

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

Monday, 21th November 2011 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) Which one among the following statements is true as far as Commerce is concerned?

- A. Commerce deals with communication.
- B. Commerce deals with specialization and division of labour.
- C. Commerce is a branch of Economics which deals with production.
- D. Commerce deals with exchange and distribution of goods and services.
- E. Commerce deals with production and specialization.

D

Reason: Commerce is primarily concerned with the exchange (buying and selling) and distribution (transportation, storage) of goods and services, facilitating trade between producers and consumers.

(ii) The functions of wholesalers are:

- A. financing, source of information, selling goods to retailers, storage and transport
- B. source of information, financing, selling goods to wholesalers and storage transport, storage and financing
- C.
- D. storage, transport, selling goods to retailers
- E. selling goods to retailers, storage and transport

A

Reason: Wholesalers perform multiple roles: financing (offering credit), providing market information, selling to retailers, and handling storage and transport of goods to bridge the gap between producers and retailers.

(iii) When a business concern becomes insolvent, this means that:

- A. it has been taken over by another business concern
- B. it can pay dividends to preference shareholders only
- C. it has a big bank overdraft
- D. it stops to operate right away
- E. it cannot pay its creditors

E

Reason: Insolvency means a business cannot meet its financial obligations, specifically failing to pay its creditors (debts) when due, indicating severe financial distress.

(iv) Banks make regular payments on behalf of their customers by means of:

- A. standing order
- B. cheques
- C. bankers draft
- D. telegraphic transfer
- E. credit transfer

A

Reason: A standing order is an instruction to a bank to make regular, fixed payments (e.g., rent, subscriptions) on behalf of the customer, ensuring timely payments without manual intervention.

(v) Which one of the following is not a service that a retailer provides to consumers?

- A. Extending credit to consumers
- B. Giving out a variety of choice on goods demanded by consumers

- C. Making research on consumers demand for a good
- D. Making delivery of goods near the homes of consumers
- E. Providing after-sale services for certain classes of goods

C

Reason: Retailers typically offer credit, variety, delivery, and after-sale services to consumers. However, researching consumer demand is generally a function of producers or market research firms, not retailers.

(vi) The head office of a certain firm with all communication facilities is in need of conveying an urgent and detailed message to one of the distant branches. Which one among the following facilities would be the most suitable to use?

- A. Telex service
- B. Telegram
- C. Registered surface letter
- D. Air mail letter
- E. DHL service

A

Reason: Telex service, a direct teleprinter network, was historically used for urgent and detailed messages between businesses, offering speed and reliability for long-distance communication in 2011. Telegrams are brief, and letters are slower.

(vii) The quickest method of remitting money through the post office is by:

- A. cheque
- B. money order
- C. postal order
- D. telegraphic money order
- E. cash in a registered envelope

D

Reason: A telegraphic money order allows the fastest transfer of funds through the post office, as it uses telegraph services to send money instantly, unlike slower methods like cheques or regular money orders.

(viii) The following policy covers losses on a particular route for a specific period:

- A. Voyage policy
- B. Floating policy
- C. Mixed policy
- D. Time policy
- E. Cargo policy

A

Reason: A voyage policy in marine insurance covers losses for a specific journey (route) over a defined period, protecting goods during that particular trip.

(ix) Which of the following is not true about the characteristics of services?

- A. Are not tangible
- B. Can be separated from their providers
- C. Are highly perishable
- D. Price paid is for experience received not ownership
- E. Can not be stored for future use

B

Reason: Services are intangible, perishable, cannot be stored, and involve paying for an experience, not

ownership. However, services cannot be separated from their providers (e.g., a haircut requires the barber), making B incorrect.

(x) The amount given to shareholders as their share of profit of the company is:

- A. interest
- B. capital gain
- C. dividend
- D. retained profit
- E. salaries

C

Reason: Dividends are the portion of a company's profits distributed to shareholders as their share of the profits, typically paid periodically based on the number of shares held.

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

COLUMN A	COLUMN B
(i) The process of setting objectives and deciding how to achieve them.	H. Planning
(ii) The purchase and sale of goods today with the delivery scheduled in the future.	C. Speculation
(iii) A financial ratio which measures how a firm is selling its goods.	S. Inventory turnover
(iv) A person who is authorized to represent another.	K. Agent
(v) A written request from a foreign buyer for information regarding the price at which goods are to be sold and services rendered.	B. Enquiries
(vi) The amount which the insurer is prepared to pay at a particular time in total discharge of the contract.	R. Surrender value
(vii) Includes all the activities involved in creation of place, time and possession utilities.	A. Marketing
(viii) Wholesalers who specialize in a particular type of goods.	D. Rack jobbers
(ix) A chain of retail stores dealing in identical and generally restricted range of articles operating in different localities under a central ownership and control.	F. Multiple shop
(x) The expectations of stock jobbers about future in stock exchange.	C. Speculation

Answers

COLUMN A	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
COLUMN B	H	C	S	K	B	R	A	D	F	C

SECTION B

3. The following figures are for the year 2003.

Stock 01/01/2003: Tshs. 800

Stock 31/12/2003: Tshs. 1,200

Purchases: Tshs. 10,000

A uniform fraction of $\frac{1}{6}$ margin is applied. Find the:

a. **Mark-up**

Margin = $\frac{1}{6}$ of the selling price.

