

COMMERCE CSEE 2016 (ANSWERS)

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By Salim Abdallah

QUESTION 1

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

QUESTION 2

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

QUESTION 3

- (a) **Formal communication** is a system of passing messages and information between positions within an organisation through officially designed channels while **informal communication** is a type of verbal communication in which the interchange of information does not follow any channels.
- (b) **Oral communication** is the process of expressing views, ideas and information by words of mouth while **written communication** is a type of communication which is presented on a written document, eg. letters, invoices.
- (c) **Audio media** refers to analog tape cassettes, digital CDs and computer files containing audios in any number of digit formats while **audio visual media** means possessing both a sound and visual components such as a slide-tape presentations, films, televisions programs, etc.
- (d) **Internal communication** refers to an exchange of information within an organisation, i.e information is passed from one department to another within an organisation while **external communication** refers to communication between business firm and its customers, suppliers and the public.
- (e) **Fax** is an image of a document made by electronic scanning and transmitted as data by telecommunication link **internet** refers to collection of global computer network providing various information and communication facilities consisting of interconnected networks using standardized communication protocols.

QUESTION 4

- (a) **An entrepreneur** is a person who initiates business organisation, organizes and manages capital, workers, machines and other resources. The following are qualities of good entrepreneur:-

Risk taking, an entrepreneur decide to invest his/ her money with positive business expectation to get profit but business is not predictable, sometimes can result to loss.

Planning, an entrepreneur uses available resources to achieve business goals and make sure that the business is well organised and planned.

Creativity, an entrepreneur is an innovator because he/ she improves business product and environment in order to compete with other businesses to improve his/ her market.

Network abilities, an entrepreneur has to link with suppliers, customers and government agencies in order to gain business experience and improve his market.

Flexibility, an entrepreneur has to change according to the new marketing skills in order to win the market

Hard working, an entrepreneur has to work for many hours efficiently in order to achieve business success.

So an entrepreneur believes to struggle for himself/ herself efficiently to win the market in order to generate profit for his/ her business.

(b) Business refers to any legal economic activity which is performed in order to earn money. The business may collapse due to the following reasons:-

Poor management, if the business management is strong then workers will know ways to achieve success but if the management is poor then workers cannot achieve business objectives.

No seeking help, if the business lacks business advice or any support it is difficult to exist since it lacks skills.

Lack of insurance, if the owner of the business has no correct cover for his business he/ she is likely to suffer financial loss in case his/ her stock is destroyed by any risk and is not able to buy new stock.

Insufficient knowledge of the market, the owner of the business must be aware to the market in order to sell his/ her product, failure to that no success.

Lack of good customer care, it is very important that you make your customer care a priority, if you do not treat your customer well, they go to your competitors.

Lack of personal growth, many entrepreneurs do not invest in themselves, they want to be great but they do not read nor research, neither do they attend seminars and workshops that can increase their knowledge base. No one gets ahead in life without building themselves with new knowledge.

Poor location, you cannot start a business where the service is not required it will collapse. a good market survey is required before a business location is chosen.

Quitting too soon, this is the biggest reason why many businesses fail, if you do not try and try again, you might not be successful in business

I advise, before you start any business, have the mindset of I will do whatever (positive) it will take to succeed, that alone is the beginning of your success.

QUESTION 5 (A)

- (i) **Stock Taking** is the process of physically counting the goods or commodities held by the business. The main reason for stock taking is to confirm the actual stock remaining with what is written in the records. It is normally conducted at the end of every trading period. Big firms do carry out stock taking more than once in the financial or trading period
- (ii) **Stock valuation** involves finding out the value of stock held. Stock valuation may be done at cost price or at market price
- (iii) **Minimum stock level** represents the quantity which must be maintained in hand all times. If stocks are less than the minimum level, then the work will stop due to shortage of materials
- (iv) **Maximum stock level** is the quantity of materials beyond which a firm should not exceed its stock.
- (v) Rate of stock turn is the number of times the average volume of stock held has been turned over. It is also known as stock turn rate. It is computed by the following formula

$$\text{Stock turn rate} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

- (vi) **Order point/ Re-order point/ Re-order level/ danger level** is the level of stock at which the placing of a new order must be done. It is the level below which stocks should not fall in any case.

$$\text{Order point} = (\text{daily sales} \times \text{time delivery}) + \text{minimum stock}$$

QUESTION 5 (B)

$$\text{Order point} = (\text{daily sales} \times \text{time delivery}) + \text{minimum stock}$$

$$\text{Order point} = (50 \times 4) + 200$$

$$\text{Order point} = 400 \text{ bags}$$

QUESTION 5 (B)

Warehouse is a special building that has been purpose-built for storing goods until they are needed for sale or for consumption. The following are important functions performed by the modern warehouses in the process of marketing of goods?

