

**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: 2005**

**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).

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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) Which of the following commercial transactions of a wholesaler is not commercial deal?

- A. selling goods for cash
- B. paying wages to his employees
- C. dismissing one of his employees
- D. buying goods on credit
- E. storing goods in the warehouse

**C**

**Reason:** A commercial deal involves transactions directly related to buying, selling, or handling goods (e.g., selling for cash, buying on credit, storing goods). Dismissing an employee is a personnel management action, not a commercial transaction.

(ii) Which of the following is a tertiary production?

- A. Oil refining and textile mills
- B. Doctors and mining
- C. Railway construction, export and transport
- D. Teacher and banking
- E. Road construction and manufacturing industries

**D**

**Reason:** Tertiary production involves services, not the production of goods. Teachers provide education services, and banking offers financial services, both of which are tertiary. Options A, B, C, and E include primary (mining) or secondary (oil refining, textile mills, manufacturing) activities.

(iii) The consequence of devaluation is:

- A. fall in export prices, which improves balance of payment
- B. rise in export prices, which decreases balance of payment
- C. rise in export prices, which improves balance of trade
- D. fall in export price, which leads to dead weight
- E. rise in import price, which encourages investors

**A**

**Reason:** Devaluation makes a country's currency cheaper, lowering export prices in foreign markets (making exports more competitive) and raising import prices. This can improve the balance of payments by increasing export revenue and reducing import demand.

(iv) Anna's stock on 1 January 2002 was Shs. 45,000. At the end of June 2002 and December 2002 her stocks were valued at Shs. 38,000 and Shs. 25,000 respectively. Her rate of stock turn was 10. The cost of goods sold by her will be Shs.:

- A. 350,000
- B. 360,000
- C. 720,000
- D. 540,000
- E. 300,000

**B**

**Reason:** Rate of stock turnover = Cost of Goods Sold (COGS) / Average Stock.

Average Stock = (Opening Stock + Stock at June + Closing Stock) / 3 = (45,000 + 38,000 + 25,000) / 3 = 108,000 / 3 = 36,000 Shs.

Rate of stock turn = 10 (given).

COGS = Rate of stock turn  $\times$  Average Stock =  $10 \times 36,000 = 360,000$  Shs.

(v) The kind of leadership which involves very few people in planning, decision making and implementation is referred to as:

- A. Authoritarian
- B. laissez-faire
- C. autocratic
- D. participatory
- E. positive

**C**

**Reason:** Autocratic leadership involves centralized decision-making where the leader makes decisions with little input from others, unlike participatory (involving many) or laissez-faire (minimal leader involvement).

(vi) Aids to trade may be defined as the activities aimed at:

- A. assisting the consumer directly
- B. making easy the work of those involved in manufacturing of essential goods
- C. helping traders in their business
- D. bridging the gap between the producer and the consumer
- E. involving all activities in the production process

**C**

**Reason:** Aids to trade (e.g., banking, insurance, transport) are services that support traders by facilitating their business operations, such as financing, risk management, and logistics, directly helping traders.

(vii) The means of transmitting information electronically is called:

- A. ex-communication
- B. telecommunication
- C. website
- D. satellite
- E. E-mail

**B**

**Reason:** Telecommunication refers to the electronic transmission of information (e.g., via telephone, internet), encompassing methods like email (E) and satellite (D), but it's the broader term.

(viii) If a cheque bears an ordinary crossing it implies that the cheque can be:

- A. deposited in the named payee's account with the bank
- B. deposited in the bank account of the payee
- C. cashed at the bank counter
- D. endorsed to anyone abroad
- E. cashed at any bank within the country

**B**

**Reason:** An ordinary crossing (two parallel lines) on a cheque means it can only be deposited into a bank account, typically the payee's, and cannot be cashed at the counter, ensuring safer transactions.

(ix) Vessels which do not operate on fixed routes and have no fixed advertised times of sailing are known as:

- A. conference vessels

- B. liners
- C. barges
- D. tramps
- E. MV Victoria

**D**

**Reason:** Tramps are ships that do not follow fixed routes or schedules, sailing wherever cargo is available, unlike liners (fixed routes) or conference vessels (part of a shipping agreement).

(x) The action through which a retailer discovers information about the needs of his customers is known as:

- A. marketing survey
- B. market study
- C. market survey
- D. marketing study
- E. market discovery

**C**

**Reason:** A market survey is the process retailers use to gather information about customer needs and preferences, often through questionnaires or observations, to inform business decisions.