Mark-up = Margin as a percentage of cost price.

First, calculate the cost of goods sold (COGS):

COGS = Opening stock + Purchases - Closing stock

= 800 + 10,000 - 1,200 = 9,600 Tshs.

Let selling price = S.

Margin = $\frac{1}{6}$ S.

Cost price (COGS) = S - Margin = S - ($\frac{1}{6}$ S) = $\frac{5}{6}$ S.

So, $\frac{5}{6}$ S = 9,600.

S = $9,600 \times \frac{6}{5}$ = 11,520 Tshs.

Margin = $\frac{1}{6}$ S = $\frac{1}{6} \times 11,520$ = 1,920 Tshs.

Mark-up = (Margin / Cost price) \times 100 = ($1,920 / 9,600$) \times 100 = 20%.

Answer: 20%

b. Cost price

Cost price = COGS = 9,600 Tshs (calculated above).

Answer: 9,600 Tshs.

c. Gross profit

Gross profit = Selling price - Cost price = 11,520 - 9,600 = 1,920 Tshs.

Answer: 1,920 Tshs.

d. Sales figure

Sales figure = Selling price = 11,520 Tshs (calculated above).

Answer: 11,520 Tshs.

4. Write short notes on the following:

a. **Catalogue:** A detailed list of goods or services offered by a business, including descriptions, prices, and sometimes images, used to inform customers and facilitate orders, e.g., a furniture catalogue.

b. **Organization chart:** A diagram showing the structure of a business, illustrating the hierarchy, roles, and relationships between departments and employees, e.g., CEO at the top, followed by managers and staff.

c. **Common seal:** A metallic stamp used by a company to authenticate legal documents, such as contracts or share certificates, acting as the company's official signature as per company law.

d. **Negotiation:** A discussion between two or more parties to reach an agreement, often involving price, terms, or conditions, e.g., negotiating a supplier contract for better terms.

e. **Direct production:** The production of goods or services for personal use rather than for sale, e.g., a farmer growing vegetables for family consumption.

5. Mr. Mtakuja wants to join a consumer cooperative society. Define consumer co-operative society and give four (4) benefits he would enjoy by being a member of such type of society.

Definition: A consumer cooperative society is a business owned and operated by its members (consumers) to meet their needs for goods and services at reasonable prices, with profits shared among members.

Benefits:

(i) **Lower prices:** Members buy goods at reduced prices due to bulk purchasing and elimination of middlemen.

(ii) **Profit sharing:** Members receive dividends from the cooperative's profits, proportional to their purchases.

(iii) **Quality goods:** Cooperatives often prioritize quality, ensuring members get reliable products.

(iv) **Democratic control:** Members have a say in decision-making, as each has one vote, fostering fairness.

6. Give five (5) differences between a partnership and a company.

(i) **Legal status:** A partnership is not a separate legal entity (partners are personally liable), while a company is a separate legal entity under the law.

(ii) **Ownership:** A partnership is owned by 2–20 partners, while a company can have unlimited shareholders (public company).

(iii) **Liability:** Partners in a partnership have unlimited liability (except limited partners), while shareholders in a company have limited liability, only losing their investment.

(iv) **Management:** Partnerships are managed by partners, while companies are managed by a board of directors elected by shareholders.

(v) **Formation:** Partnerships are easier to form with a partnership deed, while companies require formal registration and legal documentation (e.g., Memorandum of Association).

7. (a) Explain five characteristics of a good warehouse

A good warehouse must be located in a strategic position. This means it should be close to major transportation routes like roads, ports, or railways to ensure goods are received and dispatched efficiently, saving time and transport costs.

It should be well-ventilated and have proper temperature control to preserve the quality of stored goods. Perishable or delicate goods, for instance, may spoil or get damaged if the warehouse is too hot, too humid, or poorly aerated.

Security is another critical characteristic of a good warehouse. It must be equipped with features such as surveillance cameras, proper fencing, and reliable guards to protect goods from theft, damage, or unauthorized access.

