

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: 2007 p.m.

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) Businessmen who do not have permanent business premises are called:

- A. itinerant traders
- B. gamblers
- C. brokers
- D. under winters
- E. retailers

A

Reason: Itinerant traders are businessmen without fixed premises, moving from place to place to sell goods, such as hawkers or street vendors.

(ii) A progressive tax is one:

- A. which is paid at each stage of manufacture or sale
- B. where the more wealthy you are, the more you pay
- C. which is paid by property developers
- D. where the rich pay a higher percentage than the poor
- E. which is lower when income is invested in new equipments

D

Reason: A progressive tax system imposes a higher tax rate (percentage) on higher income earners compared to lower income earners, e.g., income tax brackets where rates increase with income.

(iii) Import of foreign produced goods into a country for re-export is called:

- A. hypothecation
- B. balance of payment
- C. invisible trade
- D. entrepot trade
- E. import trade

D

Reason: Entrepot trade involves importing goods into a country and then re-exporting them, often after minor processing, e.g., a port like Singapore importing electronics and re-exporting them.

(iv) I bought 100 units of a certain commodity from Macha & Co. Ltd. The gross price is shs. 10 per item and trade discount is allowed at 20%. If I settle the debt within 30 days I will be allowed a cash discount of 4%. I intend to pay immediately. How much should I pay?

- A. 500
- B. 395
- C. 450
- D. 894
- E. 768

E

Reason: Gross price = 100 units \times 10 Shs. = 1,000 Shs.

Trade discount = 20% of 1,000 = 200 Shs.

Price after trade discount = 1,000 - 200 = 800 Shs.

Cash discount (for immediate payment) = 4% of 800 = 32 Shs.

Amount to pay = 800 - 32 = 768 Shs.

(v) The following are the factors which affect or influence demand:

- A. Weather
- B. Price of commodity
- C. Consumer's income

- D. Consumers taste and habit
- E. All of the above

E

Reason: Demand is influenced by multiple factors: weather (e.g., umbrellas during rain), price of the commodity, consumer income, tastes and habits, as well as other factors like prices of substitutes.

(vi) Auxiliary services may be defined as the activities aimed at:

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

B

Reason: Auxiliary services (e.g., banking, insurance, transport) support traders by facilitating their business operations, such as financing, risk management, and logistics.

(vii) The most essential characteristic of money is:

- A. acceptability
- B. portability
- C. divisibility
- D. durability
- E. scarcity

A

Reason: The most essential characteristic of money is general acceptability—people must accept it as a medium of exchange for it to function effectively in transactions.

(viii) Third party insurance indemnifies the insured against:

- A. one-third of any loss suffered by a group or party insured
- B. the insured person's first three claims only
- C. injuries to a maximum of three passengers in a car accident
- D. claims by the party suffering damage but not the insured person or his vehicle causing the damage
- E. the actual total loss to the third person only

D

Reason: Third-party insurance covers claims made by a third party for damages caused by the insured (e.g., in a car accident), but it does not cover the insured's own vehicle or personal damages.

(ix) Which of the following is not a function of a central bank?

- A. To issue notes and coins
- B. To operate the government's bank accounts
- C. To determine rates of taxation
- D. To assist the government in carrying out the monetary policy
- E. Lender of last resort

C

Reason: A central bank (e.g., Bank of Tanzania) issues currency, manages government accounts, implements monetary policy, and acts as a lender of last resort. Determining tax rates is a government fiscal policy function, not a central bank role.

(x) Certificate of incorporation is the certificate which is issued by the:

- A. Register Master
- B. Chamber of Commerce
- C. Registrar of companies
- D. Clearing agent

E. Co-operative society

C

Reason: The certificate of incorporation is issued by the Registrar of Companies upon successful registration of a company, confirming its legal existence as a separate entity.

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

LIST A	LIST B
(i) A condition whereby the volume of purchasing power is constantly running ahead of the output of goods and services	C. Hyper inflation
(ii) Is a document issued by the company as an evidence of debt	J. Debenture
(iii) Refer to the amounts owed to other people	E. Debts
(iv) Is the method which is used to stimulate the demand for the company's product	I. Sales promotion
(v) Is an informal way of borrowing from the bank for a short period	A. Overdraft
(vi) Is a framework within which people act as one body	N. Organization structure
(vii) Is exposing oneself to the possibility of a loss	K. Risk taking
(viii) Are those ships that sail from one port to another along the sea shore	G. Coastal shipping
(ix) Is the purchase or sale of goods today with delivery scheduled for sometime in the future	B. Hedging
(x) Is the acquisition of a benefit that will arise in the future	D. Goodwill