2. Match the item 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) The remuneration received by an agent for services rendered	F. Commission
(ii) A retail outlet controlled by manufacturing deal with selling only one type of a product	I. Tied shop
(iii) A partner who does not participate (inactive) in the day to day decision making concerning running of the business	G. Dormant partner
(iv) A document which shows the country in which an imported product has been manufactured	K. Certificate of origin
(v) A tax imposed on home produced goods	B. Excise duty
(vi) The most essential characteristic of money	D. Acceptability
(vii) A minimum number of persons, who must, by government regulations, be present at a meeting before its proceedings can be legally accepted	T. Quorum
(viii) A place in harbour where ships are loaded, unloaded and sometimes repaired	C. Dock
(ix) A continuing rise in the general level of prices and the consequent fall in the purchasing power	A. Inflation
(x) A system in credit trading whereby the article becomes the property of the deposit paid	J. Deferred payment

**Answers**

LIST A	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
LIST B	F	I	G	K	B	D	T	C	A	J

3. Write short notes on the following:

- (a) **Entrepot trade:** The practice of importing goods into a country and re-exporting them, often with minimal processing, e.g., a port like Dar es Salaam importing electronics and re-exporting them to neighboring countries.
- (b) **Dumping:** Selling goods in a foreign market at a price below their production cost or domestic price to capture market share, often criticized as unfair competition, e.g., cheap imported textiles flooding Tanzanian markets.
- (c) **Joint demand:** Demand for two or more goods that are used together, where the demand for one depends on the other, e.g., cars and fuel—buying a car increases fuel demand.
- (d) **Price list:** A document detailing the prices of goods or services offered by a business, often used by wholesalers or retailers to inform customers, e.g., a hardware store's price list for tools.
- (e) **Bonded warehouse:** A secure storage facility where imported goods are stored without paying customs duties until they are cleared for domestic use or re-exported, e.g., used for imported cars in Tanzanian ports.

4. State three (3) advantages and two (2) disadvantages of hire purchase to the hirer and to the seller.

**Hirer (Buyer):**

Advantages:

- (i) **Access to goods:** The hirer can use the goods immediately without paying the full price upfront, e.g., buying a fridge on installments.
- (ii) **Flexible payments:** Payments are spread over time, making expensive items affordable, e.g., monthly payments for a car.
- (iii) **Ownership at the end:** The hirer gains ownership after completing payments, securing the asset for long-term use.

Disadvantages:

- (i) **Higher cost:** The total amount paid is higher due to interest charges, e.g., paying more for a TV than its cash price.
- (ii) **Risk of repossession:** If the hirer defaults on payments, the seller can repossess the goods, losing both the item and payments made.

**Seller:**

Advantages:

- (i) **Increased sales:** Hire purchase encourages more customers to buy expensive goods, boosting sales, e.g., more furniture sales.
- (ii) **Profit from interest:** The seller earns additional income from interest charges on the installments.

(iii) **Security:** The seller retains ownership until full payment, reducing the risk of loss if the buyer defaults.

Disadvantages:

(i) **Risk of default:** The seller faces the risk of the buyer failing to pay, requiring costly repossession efforts.

(ii) **Delayed cash flow:** The seller receives payments over time rather than upfront, which may affect liquidity for other business needs.

5. Differentiate between the following:

(a) **Credit note and a debit note:** A credit note is issued by a seller to a buyer to reduce the amount owed, often due to returns or overcharges, e.g., returning defective goods. A debit note is issued by a buyer to a seller to increase the amount owed, often for undercharges or additional goods received, e.g., correcting an invoice error.

(b) **Cash discount and trade discount:** A cash discount is a reduction offered to encourage early payment within a specified period, e.g., 5% off if paid within 10 days. A trade discount is a reduction given at the time of purchase, often based on the buyer's status or order size, e.g., 20% off for wholesalers buying in bulk.

6. Cletus Hezekiah bought a good for Shs. 20,000 and sold it at Shs. 25,000.

Calculate:

(a) **His profit margin**

Profit = Selling Price - Cost Price = 25,000 - 20,000 = 5,000 Shs.

Profit Margin = (Profit / Selling Price)  $\times$  100 = (5,000 / 25,000)  $\times$  100 = 20%.