Protection and Preservation of goods - Warehouse provides necessary facilities to the businessmen for storing their goods when they are not required for sale. It provides protection to the stocks, ensures their safety and prevents wastage. It minimises losses from breakage, deterioration in quality, spoilage etc. Warehouses usually adopt latest technologies to avoid losses, as far as possible.

Regular flow of goods - Many commodities like rice, wheat etc. are produced during a particular season but are consumed throughout the year. Warehousing ensures regular supply of such seasonal commodities throughout the year.

Convenient location - Warehouses are generally located at convenient places near road, rail or waterways to facilitate movement of goods. Convenient location reduces the cost of transportation.

Easy handling - Modern warehouses are generally fitted with mechanical appliances to handle the goods. Heavy and bulky goods can be loaded and unloaded by using modern machines, which reduces cost of handling such goods. Mechanical handling also minimizes wastage during loading and unloading.

Useful for small businessmen - Construction of own warehouse requires heavy capital investment, which small businessmen cannot afford. In this situation, by paying a nominal amount as rent, they can preserve their raw materials as well as finished products in public warehouses. **Creation of employment** - Warehouses create employment opportunities both for skilled and unskilled workers in every part of the country. It is a source of income for the people, to improve their standards of living.

Facilitates sale of goods - Various steps necessary for sale of goods such as inspection of goods by the prospective buyers, grading, branding, packaging and labelling can be carried on by the warehouses. Ownership of goods can be easily transferred to the buyer by transferring the warehouse keeper's warrant.

Reduces risk of loss - Goods in warehouses are well guarded and preserved. The warehouses can economically employ security staff to avoid theft, use insecticides for preservation and provide cold storage facility for perishable items. They can install fire-fighting equipment to avoid fire. The goods stored can also be insured for compensation in case of loss.

QUESTION 6(A)

Elasticity of demand is a measure of the relationship between a change in the quantity of a particular good demanded and a change in its price. Below are factors used in determining the elasticity of demand:-

Habits, habitual commodities such as alcohol or cigarette have less elastic demand because it is necessity for a consumer

Time period, demand is inelastic in a short period of time because consumer finds it difficult to change their habits within a short period of time in order to respond to a rise of price

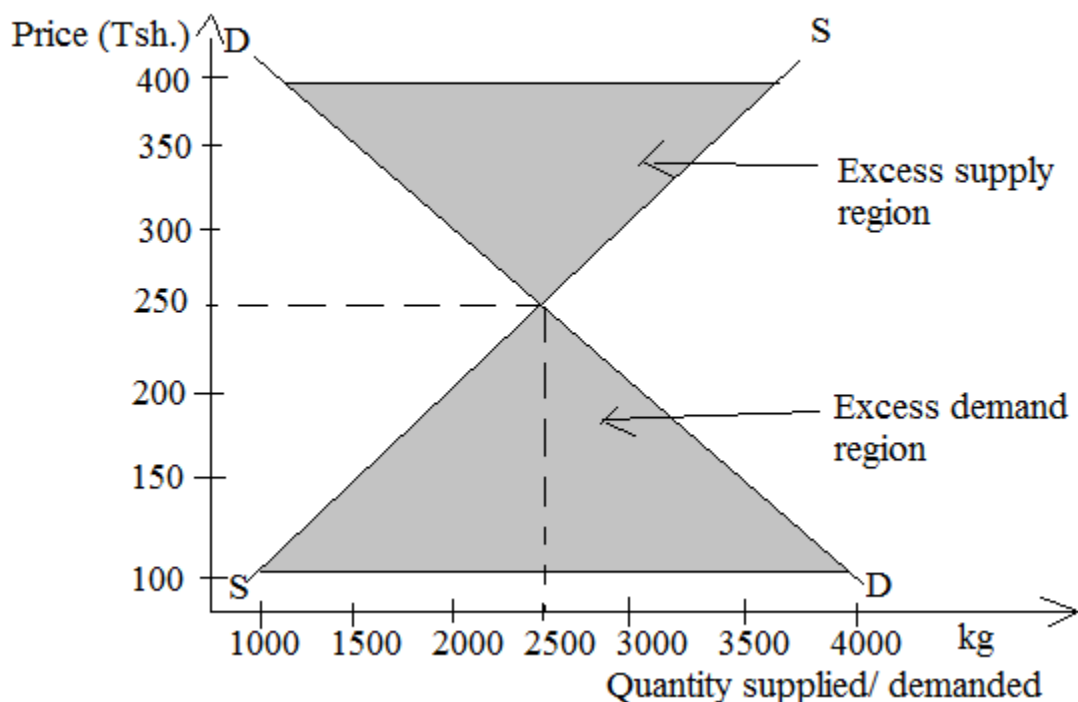
Number of uses, if the commodity has several uses then its demand will be elastic, when its price increases and demand falls because consumer will choose more urgent uses only.