A good warehouse must have sufficient space and organized shelving systems. This allows for proper arrangement of goods and easy access, which helps in quick identification and retrieval during dispatch.

Finally, a good warehouse should have loading and unloading facilities like ramps, forklifts, and conveyors. These ease the movement of goods, reduce damage during handling, and save time in operations.

(b) Explain five benefits B. Rashid gets from the use of bonded warehouses

Using a bonded warehouse allows B. Rashid to store imported cars before paying import duties. This enables him to delay the payment of customs charges until he is ready to sell the vehicles, which helps him manage his cash flow effectively.

Bonded warehouses offer security for the goods. Since they are under customs control and have strict regulations, his imported cars are well protected from theft or loss while they await clearance.

Another benefit is that bonded warehouses allow re-exportation of goods. If Rashid finds a better market outside Tanzania, he can export the cars directly from the warehouse without paying local import duties.

Using bonded warehouses also helps him inspect and even make minor modifications or labeling to the cars before final delivery. This ensures quality control and allows him to comply with market standards.

Lastly, bonded warehouses reduce congestion at ports. Since goods are moved to a different storage location, it prevents overcrowding at the point of entry and allows customs officials to carry out their inspections more efficiently.

8. Explain the circumstance that can make a seller prefer cash with order to cash on delivery from the buyer

A seller may prefer cash with order when dealing with a first-time customer whose creditworthiness is unknown. Asking for payment upfront reduces the risk of non-payment or fraudulent transactions.

Cash with order may also be preferred when the goods are custom-made or perishable. In such cases, the seller wants assurance that the buyer is committed before producing or shipping the goods, minimizing the risk of losses.

If the seller is facing cash flow challenges, they might prefer to receive payment immediately to finance production or operations. This provides the working capital needed without waiting for delivery.

The seller may also prefer cash with order in situations where transport costs are high. Receiving payment first ensures that if the buyer changes their mind or refuses delivery, the seller is not left with unpaid expenses.

Lastly, if the goods are in high demand or have limited stock, the seller might request cash with order to prioritize serious buyers and prevent hoarding or speculative orders.

9. It is often argued that advertising is an unnecessary expense which is ultimately passed onto the consumer by way of increased prices. Discuss.

Advertising can increase the price of products since companies often spend large amounts of money to promote goods and then include those costs in the selling price. This means the final burden falls on the consumer who pays more.

Some critics argue that advertising creates artificial demand. Instead of informing consumers, it sometimes encourages unnecessary spending on products they may not need, especially through persuasive and emotional appeals.

However, advertising also helps in educating consumers. It provides important information about product features, prices, and usage, which helps people make informed choices and compare alternatives in the market.

Advertising also encourages competition. When different companies advertise their products, it pushes businesses to improve quality, offer better prices, and innovate, which ultimately benefits the consumer.

Moreover, advertising supports economic growth. It boosts demand, increases production, and creates jobs in media, marketing, and related industries, showing that its benefits can outweigh the costs if managed responsibly.

10. (a) Discuss the importance of insurance to the economy of Tanzania

Insurance helps protect businesses and individuals from financial loss. This allows companies and entrepreneurs to take risks, invest, and grow their ventures, knowing they are protected against unexpected events like fire, theft, or accidents.

Insurance promotes savings and capital formation. Premiums collected by insurance companies are invested in various sectors of the economy such as infrastructure, banking, and manufacturing, which promotes development.

It also provides social security. Insurance gives people confidence that they and their families are protected in case of illness, death, or property loss, which improves overall societal well-being.

Insurance contributes to employment creation. It supports jobs in underwriting, sales, customer service, and claims processing, which helps reduce unemployment and stimulates the economy.

Finally, insurance helps stabilize the economy. During disasters or major losses, insurance companies step in to compensate victims, which allows businesses to recover quickly and prevents major disruptions in the economy.

(b) Explain the side effect(s) of underinsurance to the insured

One major side effect of underinsurance is that the insured receives less compensation than needed during a loss. If the value of the item is higher than the insured amount, the policyholder must cover the difference themselves.

Underinsurance can lead to delayed recovery. For example, a business with inadequate coverage may struggle to resume operations after a fire or theft because they lack sufficient funds to replace their assets.

Another effect is the breach of contract terms. Some insurers apply the average clause, meaning the payout is proportionally reduced, which can cause frustration and disappointment for the insured.

Underinsurance can also damage creditworthiness. If a person or business suffers a major loss and cannot recover due to limited insurance coverage, lenders may be reluctant to offer loans or credit in the future.

Lastly, it can increase emotional and financial stress. Knowing that one is not fully covered in the event of loss can create anxiety and place the insured at high risk of financial instability.