

COMMERCE CSEE 2012 (ANSWERS)

Solutions from: [Maktaba by TETEA](https://maktaba.tetea.org)

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QUESTION 1

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
C	C	B	D	D	E	C	B	D	E

QUESTION 2

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

QUESTION 3

- (a) Cost of goods available for sale (COGAS) = Opening stock + Purchases + Carriage inwards – Purchases returns

$$\text{COGAS} = 23,000 + 115,000 + 3,000 - 18,000$$

$$\text{COGAS} = 123,000 = \text{Sh.}$$

- (b) Cost of goods sold (COGS) = COGAS – Closing stock

$$\text{COGS} = 123,000 - 30,000$$

$$\text{COGS} = 93,000 = \text{Sh.}$$

- (c) Gross profit = Sales – COGS

$$\text{Gross profit} = 200,000 - 15,000 - 93,000$$

$$\text{Gross profit} = 92,000 = \text{Sh.}$$

- (d) Net profit = Gross profit – Expenses

$$\text{Net profit} = 92,000 - (92,000 \times 10\%)$$

$$\text{Net profit} = 92,000 - 9,200$$

$$\text{Net profit} = 82,800 = \text{Sh.}$$

$$(e) \text{ Rate of stock turnover} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

$$\text{Rate of stock turnover} = \frac{93,000}{(23,000 + 30,000) \div 2}$$

$$\text{Rate of stock turnover} = \frac{93,000}{26,500}$$

$$\text{Rate of stock turnover} = 3.5 \text{ times}$$

$$(f) \text{ Mark - up} = \frac{\text{Gross profit}}{\text{Cost of sales}} \times 100\%$$

$$\text{Mark - up} = \frac{92,000}{93,000} \times 100\%$$

$$\text{Mark-up} = 98.92\%$$

$$(g) \text{ Margin} = \frac{\text{Gross profit}}{\text{Sales}} \times 100\%$$

Net sales = sales – sales returns

Net sales = 200,000 – 15,000 = 185,000/=

$$\text{Margin} = \frac{92,000}{185,000} \times 100\%$$

Margin = 49.73%

(h) Working capital = Current asset – Current liabilities

Working capital = 45,000 – 90,000

Working capital = -45,000/= Sh.

(i) Capital employed = Working capital + Fixed asset

Capital employed = -45,000 + 180,000

Capital employed = 135,000/= Sh.

$$(j) \text{ Net profit as percentage of sales} = \frac{\text{Net profit}}{\text{Sales}} \times 100\%$$

$$\text{Net profit as percentage of sales} = \frac{82,800}{185,000} \times 100\%$$

Net profit as percentage of sales = 44.76%

QUESTION 4

(a) advertising is the process of informing the consumers about the availability of goods and services in the market

Benefits that a consumer may derive from advertising include:-

- i. Being educated on suitable purchasing through advertising media
- ii. Being informed on the basic features of the product with regard to price, quality and quantity
- iii. It enables a consumer to compare prices and other features of different products which forces the producers to improve the quality of their products
- iv. It enables a consumer to be well informed on the kind of goods available in the market and their relative merits

(b) Specialization is the separation of jobs, activities and processes such that each person or group of people concentrate on what they can do best due to their special ability to perform the work

The following are disadvantages of specialization

Monotony. In specialization each worker performs only one task many times each day, week, month and year. So he/ she becomes bored, losses appetite and interest for the work. Consequently efficiency declines.

Lack of creativity. Due to the fact that worker are too much specialized in their areas of operation, it becomes very difficult for them to expand their knowledge. That means it limits workers to learn other skills which are needed in other areas of specialization

Risk of unemployment. Specialization limit workers in their areas of specialization and they cannot easily be employed in their areas. In this case they become so vulnerable to the unemployment problem. These workers will not be able to be employed in other areas because they lack skills or knowledge which are different from their areas of specialization

Increase in cost of production. Specialization involves employment of many specialists who are employed to work in different sectors. This increases costs of paying workers and brings disadvantage to entrepreneurs.

Creating interdependence in the process of production. Due to great interdependence among workers in their process of production, absence of one worker disrupts the whole process of production.

