

**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: 2020**

**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.

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I. The shipping company charged one of its customers with a demurrage fee. Which condition is not fulfilled by such a customer?

- A. Loading the goods on time
- B. Offloading the goods on time
- C. Paying freight charges on time
- D. Paying insurance charges on time
- E. Keeping the records of all goods loaded in the ship

Correct answer: B. Offloading the goods on time

Reason: A demurrage fee is charged when a customer delays offloading goods at a port or terminal beyond the allowed time. This fee compensates the shipping company for the additional time their container or vessel is occupied.

II. Why elimination of a wholesaler from the channel of distribution does not affect the flow of goods from the manufacturer to the final consumer?

- A. The wholesaler has very small amount of capital.
- B. The wholesaler performs the only selling function.
- C. The other members in the channel of distribution are branded.
- D. Regardless of the financial position, manufacturer can sell direct to final users.
- E. The wholesaler's functions can be performed by other agents.

Correct answer: E. The wholesaler's functions can be performed by other agents.

Reason: Even if wholesalers are removed, their roles such as bulk-breaking, storage, and transportation can be taken over by manufacturers, retailers, or direct distribution methods, ensuring the continuous flow of goods.

III. Which among the documents of insuring your house against fire and you have already paid the premium. Which document is temporarily issued to you by an insurer as an evidence of premium payment?

- A. Assurance policy
- B. Insurance cover note
- C. Insurance certificate
- D. Insurance claim form
- E. Insurance proposal form

Correct answer: B. Insurance cover note

Reason: A cover note is a temporary document issued by an insurer as proof of insurance coverage before the final policy document is prepared. It serves as an interim confirmation of insurance validity.

IV. A business manager must obey the management functions so as to attain the business goals. In which function does a manager is involved in manpower planning and recruitment?

- A. Staffing
- B. Directing
- C. Planning
- D. Organizing

Correct answer: A. Staffing

Reason: Staffing involves hiring, training, and maintaining employees to ensure that an organization has the right personnel for its operations. Manpower planning and recruitment are key components of this function.

V. By being a Form Four student of 17 years old, you want to be admitted in one of the partnership dealing with selling of books. In which class of partners do you fit?

- A. Dormant partner
- B. Quasi partner
- C. Active partner
- D. Minor partner

Correct answer: D. Minor partner

Reason: A minor partner is a person under the legal age who is admitted into a partnership but has limited rights. They share in profits but are not personally liable for business debts beyond their investment.

VI. Suppose you are self-employed in carpentry activity that you have spent two days to produce the furniture for your family. In which class of production of such table be grouped?

- A. Indirect production
- B. Direct production
- C. Indirect services
- D. Direct services

Correct answer: B. Direct production

Reason: Direct production refers to the creation of goods for personal use rather than for sale. Since the furniture is being made for family use, it falls under direct production.

VII. Which method would Tanzania adopt if she wants to completely restrict importation of sugar from Zambia?

- A. Imposing heavy import duties
- B. Using government agencies
- C. Provision of customs drawback
- D. Fixing import quotas
- E. Total ban

Correct answer: E. Total ban

Reason: A total ban is a trade restriction that prohibits the importation of certain goods into a country. This is the most effective way to completely stop sugar imports from Zambia.

VIII. How can different drinking water industries in Tanzania differentiate the same products they offered for sale in the market?

- A. Through packages
- B. Through branding
- C. Through trademarks
- D. Through standardizing
- E. Through price

Correct answer: B. Through branding

Reason: Branding involves using unique names, logos, packaging, and advertising to distinguish a product from competitors. Different bottled water companies in Tanzania use branding to differentiate their products.

IX. Kajeiva is a large-scale retailer who wants to identify the fast-moving goods in his business. Which stock calculation will Kajeiva apply to arrive at correct identification?

- A. Average stock
- B. Mark up percentage
- C. Cost of goods sold
- D. Margin percentage
- E. Rate of stock turn

Correct answer: E. Rate of stock turn

Reason: The rate of stock turn (inventory turnover ratio) measures how quickly stock is sold and replaced. A high turnover rate indicates fast-moving goods, helping retailers identify their best-selling products.

X. If you have been employed as a machine operator in one of the soft drink industry and your salary ranked under low-income earner category, which tax system will favor you as one of the low-income earners?

