

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 Hours

ANSWERS

Year: 2017

Instructions

1. This paper consists of section A, B and C with a total of eleven questions.
2. Answer all questions in section A and B and two questions from section C.

maktaba.tetea.org



I. Which of the following is not a major goal of planning in business?

- A. To gain economic operation
- B. To focus attention on objectives
- C. To facilitate control
- D. To maintain profits
- E. To offset uncertainty and change

Correct answer: D. To maintain profits

Reason: The primary goals of business planning are to provide direction, reduce uncertainty, and ensure efficient resource allocation. While maintaining profits is important, it is an outcome rather than a primary goal of planning.

II. Marine insurance policy which do not specify the subject matter insured is referred to as

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

Correct answer: C. Floating policy

Reason: A floating policy provides coverage for multiple shipments over a period of time without specifying the individual goods insured. This is useful for businesses that frequently ship goods.

III. Which of the following is the disadvantage of mail order business?

- A. There is limited range of goods
- B. Middlemen can be eliminated
- C. Trade is carried out 24 hours
- D. Not necessary to maintain a big shop
- E. No shop assistants are employed

Correct answer: A. There is limited range of goods

Reason: Mail order businesses often have restrictions on the variety of goods they can offer due to catalog limitations and logistical challenges, making the range of products smaller than in physical stores.

IV. The traders who buy goods from abroad in their own name and sell them locally are called

- A. Import commission agents

- B. Import agents
- C. Import merchants
- D. Import brokers
- E. Importers' agents

Correct answer: C. Import merchants

Reason: Import merchants purchase goods from foreign suppliers and take ownership before selling them in the local market. Unlike agents, they bear the risks and responsibilities associated with the imported goods.

V. A certificate of incorporation is a document that

- A. Governs the relationship of the company with outsiders
- B. Empowers the company to commence business activities
- C. Gives a company a legal existence
- D. Lays down rules and regulations of the internal organization of a company
- E. Invites offer from the public for subscription of shares of a company

Correct answer: C. Gives a company a legal existence

Reason: A certificate of incorporation is a legal document issued by the government upon the registration of a company, confirming its legal existence and granting it the right to operate as a corporate entity.

VI. Which of the following is not the aim of marketing boards?

- A. Finding a satisfactory market
- B. Stabilizing prices of agricultural products
- C. Ensuring a steady supply of the commodity all through
- D. Encouraging competition between marketing boards
- E. Assisting farmers with collection and storage of their produce

Correct answer: D. Encouraging competition between marketing boards

Reason: Marketing boards are established to regulate and stabilize markets, ensuring fair pricing and consistent supply. Encouraging competition among them would undermine their purpose of market stabilization.

VII. The warehouses which are situated at terminals of railway, airports, and sea ports are known as

- A. Public warehouse
- B. Bonded warehouse
- C. Wholesaler's warehouse

- D. Manufacturer's warehouse
- E. Private warehouse

Correct answer: B. Bonded warehouse

Reason: Bonded warehouses are storage facilities located near transport terminals where imported goods are kept before customs duties are paid. They allow importers to store goods while awaiting clearance.

VIII. A special crossing is a type of crossed cheque which consists of

- A. Two parallel lines with no words between them
- B. Two parallel lines with words 'and Company' between them
- C. Two parallel lines with drawee's name between them
- D. Two parallel lines with drawer's name between them
- E. Two parallel lines with endorser's name between them

Correct answer: B. Two parallel lines with words 'and Company' between them

Reason: A special crossing on a cheque includes two parallel lines with additional wording, such as 'and Company', which restricts payment to a specific bank or party, enhancing security.

IX. An insurance principle which restored the insured to the same position after the event is known as

- A. Insurable interest
- B. Utmost good faith
- C. Subrogation
- D. Contribution
- E. Indemnity

Correct answer: E. Indemnity

Reason: The principle of indemnity ensures that an insured person is compensated for their actual loss without making a profit. This restores them to the financial position they were in before the loss occurred.

X. What are the two main stages in production?

- A. Direct production and indirect production
- B. Direct production and secondary production
- C. Commerce and industry
- D. Primary and secondary industries
- E. Trade and industry

Correct answer: D. Primary and secondary industries

Reason: Production is classified into primary and secondary industries, where primary industries involve the extraction of natural resources, and secondary industries focus on processing and manufacturing raw materials into finished products.

2. Match the items in Column A with the responses in Column B by writing the letter of the correct response beside the item number in the answer booklet provided.