Fall in the price. Since specialization leads to increase in output, it may result to oversupply commodity and thus a fall in the price of the commodity. When the price falls a firm may incur loss

QUESTION 5

(a) (i) Wholesaler is the trader who engages in wholesale trade/ business. He/ she purchases goods in large quantities from manufacturers or producers and sells them in small quantities to retailers

(ii) Bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a stated future date, a sum of money after a certain period of time or to the order of that person or to bearer.

(b) The following are functions of a wholesaler

Finance provider. As a financier, he pays cash promptly to the manufacturer for the goods bought, thus the manufacturer acquires the working capital to continue with production smoothly. He also offers credit facilities to retailers who have very little capital.

Source of information. As the main link between the manufacturer and retailer, he informs the manufacturer on the demand of his goods in the market so that he is able to produce according to the actual market demand. Wholesaler informs the retailer on the types of goods produced by the manufacturer.

Risk bearing. The wholesaler like any other entrepreneur bears several risks like spoilage, pilferage, theft, fire, etc which may encounter business.

Price stabilization. By supplying goods regularly in the market, supply and demand of goods is balanced and therefore the price is automatically stabilized which is beneficial to the consumers to be supplied with goods at a reasonable price

Storage. Wholesalers have storage facilities which enables them to keep goods safe until they are demanded by retailers. Manufacturers are helped in stocking bulks of goods. Retailers are able to get small quantities at any time from the wholesaler's warehouse.

Linking manufacturers with retailers. The wholesaler acts as a link between the manufacturer and the retailer. He stocks a large number of products from many manufacturers thus enabling the retailer to obtain a variety of goods in the required quantities close to their premises. Manufacturers depend heavily on wholesalers to distribute their products to retailers and consumers.

Bulk breaking. The wholesaler buys stocks from the manufacturer in large quantities and sells them in small quantities to the retailers. The wholesalers sell goods in small quantities according to the ability of retailers as most of them have very little capital. In order to be able to stock their shops with a wide range of products, retailers have to buy in smaller quantities than manufacturers are willing to offer.

Making delivery to retailers. Wholesalers often deliver the goods to the doors of retailers. They transport goods from manufacturers to their premises and from their premises to the retailers' premises. Such service is so crucial to the retailers because most of them especially in Tanzania don't have vehicles to transport goods.

QUESTION 6

- (a) A retailer is a trader who sells goods to the final consumers

Credit sales are sales which have been made but payments have not yet been received by the seller

The following are advantages of a retailer refusing credit sales to his customers:-

It enables the seller to reduce or minimize the risks of loss arising from bad debts.

It enables the retailer to reduce costs which could be incurred in debt collections, credit control and accounting.

Retailer is prevented from any risks of decline in the value of money by the time the customer pays, in case the exchange rate declines.

It enables the retailer to save time and energy which could have been spent in making follow-ups to the credit customers, hence relieved from such disturbances.

It becomes easy for the retailer to prepare his or her financial statements because there will be no any balance of unpaid amounts arising from credits sales, hence simplify the retailers accounting work since all transactions are cash terms.

- (b) Customer protection is a mechanism in which the government adopts some measures to control the activities of private businessmen so that the rights of consumers are protected.

Reasons behind consumers' protection

Consumers are protected:

- (i) So that they can buy products sold by businessmen at a reasonable price as most of the businessmen wish to maximize profits by charging high prices.
- (ii) So that they buy products of standard quality as businessman may be tempted to sell inferior quality products.
- (iii) Against failure to uphold conditions set out or implied in contracts executed for goods and services
- (iv) From all forms of control over prices, particularly where a monopoly operates
- (v) From the sale of goods that are detrimental to the wellbeing and satisfaction expected by them.

QUESTION 7

- (a) Public corporations are joint stock companies in which the government holds either all the share capital or the majority of it.

Public corporations operate as ordinary joint stock companies and aim at making profit out of their operations. A few examples of public corporations are Tanzania Electrical Supply Company Ltd (TANESCO), Tanzania Broadcasting Corporation (TBC), National Insurance Company (NIC) and Tanzania Breweries Limited (TBL).

- (b) Public sector is that sector which comprises business organizations owned by the government. It consists of organizations such as public corporation, parastatal bodies and local government authorities.