- A. Income tax
- B. Regressive tax
- C. Direct tax
- D. Progressive tax
- E. Proportional tax

Correct answer: D. Progressive tax

Reason: A progressive tax system ensures that individuals with higher incomes pay a higher percentage of their income in taxes, while low-income earners pay a lower rate, making it beneficial for those with lower wages.

XI. One of the entrepreneurs believed that internal motivation in entrepreneurship is wastage of resources. Which statement evidences that internal motivation is an important aspect in entrepreneurship?

- A. It enhances entrepreneurial opportunity to workers.
- B. It reduces regional development imbalance.
- C. It encourages an entrepreneur to achieve their goals.
- D. It reduces decision-making in a business.
- E. It encourages consumption of local resources in production.

Correct answer: C. It encourages an entrepreneur to achieve their goals.

Reason: Internal motivation drives entrepreneurs to pursue their business goals, overcome challenges, and remain committed to their ventures, leading to long-term success.

XII. When drawing a supply curve it is automatically that the curve slopes upwards from left to right. Why does the supply curve slope upward from the left to right?

- A. The lower the price the higher the quantity demanded and vise-versa.
- B. When the price hold constant the quantity supplied increase.
- C. The lower the price the higher the quantity supplied and vise-versa.
- D. The higher the price the higher the quantity supplied and vise-versa.
- E. When the factors other than price hold constant the quantity supplied increased.

Correct answer: D. The higher the price the higher the quantity supplied and vice-versa.

Reason: The law of supply states that as the price of a good increases, producers are willing to supply more of it to maximize profits. Conversely, when prices fall, suppliers produce less. This relationship results in an upward-sloping supply curve.

XIII. Which bank account would you advise a trader to open if he/she wants to deposit/withdraw cash at any time and allows overdraft to its customers?

- A. Joint account
- B. Fixed deposit account
- C. Minor account
- D. Saving account
- E. Current account

Correct answer: E. Current account

Reason: A current account allows traders to deposit and withdraw money at any time without restrictions. It also provides an overdraft facility, enabling businesses to withdraw more than their account balance when needed.

XIV. Suppose you have attended a commercial debate with the motion "aids to trade is not necessary element of commerce". Which option will you choose as correct to oppose the motion?

- A. Aids to trade support production and not commerce.
- B. Aids to trade attract more buyers, hence allow sale of the goods.
- C. Aids to trade facilitate trade to take place smoothly.
- D. Aids to trade act as a link between commerce and production.
- E. Aids to trade is used to determine prices of the goods produced.

Correct answer: C. Aids to trade facilitate trade to take place smoothly.

Reason: Aids to trade, such as transportation, communication, banking, and insurance, support commerce by ensuring smooth transactions and efficient distribution of goods and services.

XV. The following are the roles of entrepreneurship in economic development except:

- A. Creation of friendship among the countries
- B. Creation of employment opportunities
- C. Improvement of people's living standards
- D. Investment in per capital income
- E. Capital formation

Correct answer: A. Creation of friendship among the countries

Reason: Entrepreneurship contributes to economic development through job creation, income generation, and investment. However, it does not focus on fostering international friendships, making option A incorrect.

2. Match the descriptions on taxation terminologies in Column A with the corresponding terminology in Column B by writing the letter of the correct terminology beside the item number in the answer booklet provided.

Column A

- i. The situation from which the tax payers omit or refuse to declare their business income for tax payment.
- ii. The tax which its tax rate is determined by basing the value of the goods.
- iii. The tax which is levied at each stage of production.
- iv. The situation in which the tax payers provide incorrect record so as to be charged with less amount of tax.
- v. The tax system from which the percentage of tax paid is inversely to the income of the tax payer.

Column B

- A. Regressive tax
- B. Ad valorem duty
- C. Corporation tax
- D. Tax evasion
- E. Value added tax
- F. Tax avoidance
- G. Tax incidence

Correct answers:

- i. D. Tax evasion
- ii. B. Ad valorem duty
- iii. E. Value added tax
- iv. F. Tax avoidance
- v. A. Regressive tax

3. a. You have been appointed as a food prefect at your school and one of your duties is to maintain different levels of stock in the food store. Briefly explain four essential levels of stocks which should be maintained in a food store.

The minimum stock level is the lowest amount of stock that should be kept in the store at any given time to avoid shortages. This ensures that there is always a supply of essential goods to prevent disruptions in food availability.

The maximum stock level is the highest amount of stock that can be stored without causing excessive storage costs or wastage. This level helps prevent overstocking, which may lead to spoilage, especially for perishable food items.