**Answer:** 20%

(b) **Mark up price**

Mark-up = (Profit / Cost Price)  $\times$  100 = (5,000 / 20,000)  $\times$  100 = 25%.

(Note: The question likely intended "mark-up percentage," as "mark-up price" isn't a standard term. If it meant the profit amount, it would be 5,000 Shs.)

**Answer:** 25%

## **7. Why does Tanzania import goods from other countries?**

Tanzania imports goods from other countries to access products that are not locally available. Some raw materials, machines, fuel, or specialized goods are not produced within the country due to lack of technology, natural resources, or expertise, so they must be sourced from outside.

Imported goods often help fill the gap in local production. For instance, if domestic industries cannot produce enough food, clothes, or electronics to meet the growing population's needs, imports become necessary to ensure supply meets demand.

Sometimes, imported goods are cheaper or of better quality than locally produced ones. This can be due to economies of scale or advanced technology in other countries, making it more affordable or convenient for Tanzanians to buy foreign products.

Tanzania also imports to promote industrial growth. Industries that depend on foreign raw materials, spare parts, or semi-processed goods rely on imports to maintain production, which in turn boosts local employment and development.

Additionally, importing promotes international relationships and trade cooperation. By participating in global trade, Tanzania benefits from regional and international agreements, which can lead to foreign investments, aid, and diplomatic ties.

## **8. (a) What is the importance of communication in trade?**

Communication is crucial in trade because it allows sellers and buyers to exchange information quickly and accurately. This includes negotiating prices, placing orders, giving feedback, and resolving complaints.

It helps build trust and long-term relationships between businesses, customers, and suppliers. Good communication ensures transparency and reduces misunderstandings or conflicts in transactions.

Effective communication also plays a role in marketing and advertising, which are essential for promoting products, attracting customers, and increasing sales in a competitive market.

In trade logistics, communication is important for coordinating transport, tracking shipments, and managing delivery times. It helps reduce delays and ensures customer satisfaction.

Finally, communication supports decision-making. Business owners and managers rely on accurate and timely communication to plan, strategize, and respond to market changes effectively.

**(b) Explain briefly four barriers to effective communication**

One barrier is language differences. When people involved in a business transaction do not speak or understand the same language, it can lead to confusion and misinterpretation of messages.

Another barrier is poor listening. Even if the message is clear, failure to listen attentively can lead to misunderstandings, mistakes, and delays in action.

Noise or distractions during communication, such as loud environments or technical issues in phone calls, can distort the message and make it hard to receive or interpret properly.

Cultural differences can also create barriers. What is polite or acceptable in one culture may be misunderstood or offensive in another, which can negatively affect business relationships.

**9. (a) What is a cheque?**

A cheque is a written and signed document that instructs a bank to pay a specified amount of money from the account of the person who writes it (the drawer) to another person or entity (the payee). It is a convenient way to make payments without using physical cash and can be used in business or personal transactions.

**(b) Outline the circumstances under which a cheque may be dishonoured**

A cheque may be dishonoured if there are insufficient funds in the drawer's account. If the account lacks the money needed to cover the payment, the bank will not process the cheque.

It may also be dishonoured if the drawer's signature does not match the one on record. Any mismatch in signature is treated as a possible fraud risk and leads to rejection.

If a cheque is post-dated and presented before the date written on it, the bank will refuse to honour it because the payment date has not yet arrived.

Cheques can also be dishonoured if they are stale. Most banks do not accept cheques that are older than six months from the date written on the cheque.



Lastly, any corrections or alterations made on a cheque without proper authentication may lead to dishonour. Banks treat such changes as suspicious and are cautious to avoid processing potentially fraudulent cheques.

## **10. Explain the procedure of taking out an insurance cover**

The first step in taking out insurance is to identify the type of risk you want to cover, such as life, health, car, or property. This helps determine which insurance product is most suitable for your needs.

Next, you must choose an insurance company and request a proposal form. The proposal form collects personal details and specific information about the item or person to be insured.

After completing the proposal form, the insurance company will assess the risk involved. This process is called underwriting, and it helps the insurer decide on the premium to charge and whether to accept the risk.

Once the insurer approves the application and you agree to the terms, you pay the premium. This is the amount of money paid periodically (monthly, quarterly, or annually) for the insurance cover.

Finally, the insurance company issues a policy document. This document serves as a legal contract and provides the terms, conditions, and coverage details of the insurance agreement.