

**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 : 2006

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 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 activities is outside the study of commerce?

- A. Trade
- B. Banking
- C. Advertising
- D. Agriculture
- E. Warehousing

Answer: D. Agriculture

Reason: Commerce deals with activities related to trade and aids to trade, such as banking, warehousing, advertising, and insurance. Agriculture is a productive activity, not part of commerce.

(ii) The following may not be classified as variable costs of production:

- A. Fuel and building
- B. Wages and salaries of labour
- C. Cost of raw materials
- D. Cost of power supplies
- E. Prime costs

Answer: A. Fuel and building

Reason: Variable costs are costs that change with the level of output. Fuel, wages, raw materials, and power supplies vary, but building is a fixed cost.

(iii) Composite demand occurs where:

- A. A commodity, especially raw material, serves more than one purpose
- B. The demand for two commodities is linked together
- C. A commodity is demanded for itself but not for another
- D. The change in the demand for one commodity is the result of a change for another
- E. A change for one demand does not affect the other

Answer: A. A commodity, especially raw material, serves more than one purpose

Reason: Composite demand arises when one commodity is used for different purposes, such as milk being used for cheese, butter, and drinking.

(iv) An agent who is employed on commission in a Public Auction is called:

- A. Commission agent
- B. Auctioneer
- C. Forwarding agent
- D. Broker
- E. Factor

Answer: B. Auctioneer

Reason: An auctioneer sells goods in a public auction on behalf of the owner and earns commission.

(v) Which of the following statements best describes a progressive taxation?

- A. It is a progressive income tax in which higher income earners than a flat-rate tax
- B. It is a progressive income tax, which falls more heavily on people with low incomes than those with high incomes
- C. It is a progressive taxation in which the rate of tax increases as income increases
- D. It is a progressive taxation in which the rate of tax is equal regardless of income
- E. It is a progressive taxation in one, which falls more heavily on importers of motor vehicles

Answer: C. It is a progressive taxation in which the rate of tax increases as income increases

Reason: Progressive tax increases with income, so higher earners pay a higher proportion of tax.

(vi) The primary function of an entrepreneur is to:

- A. Undertake the production process
- B. Pay for land
- C. Bear the risk of uncertainty
- D. Pay for labour
- E. Pay for products

Answer: C. Bear the risk of uncertainty

Reason: An entrepreneur organizes factors of production and takes the risks of profit or loss.

(vii) A clearing house is:

- A. A place where representatives of various banks meet to discuss their mutual business interest
- B. A place where representatives of various banks meet to settle cheques drawn by their clients and deposited with other banks

- C. A place where banks meet on a daily basis and discuss the nation's affairs
- D. A place where a central bank controls its affairs for intelligent decisions
- E. An office where one can deposit money for safe custody

Answer: B. A place where representatives of various banks meet to settle cheques drawn by their clients and deposited with other banks

Reason: A clearing house is a central place for banks to exchange and settle cheques.

(viii) The most outstanding disadvantage of air transport is:

- A. Limited number of crew
- B. Frequent maintenance
- C. Limited carrying capacity
- D. High insurance rates
- E. The likelihood

Answer: C. Limited carrying capacity

Reason: Air transport is fast but cannot carry bulky or heavy goods compared to sea or land transport.

(ix) A quantitative restriction imposed on free flow of international goods is:

- A. Import quota
- B. Import export duty
- C. Import tariff
- D. Import agency
- E. Total ban

Answer: A. Import quota

Reason: An import quota restricts the number or value of goods allowed into a country.

(x) Money used to start a business is called:

- A. Interest
- B. Savings
- C. Loan
- D. Capital
- E. Profit

Answer: D. Capital

Reason: Capital refers to the initial money invested in starting a business.