Answers

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

SECTION B

3. Write short notes on the following:

- (a) **I.O.U:** An I.O.U (I Owe You) is an informal written acknowledgment of a debt, stating the amount owed and often the debtor's promise to pay, but it is not a legally binding document.
- (b) **Bank overdraft:** A facility allowing a bank account holder to withdraw more money than is available in their account, up to an agreed limit, with interest charged on the overdrawn amount.
- (c) **Security:** An asset pledged by a borrower to a lender as a guarantee for a loan, which the lender can seize if the borrower defaults, e.g., a car title for a loan.
- (d) **Insurance policy:** A contract between an insurer and the insured, specifying the risks covered, premiums to be paid, and the compensation to be provided in case of a loss.
- (e) **Stock exchange:** A marketplace where securities (e.g., shares, bonds) are bought and sold, facilitating capital raising for companies and investment opportunities, e.g., Dar es Salaam Stock Exchange.

4. Distinguish between the following:

- (a) **Assurance and insurance:** Assurance covers events that are certain to happen, like death (e.g., life assurance), with a focus on long-term savings, while insurance covers uncertain events, like accidents (e.g., car insurance), focusing on risk protection.
- (b) **Ad-valorem duties and specific duties:** Ad-valorem duties are taxes based on the value of goods, e.g., 10% of the value of imported electronics, while specific duties are fixed amounts per unit, e.g., 500 Shs. per kilogram of sugar, regardless of value.

5. (a) **Define a cheque.**

A cheque is a written order from an account holder (drawer) to their bank to pay a specified sum of money to a named person or entity (payee) on demand or at a specified date.

(b) **Draft a cheque from the following data:**

(i) Drawer's name - Waziri John of Dodoma

(ii) Name of the bank - NBC Ltd Dodoma

(iii) Amount to be paid - Tshs. 50,000/=

(iv) Payee - Chausiku Mohamed of Dodoma

(v) Date - 10/11/2003

(vi) Account No. - 4615102

(vii) Cheque No. - A 201561

(viii) Make it an order and cross it specially.

Cheque Draft:

NBC Ltd Dodoma

Account No: 4615102

Cheque No: A 201561

Date: 10/11/2003

Pay Chausiku Mohamed of Dodoma or order the sum of
Tanzanian Shillings Fifty Thousand Only
Tshs. 50,000/=

Signature

Waziri John

[Special Crossing: "NBC Ltd Dodoma Only" with two parallel lines across the cheque]

Explanation: The cheque is an "order" cheque (payable to the named payee or their endorsed party) and specially crossed to NBC Ltd Dodoma, meaning it can only be paid through that specific bank branch.

6. Complete the following chart and show clearly the calculations.

	Average stock	Cost of sales	Net sales	Gross profit	Rate of stock turnover	Expenses	Net profit
A	35,000	210,000	265,000	(a)(i)	(a)(ii)	18,100	(a)(iii)
B	24,000	(b)(i)	(b)(i)	41,000	8	27,450	(b)(iii)
C	(c)(i)	240,000	(c)(ii)	(c)(iii)	10	26,600	23,400

Row A:

(a)(i) **Gross profit** = Net sales - Cost of sales = 265,000 - 210,000 = 55,000 Shs.

(a)(ii) **Rate of stock turnover** = Cost of sales / Average stock = 210,000 / 35,000 = 6 times.

(a)(iii) **Net profit** = Gross profit - Expenses = 55,000 - 18,100 = 36,900 Shs.

Row B:

(b)(i) **Cost of sales** = Rate of stock turnover × Average stock = 8 × 24,000 = 192,000 Shs.

(b)(i) **Net sales** = Cost of sales + Gross profit = 192,000 + 41,000 = 233,000 Shs.

(b)(iii) **Net profit** = Gross profit - Expenses = 41,000 - 27,450 = 13,550 Shs.

Row C:

(c)(i) **Average stock** = Cost of sales / Rate of stock turnover = 240,000 / 10 = 24,000 Shs.

(c)(iii) **Gross profit** = Net profit + Expenses = 23,400 + 26,600 = 50,000 Shs.

(c)(ii) **Net sales** = Cost of sales + Gross profit = 240,000 + 50,000 = 290,000 Shs.