Level of price, costly goods like TV's have high elastic demand because when price changes consumer will be respond faster however demand for inexpensive goods like matchbox is inelastic because when price changes it does not affect consumers' demand.

Postponement of consumption, commodities which are of not urgent demand like soft drinks have high elastic demand because when price increases then consumers' demand will fall while commodities which are of urgent demand like life drugs have high inelastic demand because even if price increases then consumers' demand will not fall.

QUESTION 6(B)

Demand and Supply Curve for Sugar



Equilibrium point = (250Tsh, 2500 kg)

Equilibrium price = 250 Tsh

Equilibrium quantity = 2500 kg

QUESTION 7(A)

A partnership is a business organization formed and owned by two or more people to carry out trade. These people are called partners. Partnership is formed after an agreement of at least two people; and this agreement may be by word of mouth or written. The partnership is provided by a document known as partnership deeds, this is a set of standard rules, duties, rights and obligations that govern all partnership forms of business.

The following are rights of partners in the partnership if the partnership is formed without partnership deed

- i) No interest on drawings
- ii) No interest on capital
- iii) Profits and losses should be shared equally
- iv) 5% interest should be charged to any loan made to the partnership by a partner.
- v) Salaries are not allowed
- vi) Each partner must indemnify others in business deal
- vii) Management of the business shall be done by all partners
- viii) Admission of a new partner has to be consented by all existing partners

QUESTION 7(B)

Dissolution of partnership means termination of the partnership's affairs. The following are circumstances which cause the dissolution of the partnership

Expiry of specific period, when partners agreed to run the business for two years means the business will be dissolved after that date.

Death of a partner, if one of the partners die the remaining will dissolve the partnership.

Agreement made by the partners, partnership can be dissolved when partners agreed to dissolve the partnership

Bankruptcy of a partner, partnership can be dissolved if one of the partners has declared that he is bankrupt.

QUESTION 8(A)

Trade is a legal activity which is performed by individuals or business firms with the aim of earning money. The following are branches of trade:-

Home trade, this trade is done within the country. Goods and services are bought and sold within the country. Example, buying goods from Dar Es Salaam and selling to Tanga. Home trade is divided into retail trade and wholesale trade.

Retail trade, refers to a business activity which involves buying goods or services in large quantities from wholesalers and selling them in small quantities to consumers.

Wholesale trade, refers to a business activity which involves buying goods or services in bulk from manufactures or producers and selling them in small quantities to retailers.

Foreign trade, refers to trade among nations. For example, Tanzania may buy goods from China and selling them to Rwanda. It is divided into import trade and export trade.

Import trade refers to a trade which involves buying of goods or services from foreign country to home country. Example, Tanzania import cars from Japan.

Export trade refers to a trade which involves selling of goods or services from home country to foreign country. Example, Tanzania export gold to USA.

QUESTION 8(B)

Aids to trade refers to basic activities which facilitate the performance of trade in any country in this world. Aids to trade include:-

Transport, this refers to the movement of goods and people from one place to another. Transport helps to move goods from where it produced to where it is demanded.

Communication, this links producers and consumers to be aware of the business information through television, radios, telephone and so on.

Banking, this is financial institution which allow loans to people, receive and safeguard public and private funds. Banking assist trade because it allows loans to business people and safeguard their money.

Warehousing, this help to store goods until they are required, it also protect goods from damage.

Insurance, it help traders to minimize their business risks like fire or accident when happened.

Advertising, this help business to introduce its product and be known by consumers as a result sales may increase.

QUESTION 9(A)

- (a) Transport refers to the physical means by which human beings and commodities are transferred from one place to another. The major forms of transport are land, water and air.