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

LIST A

- (i) A place where goods are loaded and off loaded.
- (ii) An import duty calculated and levied according to the monetary value of goods imported.
- (iii) Traders sitting in a public place with goods such as minerals, cereals or paraffin and selling small pieces to the final buyers.
- (iv) An instruction given by a customer to the bank to pay a stated sum of money to another person.
- (v) Accounts prepared to show new shares when they were issued to members but the qualified ones did not take them up, so that they can be sold to stock brokers at a profit.
- (vi) An economic situation whereby prices of commodities keep on rising.
- (vii) A risk taker who combines other factors of production for profit.
- (viii) A document that shows ownership of goods in transit and enables the consignee to claim for them.
- (ix) An economic situation whereby prices of commodities keep on falling.
- (x) The business concerned with dealing of cheques and goods instead.

LIST B

- A. Barter trade
- B. Entrepreneur
- C. Bill of lading
- D. Letter of credit
- E. Import duty
- F. Advalorem duty
- G. Speculators
- H. Dock
- I. Terminal
- J. Road side traders
- K. Deflation
- L. Bonded warehouse

M. Inflation
N. Bank
O. Shares
P. Risk bearer
Q. Bulls
R. Bears
T. Standing order

Answers:

- (i) H
- (ii) F
- (iii) J
- (iv) T
- (v) O
- (vi) M
- (vii) B
- (viii) C
- (ix) K
- (x) A

3. Write short notes on the following:

(a) Invoice

An invoice is a commercial document issued by a seller to a buyer. It lists the products or services supplied, their quantities, prices, and the total amount due. It also includes details such as the seller's name, buyer's name, date of transaction, and payment terms. It serves as a request for payment and a record of the transaction.

(b) Letter of credit

A letter of credit is a written commitment issued by a bank on behalf of a buyer, guaranteeing payment to the seller upon fulfillment of specific conditions. It is often used in international trade to reduce risk, as it assures the seller that payment will be made once the required documents are presented, even if the buyer fails to pay.

(c) Drawee

A drawee is the party upon whom a bill of exchange is drawn and who is expected to make payment. For example, in a cheque transaction, the drawee is the bank that is directed to pay the stated amount to the payee. The drawee becomes legally bound to pay once the bill is accepted.

(d) Supplier

A supplier is an individual or business entity that provides goods or services to another business or customer. Suppliers play a vital role in the supply chain by ensuring the availability of raw materials, finished goods, or services needed for production and consumption. They establish contracts and agreements to ensure steady and reliable supply.

(e) Land

Land is one of the factors of production in economics. It refers not only to the physical ground but also to all natural resources found on or under it, such as minerals, forests, and water. Land is unique because it is a free gift of nature and cannot be produced by human effort. It is essential for agriculture, housing, industry, and infrastructure development.

4. Nipezede shop ordered school shirts for primary school pupils from a wholesaler supplier. It normally takes 10 days to receive a consignment from the date of sending an order.

The shop daily sales stand at 100 shirts and maintains a minimum stock of 200 shirts.

Calculate the shop's order point.

Order point = (Daily sales × Delivery period) + Minimum stock

Order point = (100 × 10) + 200

Order point = 1000 + 200

Order point = 1200 shirts

Therefore, the shop's order point is **1200 shirts**, meaning the shop should reorder when stock falls to this level.

5. Differentiate between the following:

(a) Direct tax and indirect tax

A direct tax is a tax imposed directly on an individual or organization's income or wealth and cannot be shifted to another person. Examples include income tax and corporate tax.

An indirect tax is a tax levied on goods and services and is paid indirectly through consumption. It can be passed from the producer or seller to the final consumer. Examples include value-added tax (VAT) and excise duty.

(b) Capital owned and capital employed

Capital owned refers to the owner's investment in a business. It is the amount of money contributed by the owner and retained earnings reinvested in the business.

Capital employed refers to the total resources used in running the business. It includes capital owned plus any borrowed funds, such as loans or overdrafts, making it broader than capital owned.

6. (a) Define partnership deed.