Column A

- i. The accounts in which the account holders are allowed to overdraw their accounts.
- ii. The cheques issued by the banks in fixed denominations to a person who pays for them in advance.
- iii. A cheque drawn on a bank and is more readily acceptable as a bank guarantees payments against it.
- iv. The cheques made payable on a later date in future.
- v. The situation in which the current account holders are allowed to overdraw their accounts.
- vi. The payee signs the back of the cheque authorizing the drawee to pay the cheque to any one presenting it.
- vii. A cheque made payable to a specified person.
- viii. A written order from an account holder to his bank to pay a specified sum of money to the person named therein or to bearer.
- ix. A single cheque prepared by the bank from instructions given by the account holder to pay the named people directly to their accounts.
- x. A cheque that is presented to the bank six months after the date on it.

Column B

- A. Travellers cheques
- B. Dishonoured cheques
- C. Bank draft
- D. Crossed cheques
- E. Credit transfer
- F. Stale cheques
- G. Bank charges
- H. Order cheques
- I. Post-dated cheques
- J. Bank overdraft
- K. Current accounts
- L. Savings accounts
- M. General endorsement
- N. A cheque
- O. Transfer of cheque

Correct answers:

- i. K. Current accounts
- ii. A. Travellers cheques

- iii. C. Bank draft
- iv. I. Post-dated cheques
- v. J. Bank overdraft
- vi. M. General endorsement
- vii. H. Order cheques
- viii. N. A cheque
- ix. E. Credit transfer
- x. F. Stale cheques

3. a. Elaborate five disadvantages of departmental stores.

Departmental stores require a large amount of capital for establishment and operation. High investment costs make it difficult for small businesses to enter this type of retailing.

The operation costs of departmental stores are high due to large premises, high employee wages, and expensive maintenance costs. These costs may lead to high product prices.

They face intense competition from specialized stores and supermarkets, which may offer better services or lower prices, leading to reduced sales.

There is a high risk of losses due to theft and pilferage. Since these stores are large, monitoring every product effectively becomes challenging, making them vulnerable to shoplifting.

Customers may experience difficulties in locating specific products due to the size of the store and multiple sections. This can lead to inconvenience and frustration when shopping.

b. Briefly explain five benefits of installment selling to the seller.

Installment selling increases sales volume since more customers can afford to buy expensive products by paying in smaller, manageable amounts over time.

It attracts more customers, especially those who cannot pay for the full cost of a product at once. This expands the customer base and improves business performance.

The seller earns additional revenue from interest charged on installment payments. This increases profitability compared to selling at a one-time fixed price.

Installment selling builds long-term customer relationships. Customers who purchase on installment plans are likely to return for future purchases, increasing customer retention.

It allows businesses to sell slow-moving or expensive stock that might otherwise remain unsold. By offering flexible payment terms, sellers can clear inventory efficiently.

4. a. Giving five points, discuss the importance of commerce to a developing country.

Commerce facilitates the distribution of goods and services by linking producers and consumers. This ensures that products reach the right markets efficiently.

It creates employment opportunities in areas such as trade, transportation, banking, and warehousing. This reduces unemployment rates and improves the living standards of people.

Commerce generates government revenue through taxes imposed on businesses, imports, and exports. These funds are used for national development projects such as infrastructure and healthcare.

It encourages industrial growth by providing a market for locally produced goods. When industries have reliable markets, they expand, leading to increased production and economic growth.

Commerce promotes international trade by allowing countries to import goods they lack and export surplus products. This strengthens foreign exchange earnings and improves the balance of trade.

b. Describe five functions of capital as a factor of production.

Capital is used to acquire tools, machinery, and raw materials necessary for production. Without capital, businesses cannot invest in essential resources needed for efficient production.

It enables business expansion by providing funds for opening new branches, increasing production capacity, and improving infrastructure. This leads to increased productivity and profits.

Capital helps in reducing production costs by investing in modern technology and automation. Efficient production methods lower costs and increase competitiveness.

It improves labor efficiency by providing workers with better tools and working conditions. Well-equipped employees can produce high-quality goods more quickly and efficiently.

Capital facilitates research and development, allowing businesses to innovate and create new products. Innovation helps companies stay competitive and meet changing consumer demands.

5. a. Tabinza insured his house against fire accident. The value of that house was shillings 20 million. Two months later, the house was destroyed as a result of an insured risk, and he would be entitled to claim the total amount insured. The insurance company sells the scrap from the destroyed house for shillings 5 million. How much would Tabinza receive from the insurer? Justify your answer with a clear explanation of the insurance principle applied to compensate him.

Tabinza would receive 15 million shillings from the insurer.

The principle of indemnity applies in this case, which states that the insured should not make a profit from an insurance claim but should only be compensated for the actual loss incurred. Since the scrap from the destroyed house was sold for 5 million shillings, the insurer deducts this amount from the total insured value of 20 million shillings, leaving a payout of 15 million shillings.

b. Giving three points, explain how insurance companies make their profit.