Arguments in support of public sectors

Through public corporations like TANESCO, the government is able to render essential services to the public such as electricity.

They provide employment to many citizens in the country. For instance many people are employed in public corporations like TANESCO, TBC, NIC, etc.

They perform activities which cannot be carried out efficiently by the private sector, for instance supply of hydroelectricity and building of infrastructures like roads and railway.

Profit obtained by public sectors like NIC and TANESCO, help the government to raise revenue essential for social economic development of the country.

- (c) Retailer is a trader who sells goods to the final consumer. A retailer selling a pair of shoes assists in the process of production in the following ways

The retailer conducts market research on behalf of the wholesaler in order to know the exact kind and quality of shoes demanded by consumers at a given price.

Retailer provides transport facilities for the pair of shoes bought by him so that consumers acquire them at the price and time they want at the retailer's premises

Moreover the retailer can store the pairs of shoes bought in a warehouse and offer them for sale at the required time to the customers

Finally a retailer selling pairs of shoes can assist in the process of production by ensuring stable distribution of shoes to the consumers throughout the country because they have access to customers up to remote areas.

QUESTION 8

- (a) Money is anything which is generally accepted by a society as a medium of exchange and means of settling debts.

The following are qualities of good money:-

Homogeneity. Different coins and notes must have the same content of materials used to produce them, there should not be differences in the nature of materials of one coin or note to the materials of another coin or notes. This is important in controlling the problems of counterfeiting.

Stability in value. The value of money must not fluctuate so often to prevent people from losing confidence in the currency. If the value of money declines so often people will lose confidence with the currency. In this case money will lose its credibility as a medium of exchange.

Difficult to counterfeit. It must be difficult to make a fake copy by fraudulent people to prevent illegal increases in money supply which causes harmful effects to the economy.

Scarcity. Money must be relatively scarce in order to command value and to act as a store of value. The volume of money must be in proportion to the volume of goods and services that are produced in a country. In this case the supply of money must be equal to the demand for money, but it must not be too scarce because people may resort to other mean of payments.

Divisibility. Good money must be divisible into smaller units or values in order to facilitate buying and selling of goods of all types of values.

- (b) The following are functions of money

Medium of exchange. Money facilitates exchange of goods and services so it has eliminated the problem of barter trade. For money to be used as medium of exchange it must be acceptable in the society in which it is used.

Measure of value. Money is used to measure the value of goods and services. Prices of goods which are the indicators of value of goods are expressed in terms of money.

Store of value. Money is used to store value of goods and services for future use, people can convert goods and services into money and use the money for future transactions.

Standard of deferred payments. Money is used to make future transactions, in this case money facilitates credit transactions whereby people can borrow and pay in future by instalments.

Transferring immovable property. Money is also helpful when we want to move property from one place to another, this can be done by selling property from place A and use the money to construct at place B.

QUESTION 9

- (a) Change in supply curve of a commodity is the increase or decrease in supply due to change of any factor other than the price of a commodity.

The following are causes of change in supply curve of a commodity.

Cost of production. When the cost of production of any commodity rises, the supply of the commodity falls and when the cost of production declines the supply of commodity increases

Climatic conditions. If the climate is favourable for the production of a certain commodity its supply will be high while if the climate is unfavourable production is lowered.

Technology. When a firm applies advanced technology in production, production increases unlike when it applies poor technology.

Peace and security. When there is peace and security supplies are able to engage in production resulting in the increase in supply while insecurity causes difficulties in production of goods due to fear of loss of properties leading to decline in supply.