Completed Chart:

	Average stock	Cost of sales	Net sales	Gross profit	Rate of stock turnover	Expenses	Net profit
A	35,000	210,000	265,000	55,000	6	18,100	36,900
B	24,000	192,000	233,000	41,000	8	27,450	13,550
C	24,000	240,000	290,000	50,000	10	26,600	23,400

7. (a) What is a cooperative society?

A cooperative society is a voluntary association of individuals who come together to achieve common social and economic objectives. These individuals pool their resources, skills, and efforts to provide services or market their products collectively, rather than working individually. The main aim of a cooperative society is not to make profits for a few owners, but to serve the interests and welfare of all its members equally.

(b) Mention and explain the principles of a cooperative society

One of the major principles of a cooperative society is voluntary and open membership. This means that anyone willing to join and abide by the rules of the cooperative can become a member, regardless of their race, gender, religion, or political beliefs. This principle promotes inclusivity and fairness among members.

Another important principle is democratic member control. In a cooperative, each member has an equal say in decision-making, regardless of the amount of capital they have invested. This ensures fairness and equal representation in all organizational matters, making the society member-owned and member-governed.

Member economic participation is also a key principle. Members contribute resources to the cooperative and democratically control how those resources are used. Any surplus or profit made by the cooperative is usually shared among members or reinvested in the cooperative for mutual benefit.

The principle of autonomy and independence ensures that cooperatives remain self-governed and free from external control. Even when they receive financial assistance or enter into agreements with other organizations, they maintain their independence in decision-making and management.

Lastly, education, training, and information is a vital principle. Cooperatives provide training and information to their members, leaders, and employees to enhance their skills and knowledge, ensuring they actively participate in the growth and sustainability of the society.

8. (a) Define international trade

International trade refers to the exchange of goods and services between countries across international borders. It allows nations to import products they lack and export those they can produce in surplus, enabling countries to access a wider variety of goods and services that may not be available locally.

(b) Outline four advantages of international trade

International trade enables countries to specialize in the production of goods and services in which they have a comparative advantage. This specialization leads to more efficient production and access to high-quality products at lower costs.

It also promotes the exchange of technology and skills. Through trade, less developed countries can access advanced machinery, technical expertise, and modern production techniques from developed nations, helping to improve their industries.

International trade expands markets for local producers. By exporting goods to foreign markets, producers can increase sales, boost profits, and create more job opportunities within their home country.

Lastly, it fosters international cooperation and peaceful relations. Through regular trade interactions, countries build economic ties and partnerships that promote mutual understanding and reduce the likelihood of conflicts.

9. (a) What is planning?

Planning is the process of setting objectives and determining the most appropriate course of action to achieve those objectives in the future. It involves identifying available resources, anticipating potential challenges, and outlining specific steps and strategies to accomplish desired goals within a set timeframe.

(b) Explain why planning is an important function of management

Planning provides direction for all activities within an organization. By setting clear goals and objectives, it ensures that every member of the organization knows what needs to be done and how to go about it, reducing confusion and wastage of resources.

It helps in minimizing risks and uncertainties. Through careful forecasting and preparation, managers can identify potential challenges in advance and develop contingency plans to address them, enhancing the stability and security of the business.

Planning also promotes efficient use of resources. By clearly outlining tasks and allocating resources appropriately, it helps to avoid duplication of efforts, delays, and misuse of financial, human, and material resources.

Additionally, it improves coordination and teamwork within an organization. When each department and individual has a clear understanding of their role and responsibilities, it encourages better communication, collaboration, and mutual support among staff.

Lastly, planning facilitates control and evaluation. It provides a standard against which actual performance can be compared, making it easier for management to identify deviations, measure achievements, and take corrective actions where necessary.

10. What factors help a carrier/transporter to compute freight charges on consignment to be transported?

The distance to be covered between the point of origin and the destination is one of the key factors affecting freight charges. Longer distances typically result in higher transport costs because of increased fuel, labor, and time expenses.

The weight and volume of the goods being transported also influence freight charges. Heavier and bulkier consignments occupy more space and require more fuel and handling, thereby attracting higher charges compared to lighter goods.

The nature and type of goods being transported play a role in determining freight rates. Fragile, perishable, or hazardous goods require special handling, packaging, and sometimes refrigeration, which increases the overall cost of transportation.

Another factor is the mode of transport used. Air transport, for instance, is generally more expensive than road or rail transport, while shipping charges for large overseas consignments can also vary depending on container type and port fees.

Lastly, prevailing market conditions such as fuel prices, demand for transport services, and government taxes or levies can influence freight charges. During peak seasons or in times of fuel price hikes, transporters may increase their rates to cover additional operational costs.