The reorder level is the point at which new stock should be ordered to ensure that supplies are replenished before they reach the minimum level. This prevents running out of stock and maintains a continuous supply of food.

The buffer stock is the extra stock kept as a reserve to handle unexpected demand or delays in supply. This ensures that the store can meet sudden increases in demand without running out of essential items.

b. You have been given maize flour stock information for the month of February, 2018 as:

Opening stock 500 bags

Weekly sales 700 bags

Minimum stock 300 bags

Closing stock 200 bags

Delivery time 02 weeks

i. Calculate order point.

Order point = Minimum stock + (Weekly sales  $\times$  Delivery time)

Order point =  $300 + (700 \times 2)$

Order point =  $300 + 1400$

Order point = 1700 bags

ii. Calculate average stock.

Average stock = (Opening stock + Closing stock)  $\div$  2

Average stock =  $(500 + 200) \div 2$

Average stock =  $700 \div 2$

Average stock = 350 bags

iii. Interpret the answers obtained in part i and ii.

The order point of 1700 bags means that when the stock level reaches 1700 bags, a new order should be placed to ensure a continuous supply of maize flour. This prevents stockouts and ensures smooth operations.

The average stock of 350 bags indicates that on average, the store holds 350 bags of maize flour throughout the month. This helps in managing storage space and ensuring that stock levels are maintained efficiently.

4. Suppose your commerce teacher had assigned you to prepare the class presentation about the essential elements of communication. Briefly explain five essential elements of effective communication that you will consider in your presentation.

The sender is the person or entity that creates and delivers the message. The sender plays a crucial role in ensuring that the message is clear, concise, and relevant to the recipient.

The message is the information being communicated. It should be well-structured and easy to understand to ensure that the intended meaning is conveyed effectively.



The medium is the channel used to transmit the message. This can be verbal, written, or electronic communication, depending on the nature of the information and the audience.

The receiver is the person or group for whom the message is intended. The effectiveness of communication depends on how well the receiver understands and interprets the message.

Feedback is the response given by the receiver to the sender. It helps in confirming whether the message was understood correctly and allows for adjustments if necessary.

5. a. Mbaofurniture industry needs to advertise its new products to the public by using magazine instead of newspapers. Why do you think it is better for the industry to advertise its product through magazine than newspapers? Give two reasons.

Magazines have a longer shelf life compared to newspapers, meaning that advertisements in magazines remain available to readers for a longer period. This increases the chances of reaching potential customers over time.

Magazines offer high-quality printing with better images and color presentation, making advertisements more attractive and appealing. This enhances the effectiveness of the advertisement in capturing customer attention.

b. Standardizing and grading is one of the marketing functions. With three points, briefly explain how grading becomes necessary in marketing the products.

Grading helps in sorting products into categories based on quality, size, or other attributes. This makes it easier for customers to choose products that meet their specific needs.

It facilitates pricing by ensuring that products of the same grade are sold at a uniform price. This reduces disputes between buyers and sellers and promotes fairness in trade.

Grading enhances consumer confidence by ensuring that they receive products of consistent quality. This improves customer satisfaction and loyalty to the brand.

6. a. Miss Papaye is a large retail trader who insured her business under general accident with insurer and she took a burglary insurance cover. Mention four policies that Papaye has to be given by insurer under burglary insurance cover.

A theft insurance policy covers losses resulting from theft or burglary in her business premises. This ensures compensation for stolen goods.

A damage insurance policy provides coverage for any damage caused to the property during a burglary attempt. This includes broken locks, doors, and windows.

A money insurance policy covers cash losses resulting from burglary. If cash is stolen from the business, this policy ensures reimbursement.

A stock insurance policy protects against the loss of goods due to burglary. This allows Miss Papaye to recover the value of stolen inventory.

b. Your uncle fears taking-up a life assurance policy because he does not know what makes such policy to come to an end. Explain to him three factors that make the life insurance policy come to an end.

The policy expires when the insured person reaches the maturity date specified in the contract. This means the policyholder no longer needs to pay premiums, and benefits may be paid out.

The policy ends if the insured person passes away before the maturity date. In this case, the insurance company pays the sum assured to the beneficiaries.

Non-payment of premiums leads to policy termination. If the policyholder fails to pay the required premiums within the grace period, the insurer may cancel the coverage.

7. a. Production is categorized into direct and indirect production and the categorization depends on their features. Describe two main features used to categorize production as indirect production.