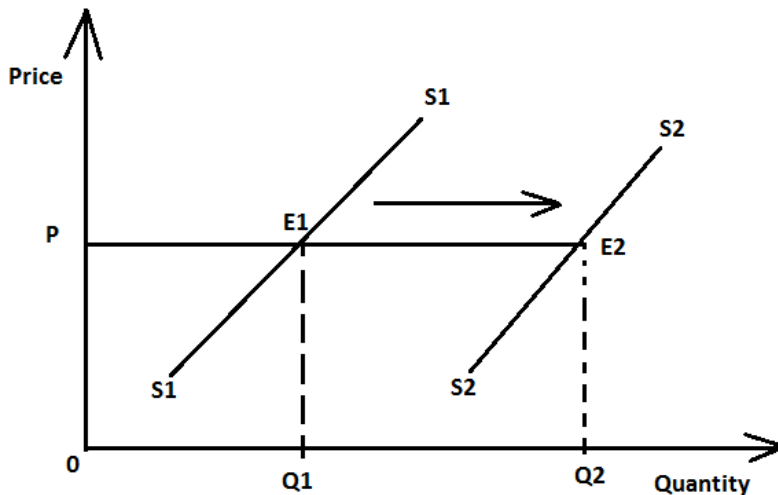
Infrastructures. Transport and communication networks make it possible to move commodities or materials from where they are available to where they are needed for consumption and production respectively, leading to an increase in supply.

Taxation. Tax is compulsory payment to the government by individuals and firms when they consume and produce goods respectively. When the government imposes heavy tax on inputs it results in an increase in the cost of production leading to decline in supply.

Availability of factors of production. If in a certain area factors of production such as labour, land, capital and entrepreneurship are available in large quantities, supply of goods and services will be high unlike in areas where factors of production are scarce.

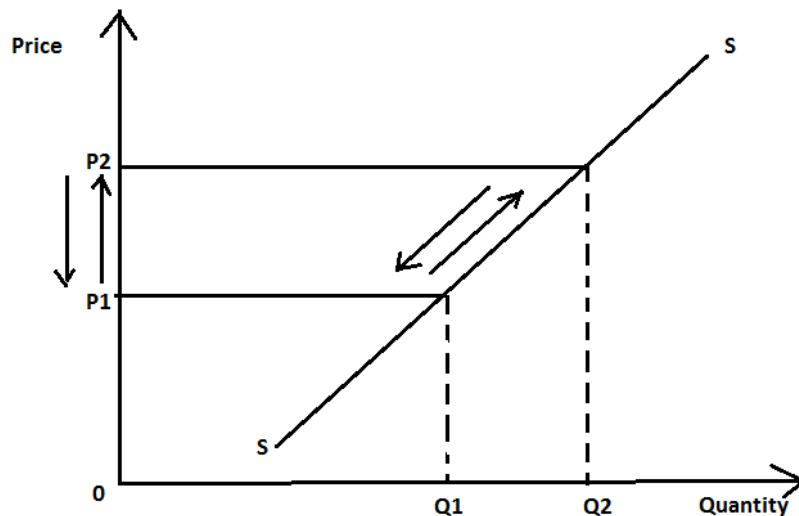
Number of firms in the market. If there is a large number of firms in the market competition will be high leading to an increase in supply unlike where there are few firms in the market. i.e. monopoly market.

- (b) (i) Diagram that shows an increase in supply



The supply has increased from Q_1 to Q_2 due to other factors rather than price because the price is constant.

(ii) Diagram that shows a change in the quantity supplied



According to this diagram, a change in price from OP_1 to OP_2 results in an increase in the quantity supplied from OQ_1 to OQ_2 and change in price from OP_2 to OP_1 results in a decrease in the quantity supplied from OQ_2 to OQ_1 .

QUESTION 10

(a) Marketing is a term used to cover all the activities necessary in bringing goods and services into the market.

The following are six benefits of marketing to a developing country:-

Marketing raises the employment levels of the citizens, hence leads to increased economic growth.

Marketing can serve to expand the home market and thus provide a more secure base for export.

It enables the availability of goods, low priced goods etc. to act as a powerful inducement to the people to increase their output and their cash incomes, hence raising the per capital income of the citizens.

Marketing leads to the integration of various economic sectors of the nation such as agriculture and commerce.

Marketing can be used to implement the national economic policy of a developing country

Marketing contributes to the development of entrepreneurs and managerial class of the people in the country.

(b) Home trade is the type of trade which is conducted within the country. It involves both retail and wholesale trade

The following are the problems faced by home trade:-

Lack of enough capital, most of the traders especially the retailers don't have enough capital to finance their trading activities within the country.

Lack of business knowledge, this situation makes it difficult for the traders to understand how to operate their business profitably and to attract customers to their business.

Poor infrastructure especially in remote areas which leads to ultimately delivery of goods and services and low production in those areas.