A partnership deed is a legal document that outlines the terms and conditions under which a partnership business operates. It specifies details such as the capital contributed by each partner, profit and loss sharing ratio, duties and responsibilities, procedures for admitting new partners, and dissolution of the partnership.

(b) Mention five contents of partnership deed.

The name of the partnership and the names of partners involved must be clearly stated.

The capital contribution of each partner should be included to show financial input.

The profit and loss sharing ratio should be outlined to avoid disputes.

The duties, rights, and responsibilities of each partner should be specified for smooth operation.

The procedures for admitting new partners or dissolving the partnership should be included to guide future actions.

7. (a) What is privatisation?

Privatisation is the transfer of ownership and control of enterprises or services from the government to private individuals or companies. It involves selling state-owned assets to private investors with the aim of improving efficiency, productivity, and profitability.

(b) Briefly explain any four (4) benefits and shortcomings of privatisation in Tanzania.

One benefit of privatisation is improved efficiency, as private owners are motivated by profit and therefore strive to reduce wastage and maximize productivity.

Another benefit is increased investment, because private companies often have better access to capital and technology, which can expand and modernize industries.

Privatisation also reduces the financial burden on the government by transferring the cost of running enterprises to private investors, allowing public funds to be directed to other essential services.

A further benefit is the improvement of quality of goods and services, since private owners compete to satisfy customers.

However, one shortcoming of privatisation is loss of government control over vital sectors, which can affect national interests.

Another shortcoming is job losses, because private owners often reduce the workforce to cut costs.

Privatisation may also lead to exploitation of consumers, as private companies may increase prices to maximize profits.

A final shortcoming is unequal distribution of wealth, since only a few wealthy individuals or foreign investors may afford to buy state-owned enterprises, creating inequality.

8. What are the factors that determine the effectiveness of transport?

One factor is the quality of infrastructure such as roads, railways, ports, and airports. Well-developed infrastructure ensures smooth movement of goods and people.

Another factor is the type of transport used, whether road, rail, water, or air, as each has different levels of speed, cost, and accessibility.

The efficiency of management and organization in the transport sector is also important. Effective management ensures punctuality, safety, and reliability.

Availability of modern technology such as computerized systems, GPS, and improved vehicles enhances efficiency in transport services.

Geographical factors, such as terrain, climate, and distance, influence the ease and cost of transport. Poor terrain and extreme weather conditions can hinder effectiveness.

Government policies and regulations, including taxes, tariffs, and maintenance strategies, also play a role in determining the quality and affordability of transport.

9. (a) Define warehousing.

Warehousing is the process of storing goods in a safe and organized manner until they are needed for use or sale. It involves maintaining goods in warehouses to ensure a regular supply, protect them from damage, and stabilize prices in the market.

(b) Discuss the importance of warehousing in commerce.

One importance of warehousing is that it ensures continuous supply of goods by storing surplus stock, which prevents shortages during off-seasons.

Another importance is protection of goods from theft, damage, and adverse weather conditions, as warehouses provide a safe environment.

Warehousing also helps in price stabilization by storing goods when supply is high and releasing them when supply is low, reducing fluctuations.

It provides facilities for processing, packaging, and grading goods before they are distributed to consumers or retailers.

Warehousing allows businesses to buy goods in bulk and store them, which reduces purchasing costs and increases profitability.

Additionally, warehouses act as financing centers since stored goods can be used as security for loans from banks.

10. Briefly explain the function of advertising.

One function of advertising is to inform consumers about the existence of a product or service. It creates awareness about new or improved goods.

Another function is to persuade consumers to buy a particular product by highlighting its unique features and benefits.

Advertising also reminds consumers about products they have used before, keeping the brand in their minds and encouraging repeated purchases.

It helps to promote sales by attracting new customers and increasing demand, which boosts revenue for producers.

Advertising contributes to building brand loyalty by establishing a strong image of the product in the market.

Finally, advertising helps in creating competition among producers, which leads to improvement in quality and reduction in prices.