Indirect production involves the production of goods and services for exchange rather than for direct use by the producer. This means that the products are sold or traded instead of being consumed by the producer.

It requires specialization, where individuals or businesses focus on producing specific goods or services. This enhances efficiency and allows for large-scale production, benefiting the economy.

b. One of the villagers wants to engage in production of goods and services but he or she needs to know about the levels of production. Briefly explain to the villager the three levels of production.

Primary production involves the extraction of natural resources from the environment. This includes activities such as farming, fishing, and mining, where raw materials are obtained for further processing.

Secondary production involves the processing of raw materials into finished or semi-finished goods. This includes manufacturing, construction, and factory production where raw materials are transformed into useful products.

Tertiary production involves the provision of services rather than tangible goods. This includes activities such as transportation, banking, healthcare, and education, where services are provided to consumers.

8. Ms. Nash is a retail trader who believes that business location and capital are the basic qualities for a successful retailer. Prove that Nash's belief is wrong by providing six justifiable qualifications of successful retailers.

A successful retailer must have good customer service skills to attract and retain customers. The ability to handle customer inquiries, complaints, and preferences professionally helps build customer loyalty and increases sales.

Effective stock management is essential for a retailer to ensure that products are available when needed while avoiding overstocking or stockouts. This helps in reducing losses due to expired or obsolete goods and maintains a steady cash flow.

Retailers need marketing and promotional skills to create awareness of their products and attract customers. Effective advertising, discounts, and in-store promotions help in increasing sales and business growth.

A good retailer must have financial management skills to control costs, manage cash flow, and ensure profitability. Poor financial planning can lead to business failure even if the location and capital are sufficient.

Flexibility and adaptability are necessary for a retailer to respond to changes in consumer demand, market trends, and competition. A successful retailer should be able to introduce new products and adjust pricing strategies accordingly.

A retailer must have negotiation skills to secure favorable terms with suppliers and wholesalers. The ability to bargain for better prices and payment terms helps in maximizing profit margins and maintaining competitive pricing.

9. The trend of winding up private limited companies is increasing day after day. Justify this statement by giving six reasons for winding up of private limited companies.

Financial difficulties often lead to the winding up of private limited companies. When a company is unable to generate sufficient revenue to cover operating expenses and debts, liquidation becomes necessary to pay off creditors.

Poor management can cause a business to fail if decisions are not made strategically. Lack of leadership, ineffective planning, and poor decision-making contribute to declining business performance and eventual closure.

Legal issues, such as lawsuits, regulatory violations, or compliance failures, may force a company to wind up. Government penalties, lawsuits from stakeholders, or breaches of business laws can make it difficult to continue operations.

Market competition can drive a company out of business if it cannot keep up with competitors. Companies that fail to innovate, improve their products, or adapt to changing consumer preferences may lose market share and become unprofitable.

A declining market demand for a company's products or services can make it unsustainable. Changes in technology, consumer behavior, or industry trends may lead to reduced sales and force the company to shut down.

Voluntary winding up may occur when business owners decide to dissolve the company due to personal reasons, such as retirement, partnership disputes, or a strategic decision to pursue other ventures.

10. Mr. Kashinde, the winner of 20 million from Tatu Mzuka Jackpot, wishes to invest in business as an entrepreneur but he does not know how to identify the business opportunity available in markets. Assist him to discover various business opportunities for investment by explaining six ways that can be used to discover business opportunities to invest in market.

Market research helps in identifying gaps in the market by analyzing consumer preferences, competitor strategies, and industry trends. Through surveys, interviews, and data analysis, an entrepreneur can find profitable business opportunities.

Observing consumer problems and needs provides insight into potential business ideas. Identifying unmet needs or common challenges faced by consumers allows an entrepreneur to create solutions and develop innovative products or services.

Networking with industry experts, business owners, and professionals exposes an entrepreneur to new opportunities. Attending business conferences, trade shows, and networking events provides valuable market insights and investment possibilities.

Analyzing economic trends and government policies helps in identifying sectors with growth potential. For example, incentives for renewable energy businesses or tax benefits for manufacturing industries may indicate profitable investment areas.

Studying competitors allows an entrepreneur to identify gaps in existing businesses and explore ways to offer better products or services. Understanding what competitors lack can help in positioning a business for success.

Leveraging technology and online platforms helps in identifying new and emerging markets. Digital tools, e-commerce trends, and online consumer behavior analysis provide opportunities for business expansion and innovation.