Transport helps **Physical Supply of Products**, Transport carries necessary raw materials to factory for production of goods and supplies finished goods to consumers.

Transport also helps **Mobility of Labor and Capital**, the means of transport carry labors from one place to another. This encourages labor and capital to use and invest in more productive sectors.

But also problems of transport can be subjected to traffic delays, breakdown, damage through careless driving and bad weather interference.

- (b) The proper mode of transport that can be used to carry raw materials say cotton from Mwanza to Dar es Salaam is railway transport. The following are advantages of railway transport:-

Large capacity, railway transport is suitable to carry large quantities than road transport because it has large space and more wagons can be added.

Less risks, accidents and transport risks are less in railway transport compared to road transport, so raw materials can have high chance to reach to the destination safely.

It is economical, railway transport carry bulky goods at cheaper cost compared to road transport.

No fear of bad weather, railway transport is not much interfered by rains compared to road transport.

Reliable, railway transport has rigid travelling schedule where passengers know exactly time to travel

On top of the above advantages of railway transport, the following are disadvantages of railway transport:-

Monopoly, railway transport is monitored by government only.

Huge capital outlay, heavy capital is required to construct railway lines, import engines and wagons. So it is not easy to invest.

No door-to-door services, goods have to be brought to and carried from the railway station due to its nature of the railway track.

Delay, time is wasted in railway transport because it has number of formalities to be completed like loading and unloading of goods at railway station is consuming time.

Expensive to maintain, operating cost is costly compared to road transport so it is expensive to maintain railway transport.

Rigidity, routes are not flexible and cannot be interfered by individual needs.

QUESTION 10

- (a) **Import trade** is a branch of trade which deals with the buying of goods or services by one country from another country. For example, Tanzania import cars from Japan. The following are the main types of intermediaries in import trade:-

Import merchant, these are traders who buy goods from abroad in their own names and sell them locally. They normally deal with general merchandise.

Import commission agents, these are traders who buy goods from abroad on sellers' risk and are paid on commission basis. They sell goods at the best possible prices after studying the real market situation.

Import brokers, these are people who do not buy or sell goods themselves but arrange deals between buyers and sellers. They assist buyers and sellers to meet and do transactions. They are paid commission which is called brokerage.

Manufactures representatives, these are representatives of manufactures in foreign country whose duty is to sell the manufacturers' products in the country they represent.

- (b) **Bill of loading** is a document signed by the carrier (either the ship owner or master) which states that certain goods have been loaded on board of a particular ship in order to be transported from one place to another and to be delivered to a particular party named in it. The following are importance of bill of lading in exporting of goods:-

It acts as a receipts, it is an acknowledgement of the goods specified on it to the ship owner/ captain. It indicates number of packages, quantity, weight, place and condition of goods by a shipper before loading.

Document of title, the major purpose of the bill of loading is to enable the person entitled to the goods represented by the bill to dispose of the goods while they are in transit.

Contract of carriage, this document is an agreement in writing between the shipper and carrier for carrying the goods from one area to another. All terms and conditions for carrying the goods are indicated in the bill of loading.

- (c) **A Letter of Credit (LC)** is a document that guarantees the buyer's payment to the sellers. It is issued by a bank and ensures timely and full payment to the seller. If the buyer is unable to make such a payment, the bank covers the full or the remaining amount on behalf of the buyer.

The following are types of a Letter of Credit:-

Sight Credit, documents are payable at the sight/ upon presentation of the correct documentation. A sight letter of credit is more immediate than other forms of letters of credit.

Acceptance Credit/ Time Credit, under acceptance credit, bills are accepted upon presentation and eventually honoured on their respective due dates.

Revocable and Irrevocable Credit, An irrevocable credit is a credit, the terms and conditions of which can neither be amended nor cancelled. Hence, the opening bank is bound by the commitments given in the letter of credit.

Confirmed Credit, only irrevocable letter of credit can be confirmed. A confirmed LC is one when a banker other than the Issuing bank, adds its own confirmation to the credit. In case of confirmed LCs, the beneficiary's bank would submit the documents to the confirming banker.

Back-to-Back credit: In a back to back credit, the exporter (the beneficiary) requests his banker to issue an LC in favour of his supplier to procure raw materials, goods on the basis of the export LC received by him. This type of LC is known as Back-to-Back credit.

Transferable Credit, a Transferable Credit is one in which a beneficiary can transfer his rights to third parties. Such LC should clearly indicate that it is a 'Transferable' LC.

