

## COMMERCE CSEE 2019 (ANSWERS)

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### QUESTION 1

|     |      |       |      |     |      |       |        |      |     |      |       |        |       |      |
|-----|------|-------|------|-----|------|-------|--------|------|-----|------|-------|--------|-------|------|
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) | (xi) | (xii) | (xiii) | (xiv) | (xv) |
| B   | D    | A     | E    | E   | D    | A     | D      | A    | A   | C    | C     | C      | C     | C    |

### QUESTION 2

|     |      |       |      |     |
|-----|------|-------|------|-----|
| (i) | (ii) | (iii) | (iv) | (v) |
| E   | B    | F     | D    | C   |

### QUESTION 3

(a) **Cheque** is a written order by the account holder to the bank to pay a specific amount of money to the person named on his/ her order. By using the above information the following are three parties of a cheque:-

**Drawer** is a person who writes the cheque and is also the account holder. Mr. Rams is a drawer at the CRDB Bank as the information states

**Drawee** refers to the bank on which the cheque is written. It is the one which effects or makes payment of the cheque. Example is CRDB Bank in Arusha branch.

**The payee** is a person to whom the cheque has been written or is a person whose name is written on the cheques and is entitled to receive the payment. Example, Mr. Karim

(b) **Not negotiable** means that the payee named on a cheque cannot transfer the right to receive money against it to another person by endorsement.

**Account payee only** means that the payment should be made through the bank account of the payee named on a cheque.

### QUESTION 4

(a) The following are the positive effects of taxation:-

- It promotes the growth of home industries.** Tax is charged more to imported goods than home goods in order to promote home industries. When imported goods are charged more and its price will be higher compared to home products, so consumers will buy cheap home product and leave the imported products.
- Produce the balance of payments difference.** This is checked when imports are taxed more than exports.
- Reduces the income inequalities.** This is happening whereby the higher income earners are taxed more than the low income earners.
- Discourage the consumption of dangerous and harmful goods.** Harmful goods are taxed more compared to the normal goods. Example, alcohol is taxed more than
- Rise the government revenue,** through collecting the taxes more money collected which resulting to rise the revenue of the government.

**(b) The following are negative effects of taxes/ taxation:-**

- i. **It causes the inflation**, since it raise the cost of production causing cost push inflation
- ii. **Encourages the smuggling**. If the taxes are not uniform in the neighboring countries, traders will buy from those countries where taxes are lower
- iii. **It causes unemployment**. Investors tend to divert their capital from the production of taxed goods to non-taxed goods.
- iv. **Running of businesses**, when the tax imposed higher this discourage more businesses to escape.

**QUESTION 5**

Warehouse is a special building that has been purpose-built for storing goods until they are needed for sale or for consumption. Warehousing is a process of storing goods in a special building until they are needed for sale or for consumption. There are three types of warehouses which are public warehouse, private warehouse and bonded warehouse.

**The following are five (5) contributions of cashew nuts warehouse to Chetu village:-**

**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 minimizes 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) Shift in demand curves from D0 to D1 means decrease in demand and from D0 to D2 means increase in demand

**(b) Possible causes for a shift in demand curves from D0 to D2 are:-**

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- i. An increase of consumer's level of income
- ii. Positive change in tastes and preferences of the consumer
- iii. Good environment policy on taxation
- iv. Anticipated changes of price
- v. High population size
- vi. Weather and condition

## QUESTION 7

- (a) Broker refers to a middlemen who act on behalf of the seller to look for a market for his or her products. Example, stock exchange broker and insurance broker. They negotiate a purchase or sale without physically handling the goods involved

The following are features of broker

- (i) Do not possess the goods they sell but simply connect buyers to sellers
- (ii) Do not give credit
- (iii) Do not store goods

- (b) Factor is an agent who sell goods in his possession and under his control on behalf of his principal. They sell goods under their own names at prices they feel best

The following are features of factor:-

- (i) They possess the goods they sell
- (ii) They receive payment for the goods sold and give valid receipts
- (iii) They can give a credit to a reasonable extent
- (iv) They store goods and offer delivery services for the goods they have sold

## QUESTION 8

Communication means transmission of information from one place to another. Say from buyer to customer. Mobile phone is the most popular communication media which links the buyers and sellers within a short time due to its technology. Basing on the knowledge of business communication there are positive and negative effects of mobile phone communication in business. The following are positive effects of mobile phone communication in business:-

**Improved communication between buyer and seller.** Improved means of communication simplify the way of conducting business so as to increase efficiency and better customer relationships which led to better business performance when there is a distance between the seller and the customer.

**Increased productivity.** The significance of mobile phones in conducting business is the best way to connect with consumers, facilitators and suppliers. For example, making a phone call and clarifying all aspects of a business deal over the phone is more productive because the recipient sees it, reads it and gets back to you soon enough.

**Improved Marketing.** Since mobile phone communication gets suppliers and customers together all the time, it is easy for a product to be advertised at any time and let consumers understand it.

**Improved customer service.** It is easy for a customer to ask for a business assistance since mobile phone communication gets suppliers and customers in contact all the time. These improvements attract more customers to buy commodities and eventually result in improved sales.

