20

Supply in kg: 1000 800 600 400 200

(a) **From the above information calculate the price elasticity of demand when price changes from Shs. 40 per kg to Shs. 20 per kg.**

Price: 40 Shs. → 20 Shs., Demand: 800 kg → 1000 kg.

Price Elasticity of Demand (PED) = (% change in quantity demanded) / (% change in price)

% change in quantity demanded = $[(1000 - 800) / 800] \times 100 = 25\%$

% change in price = $[(20 - 40) / 40] \times 100 = -50\%$

PED = $25 / (-50) = -0.5$ (absolute value = 0.5)

Answer: 0.5

(b) **State whether the price elasticity of demand is elastic or unitary. Give reasons for your answer.**

The price elasticity of demand is **inelastic**.

Reason: $PED = 0.5 < 1$, meaning demand is inelastic. A 50% decrease in price leads to only a 25% increase in quantity demanded, indicating that demand is not very responsive to price changes, possibly due to the necessity of the good or lack of substitutes.

6. Differentiate:

(a) A cooperative organization from a partnership:

- A cooperative is owned by members who share a common goal (e.g., farmers' cooperative), with democratic control (one member, one vote) and profits distributed as dividends based on participation.
- A partnership is a business owned by 2–20 partners, with profits shared as per the partnership deed, and decision-making is typically mutual, but liability is often unlimited for general partners.

(b) Visible trade from invisible trade:

- Visible trade involves the import and export of tangible goods, e.g., exporting coffee or importing cars, recorded in the balance of trade.
- Invisible trade involves the exchange of intangible services, e.g., tourism, banking, or insurance services, recorded in the balance of payments but not as physical goods.

7. (a) Define money

Money is anything that is generally accepted as a medium of exchange for goods and services and for the settlement of debts in a given economy. It is used to measure the value of goods and services, store wealth, and facilitate trade by removing the limitations of barter, where two parties must have exactly what the other wants.

(b) Explain five qualities of good money

Good money should have durability. This means it must last for a long time without losing its form or value. Items like salt, animals, or perishable crops cannot serve effectively as money because they spoil or deteriorate quickly.

It must possess portability. A good form of money should be easy to carry and transfer from one place to another. This is why metallic coins and paper notes became popular, as they can be transported conveniently during trade.

Another important quality is divisibility. Money should be capable of being divided into smaller units to enable the purchase of goods and services of different values. This ensures that small and large transactions can be carried out with ease.

Recognizability is also essential. Good money should be easy to identify, distinguish, and verify to prevent the circulation of counterfeits. People must trust that what they are receiving is genuine and accepted widely within the economy.

Lastly, stability in value is a key feature of good money. It should not fluctuate rapidly in value as this would cause uncertainty in the economy. Stable money ensures fair pricing, planning, and confidence in financial transactions.

8. (a) Define the term hyper-market

A hyper-market is a large retail shopping center that combines a supermarket and a department store under one roof. It sells a wide variety of products including food, clothing, electronics, furniture, and household goods, usually at competitive prices. Hyper-markets offer self-service shopping and are often located in areas with sufficient space for parking and easy access.

(b) Outline advantages of hyper-market

Hyper-markets provide customers with a wide range of products in one location, saving time and effort that would otherwise be spent moving between multiple shops. This convenience makes shopping easier for customers.

Prices in hyper-markets are generally lower compared to small shops. Due to bulk buying and direct dealings with manufacturers, hyper-markets can offer discounts and special promotions, making them affordable for consumers.

They offer modern shopping facilities, including trolleys, air conditioning, parking spaces, and sometimes entertainment areas. These additional services improve the shopping experience for customers.

Another advantage is employment creation. Hyper-markets require large numbers of staff for operations such as stocking, cash handling, security, and customer care, thereby providing job opportunities to the community.

Lastly, hyper-markets promote competition and efficiency in the retail sector. Their presence often forces smaller shops to improve their services, product quality, and pricing strategies to remain in business.

9. (a) What is management?

Management is the process of planning, organizing, leading, and controlling the use of resources to achieve specific organizational goals efficiently and effectively. It involves coordinating human, financial, and physical resources in a way that ensures the desired outcomes are accomplished within the set time and budget.

(b) State and explain five basic functions of management

Planning is the first function of management, involving setting objectives and determining the best course of action to achieve them. It acts as a roadmap for the organization's activities.

Organizing is the next function, where management arranges resources and tasks in a structured way to implement the plan. This includes assigning responsibilities and establishing authority.

Leading or directing is about guiding, motivating, and supervising employees to perform their duties effectively. It ensures that people remain focused and enthusiastic in working toward organizational goals.

Controlling involves monitoring activities to ensure they are progressing as planned. If deviations occur, corrective measures are taken to bring operations back on track.

Lastly, coordinating ensures that all departments and activities within the organization work together harmoniously. It promotes teamwork and prevents conflicts or duplication of efforts.

(c) Outline two management problems from shareholders

One problem is pressure for short-term profits. Shareholders often demand immediate financial returns, which may force managers to focus on profit-making instead of long-term growth and sustainability.

Another issue is interference in management decisions. Some shareholders may try to influence operational matters, leading to conflicts and undermining the authority of the management team, affecting smooth business operations.

10. Outline the main advantages of containerization

Containerization simplifies the loading, unloading, and handling of goods. Since goods are packed into large, standardized containers, it reduces the time and labor needed at ports, thereby lowering operational costs.

It enhances the security of goods during transportation. Containers are sealed and locked, protecting items from theft, damage, or tampering while in transit.

The method allows for easy transfer of goods between different modes of transport such as ships, trains, and trucks without unloading the cargo. This intermodal transport increases efficiency in logistics.

Containerization also reduces the chances of damage to goods. The use of secure, weatherproof containers ensures that fragile and valuable items are well-protected throughout the journey.

Lastly, it supports bulk transportation, enabling large quantities of goods to be moved at once. This reduces the number of trips required and cuts down transportation expenses for businesses engaged in international trade.