Insurance companies make profits through premium collection. They charge policyholders regular premiums for coverage, and if no claims are made, they retain the money as profit.

They invest collected premiums in financial markets such as bonds, stocks, and real estate. These investments generate additional income, increasing company profitability.

Insurance companies impose policy exclusions and deductibles, meaning not all claims are fully paid. By limiting payout amounts and conditions, they ensure they retain a portion of collected funds.

c. Differentiate co-insurance from re-insurance.

Co-insurance is when multiple insurance companies share the coverage of a single policy. Each insurer covers a percentage of the insured risk, reducing the financial burden on any single company.

Re-insurance is when an insurance company transfers part of its risk to another insurance company. The primary insurer remains responsible for the policy but is compensated by the re-insurer in case of large claims.

6. The following details were extracted from the books of Mawaya for the year ended 30th June 2015.

Sales shs 840,000

Cost of sales is 75% of sales

Opening stock at cost shs 90,000

Closing stock 20% of cost of goods sold

Owner's capital was shs 500,000

Trade debtors shs 110,000

Cash in hand shs 23,500

Lorry shs 400,000

Trade creditors shs 45,500

Net profit is 20% of sales

Compute the following:

a. Cost of goods sold

Cost of goods sold = 75% of sales

Cost of goods sold = $0.75 \times 840,000$

Cost of goods sold = 630,000

b. Closing stock

Closing stock = 20% of cost of goods sold

Closing stock = $0.20 \times 630,000$

Closing stock = 126,000

c. Gross profit

Gross profit = Sales - Cost of goods sold

Gross profit = $840,000 - 630,000$

Gross profit = 210,000

d. Net profit

Net profit = 20% of sales

Net profit = $0.20 \times 840,000$

Net profit = 168,000

e. Working capital

Working capital = Current assets - Current liabilities

Current assets = Trade debtors + Cash in hand + Closing stock

Current assets = $110,000 + 23,500 + 126,000$

Current assets = 259,500

Current liabilities = Trade creditors

Current liabilities = 45,500

Working capital = $259,500 - 45,500$

Working capital = 214,000

f. Working capital ratio

Working capital ratio = Current assets \div Current liabilities

Working capital ratio = $259,500 \div 45,500$

Working capital ratio = 5.7

g. Total value of assets

Total assets = Current assets + Fixed assets

Total assets = 259,500 + Lorry value
Total assets = 259,500 + 400,000
Total assets = 659,500

h. Total expenses for the year

Total expenses = Gross profit - Net profit
Total expenses = 210,000 - 168,000
Total expenses = 42,000

i. Mark-up ratio

Mark-up ratio = $(\text{Gross profit} \div \text{Cost of goods sold}) \times 100$
Mark-up ratio = $(210,000 \div 630,000) \times 100$
Mark-up ratio = 33.33%

j. Margin ratio

Margin ratio = $(\text{Net profit} \div \text{Sales}) \times 100$
Margin ratio = $(168,000 \div 840,000) \times 100$
Margin ratio = 20%

7. a. What is meant by the term branding in marketing? Give one example.

Branding is the process of creating a unique name, symbol, or design that distinguishes a product or company from competitors. It helps in building customer recognition and loyalty.

Example: Coca-Cola uses its distinctive logo and red color to differentiate itself from other soft drink brands.

b. Analyze six functions of marketing.

Marketing helps in identifying consumer needs by conducting market research and gathering information on customer preferences. This enables businesses to develop products that meet market demand.

It facilitates product promotion through advertising, sales promotion, and public relations. This creates awareness and attracts potential buyers.

Marketing assists in product distribution by selecting the best channels for delivering goods to consumers. Efficient distribution ensures product availability in the right locations.

It sets competitive prices by analyzing market conditions, production costs, and consumer purchasing power. A well-planned pricing strategy helps in maximizing sales and profitability.

Marketing enhances customer relationships by providing after-sales services, handling complaints, and engaging with customers. Satisfied customers are more likely to make repeat purchases.

It supports business expansion by identifying new market opportunities and launching new products. Marketing strategies help businesses grow by entering untapped markets.

c. Describe three disadvantages of using radio as an advertising media.

Radio advertisements have a short lifespan because they are broadcasted once and may not be repeated frequently. If a listener misses the advertisement, they may not hear it again.

It lacks visual elements, making it difficult to showcase products effectively. Unlike television or digital ads, radio advertisements rely only on sound, limiting their impact.