**It simplify business contact in remote area.** Through mobile phone communication in a business can work remotely (example, work from home or away from an office).

**It minimizes cost.** Instead of using fear cost by moving from one place to another for business purposes you can use mobile phone to contact a customer or supplier.

***On top of the above positive effects of the mobile phone communication in business, the following are negative effects of mobile phone communication in business:-***

**Misuse of mobile phones.** Cellular phones allow employees to communicate through media other than voice. Employees who have access to other employees' cell phone numbers may use cellular communication to send harassing or inappropriate texts or calls. They may also send communications, pictures and videos that the recipient finds offensive or unprofessional. This can create workplace discord and increase the need for employee discipline and company-wide discussions about harassment policies.

**Network problem.** Sometimes cellular phones have network problems due to failure of network coverage from one area to other. This can led communication in business to be inefficiency between the buyer and the customer.

**Mismatch of language.** Language in business is the key tool where the buyer and the seller can communicate and reach the decision on business but if there is language barrier between the two that communication cannot be effectively in business between the buyer and the customer. for instance a Tanzanian businessman who knows kiswahili conducting businesses with a man from china who knows china language the two a likely to have problems in language.

**Privacy and security problems in the business.** In today's smartphone, every application needs to sign up before using. For using that application, every person fills up his email. During this sign process application, they copy our privacy data like photos, contacts from those social media websites to their database where they may hack our bank details and other personal data, which may fall us in critical problems.

**Misinterpretations of information.** When the communication taking place one side that is a buyer or a seller can receive the information wrongly or interpret them wrongly from the sender. This led communication barrier to business.

Mobile phone as tool or means of communication to business it has to be used properly and efficiently so as the intended goals of the two parts which are buyers and seller have to simplify the way of conducting businesses. From the above advantage and disadvantage of mobile phone in the business, now we have to understand the proper use of mobile phone. The mobile phone is not for playing games or for watching long time videos. Please use your mobile phone for a limited time and use it only for essential works like your business marketing, calling and studying. To avoid potential problems, you should have a clear policy on the use of mobile phones at work.

## **QUESTION 9**

Specialization is the concentration of an individual on organization or a country on the production of particular goods and services due to their greatest ability. Employment is not only the advantage of specialization, the following are other advantages:-

**Time saving.** When worker specialize in a specific task, it takes little time for him/ her to learn the job and become competent and experienced.

**It improves worker's sills.** Doing the same work repeatedly help worker to have much experience and efficient which can lead to quality production of goods.

**It promote the use of machines.** Specialization encourages the use of machines at different stages of production which increases production

**It increases production of goods.** This happens because each worker is expert on his/ her task and perform the work for little time due to its experience

**It promotes trade.** Specialization increases quality of goods and services in the market due to the fact that the specialist has much knowledge about the same business hence customer will be attracted to access the product from him/ her.

**It reduces wastage of resources.** When worker specialize in a specific task, he/ she will use resources effectively without wasting it due to his/ her experience of doing the same job several times.

**It enables the availability of varieties of goods.** When each person specialize in a different work, it increases the chance to produce different goods and services hence enables the customers to access varieties of goods and services in the market.

So, specialization increases efficiency during work though it is boars due to the fact that the same work is done daily by the same person.

## QUESTION 10

**Insurance** is a legal agreement between two parties which are insurance company (insurer) and the individual (insured. **Insurers** calculate risks, provide insurance policies and paying out claims. The insured on the other hand is an individual who receives insurance services.

Practically insurers and insured could work smoothly by applying the principles of insurance as follows:-

**Principal of utmost good faith,** under this insurance contract both parties should have faith over each other. It is the duty of the insured to disclose all the facts to the insurance company. Any fraud or misrepresentation of facts can result into cancellation of the contract.

**Principle of Insurable interest,** under this principle of insurance, the insured must have interest in the subject matter of the insurance. Absence of insurance makes the contract null and void. If there is no insurable interest, an insurance company will not issue a policy. An insurable interest must exist at the time of the purchase of the insurance. For example, a creditor has an insurable interest in the life of a debtor, a person is considered to have an unlimited interest in the life of their spouse etc.

**Principle of indemnity,** indemnity means security or compensation against loss or damage. The principle of indemnity is a principle of insurance stating that an insured may not be compensated by the insurance company in an amount exceeding the insured's economic loss.

**Principal of subrogation,** this principle enables the insured to claim the amount from the third party responsible for the loss. It allows the insurer to pursue legal methods to recover the amount of loss, For example, if you get injured in a road accident due to reckless driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

**Double insurance,** this denotes insurance of same subject matter with two different companies or with the same company under two different policies. Insurance is possible in case of indemnity contract like fire, marine and property insurance. Double insurance policy is adopted where the financial position of the insurer is doubtful. The insured cannot recover more than the actual loss and cannot claim the whole amount from both the insurers.

**Principle of proximate cause,** proximate cause literally means the 'nearest cause' or 'direct cause'. This principle is applicable when the loss is the result of two or more causes. The proximate cause means; the most dominant and most effective cause of loss considered. This principle is applicable when there are series of causes of damage or loss.

Above are principles of insurance which can be applied to both insurers and insured in order to work smoothly