Radio audiences may be distracted while listening, as they often multitask while the radio is playing. This reduces the effectiveness of the message being conveyed.

8. a. i. Describe three importance of management in business organization.

Management ensures efficient use of resources by planning and organizing activities to maximize productivity. Effective resource allocation leads to cost savings and increased profitability.

It provides leadership and direction by guiding employees toward achieving organizational goals. Strong management motivates workers and fosters teamwork.

Management helps in decision-making by analyzing market trends, financial performance, and operational efficiency. Good decision-making ensures business stability and growth.

ii. What is the difference between planning and staffing in relation to management?

Planning involves setting objectives, formulating strategies, and determining the best course of action to achieve business goals. It focuses on future activities and decision-making.

Staffing refers to the process of recruiting, training, and managing employees to ensure that the organization has the right people for the right jobs. It focuses on workforce management and human resource development.

b. i. Describe the term organization.

Organization is the process of structuring and coordinating resources, activities, and personnel to achieve specific objectives. It defines roles, responsibilities, and relationships within a business.

ii. With four points, explain the importance of organization in any business.

Organization enhances efficiency by clearly defining tasks and responsibilities. Employees understand their roles, leading to improved workflow and productivity.

It facilitates coordination among departments, ensuring that all business functions work together towards common objectives. Effective coordination prevents duplication of efforts.

Organization improves decision-making by establishing a clear chain of command. Managers can make informed choices based on structured reporting systems.

It supports business growth by creating a framework for expansion. Well-organized businesses can scale operations and enter new markets more effectively.

c. Mr. Kenge is a supervisor in the printing department of a certain organization. His department has 120 subordinates. Which principle of organization had been violated for him to supervise a large number of subordinates? Justify your answer by stating clearly the principle violated.

The principle of span of control has been violated.

Justification: The span of control principle states that a supervisor should manage a limited number of employees to ensure effective supervision and communication. Managing 120 subordinates exceeds the recommended number, making it difficult to provide guidance, maintain control, and ensure efficiency.

9. a. Explain by giving five reasons why a wholesaler can usually sell his goods on a lower profit margin than a retailer.

Wholesalers buy in bulk from manufacturers, allowing them to negotiate lower purchase prices. The cost savings enable them to sell at lower margins while maintaining profitability.

They have lower operational costs compared to retailers. Since wholesalers focus on bulk distribution, they require fewer sales personnel and store maintenance expenses.

Wholesalers deal with large transaction volumes, compensating for lower profit margins. The high turnover ensures continuous cash flow and sustained profits.

They do not require extensive marketing and promotional expenses. Unlike retailers, wholesalers rely on business-to-business sales, reducing advertising costs.

Wholesalers operate on a faster inventory turnover, reducing the risk of holding unsold stock. Selling quickly minimizes storage costs and potential losses from product obsolescence.

b. Discuss five services rendered by the wholesaler to the manufacturer.

Wholesalers provide storage facilities, allowing manufacturers to produce goods in bulk without worrying about immediate sales. This ensures continuous production.

They offer financial support by purchasing goods in large quantities, providing immediate payment to manufacturers. This reduces financial strain on manufacturers.

Wholesalers conduct market research by gathering customer feedback and sales data. This information helps manufacturers improve their products and production strategies.

They assist in product distribution by ensuring goods reach various retail outlets and markets. This expands the reach of manufacturers without requiring direct selling efforts.

Wholesalers handle promotional activities, such as advertising and discounts, to increase demand for products. This reduces marketing costs for manufacturers.

10. a. Explain five roles of transport to the development of a country.

Transport facilitates trade by ensuring goods move efficiently from producers to consumers. Reliable transport networks support economic growth by connecting markets.

It promotes industrial growth by supplying raw materials to factories and distributing finished products. Industries rely on efficient transport for production and sales.

Transport enhances employment opportunities by creating jobs in logistics, warehousing, and infrastructure development. Many sectors depend on transportation services.

It supports tourism by enabling easy access to destinations. Good transport infrastructure attracts tourists, boosting the hospitality and travel industries.

Transport encourages rural development by linking remote areas with urban centers. Improved accessibility leads to better education, healthcare, and business opportunities.

b. Elaborate two advantages and three disadvantages of water transport.

Advantages:

Water transport is cost-effective for bulk goods, as it allows large quantities to be transported at lower costs compared to road or air transport.

It is environmentally friendly, producing fewer emissions and consuming less fuel than other modes of transport.

Disadvantages:

Water transport is slow compared to road or air transport, making it unsuitable for urgent deliveries.

It depends on water routes, limiting accessibility to inland areas without navigable rivers or ports.

Weather conditions such as storms and floods can disrupt operations, causing delays and losses.