

**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: 2021**

**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. Which document is issued by the registrar of companies to empower the company to commence business operation?

- A. Memorandum of association
- B. Partnership deed
- C. Articles of association
- D. Certificate of incorporation
- E. Certificate of trading

Correct answer: E. Certificate of trading

Reason: A certificate of trading is issued to a public limited company after registration, granting it permission to start its business operations. Other documents, such as the certificate of incorporation, only confirm legal registration but do not authorize trading.

II. Mr. Bukaka wants to engage in hire purchase but he does not know its consequences. Identify one consequence that he can face.

- A. He can own the property soon after payment of the first installment.
- B. He can own the property soon after payment of the last installment.
- C. Once he failed to pay other installments the seller cannot repossess the goods.
- D. Once he failed to pay other installments the seller can repossess the goods.
- E. He can pay all the amount required in cash and possess the property.

Correct answer: D. Once he failed to pay other installments the seller can repossess the goods.

Reason: In a hire purchase agreement, the buyer does not gain full ownership of the goods until the final installment is paid. If the buyer fails to pay, the seller has the legal right to repossess the goods to recover the outstanding debt.

III. Which one is an example of constructive industry?

- A. Fishing
- B. Lumbering
- C. Pot making
- D. Cotton spinning

Correct answer: C. Pot making

Reason: A constructive industry involves the transformation of raw materials into usable products. Pot making involves shaping clay into finished pots, which classifies it as a constructive industry. Other options, such as fishing and lumbering, fall under primary industries because they involve extracting natural resources.

IV. Suppose you have been employed in a bonded warehouse and one of the customers needs to collect his car from the warehouse. Which tax would you require the customer to pay before releasing the car?

- A. Property tax
- B. Export duty
- C. Exercise duty
- D. Value added tax
- E. Custom duty

Correct answer: E. Custom duty

Reason: Custom duty is imposed on imported goods before they are allowed into the domestic market. Since the car was stored in a bonded warehouse, it means the duty was not paid at the time of importation. The customer must pay this tax before taking possession of the vehicle.

V. What is the main source of funds used by insurance companies to pay for claims and administrative expenses?

- A. Income from investments and premiums paid
- B. Income from selling of shares and debenture to insured
- C. The difference between the value insured and the actual loss
- D. Loan received from different financial institutions
- E. Income from selling of the property destroyed and loans from friends

Correct answer: A. Income from investments and premiums paid

Reason: Insurance companies collect premiums from policyholders, which serve as their primary source of revenue. These funds are invested in various financial instruments to generate additional income. The money collected is then used to pay claims and cover operational expenses.

VI. Mrs. Makuchi as housewife prepared a fresh fruits juice for her kids' consumption. In which type of production does the activity done by Mrs. Makuchi be grouped?

- A. Primary production
- B. Tertiary production
- C. Personal services
- D. Direct production

Correct answer: C. Personal services

Reason: Personal services refer to activities that are performed for individual or household consumption rather than for commercial purposes. Since Mrs. Makuchi made juice for her kids and not for sale, her activity falls under personal services rather than direct or tertiary production.

VII. Suppose Maiki and Juri are employed by Azam food processing industry and their net family income is Tsh. 1 million and Tsh. 1.5 million respectively. What type of tax system is applied if both are charged with 18% income tax?

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

Correct answer: B. Proportional tax

Reason: A proportional tax system applies the same fixed tax rate to all income levels. Since both Maiki and Juri are taxed at 18% regardless of their income differences, this indicates a proportional tax system.

VIII. Suppose you are a marketing manager who wants to satisfy the target market at the same time achieves the marketing objectives. Which elements of market mix would you consider?

- A. Branding, guiding, standardizing and pricing
- B. Product, price, brand name and promotion
- C. Package, price, production and place
- D. Product, price, promotion and place
- E. Brand name, package, packaging and product

Correct answer: D. Product, price, promotion and place

Reason: The four elements of the marketing mix—product, price, promotion, and place—are essential for a successful marketing strategy. These elements ensure that the product meets consumer needs, is priced appropriately, is well-promoted, and is available in convenient locations.

IX. Why face-to-face business communication is advantageous to both retailer and final customers?

- A. There is no need of keeping record of the message communicated.
- B. It reduces unnecessary noise between the sender and the receiver.
- C. It provides a quick feedback between the sender and the receiver.
- D. The message communicated cannot be distorted.

Correct answer: C. It provides a quick feedback between the sender and the receiver.

Reason: Face-to-face communication allows immediate interaction, enabling both parties to ask and respond to questions instantly. This helps in resolving misunderstandings, clarifying information, and making business transactions smoother.

X. A written document prepared by an entrepreneur which describes the objectives of the proposed business and the steps necessary to attain those objectives is referred to as

- A. Business idea
- B. Business location
- C. Business organization chart
- D. Business plan

Correct answer: D. Business plan

Reason: A business plan is a formal document that outlines an entrepreneur's business objectives, strategies, financial projections, and steps to achieve success. It serves as a guide for business operations and helps attract investors.

XI. Which among the following is the correct change in quantity demanded and the factors to the change in demand? Which factor would you opt for the given situation?

- A. Change in weather
- B. Change in fashion
- C. Change in price of a commodity
- D. Change in technology
- E. Change in price of related commodities

Correct answer: C. Change in price of a commodity

Reason: Quantity demanded changes due to variations in the price of a commodity, following the law of demand. When the price of a product increases, its quantity demanded decreases, and when the price decreases, demand increases. Other factors, such as fashion and technology, affect overall demand but do not directly influence quantity demanded in the same way as price changes.

2. Match the descriptions of the terms of sale in Column A with the appropriate terms in Column B by writing the letter of the correct response beside the corresponding item number.

Column A

- i. The price quoted to the buyer which includes carriage charges to the dock, dock handling charges and loading charges.
- ii. The price quoted to the buyer which includes all costs of goods as they leave the factory.
- iii. The price charged to the buyer which includes all costs of carrying goods to the port of destination plus unloading charges.
- iv. The price quoted to the buyer which includes carriage charges to the dock, dock dues and handling but do not include loading charges.
- v. The price quoted to the buyer which includes all charges incurred to bring the goods to the buyer's premises.

Column B

- A. Loaded

- B. Free on rail
- C. Ex-works
- D. Franco
- E. Fee on board
- F. In bond
- G. Free alongside ship

Correct answers:

- i. E. Fee on board
- ii. C. Ex-works
- iii. D. Franco
- iv. G. Free alongside ship
- v. A. Loaded

3. a. Many graduates in Tanzania are faced with unemployment problems. Suppose the government provides them with loan capital and conducive places for business. Briefly explain three benefits those entrepreneurs could enjoy for being self-employed.

Self-employment allows individuals to have financial independence by generating their own income rather than relying on salaried jobs. Entrepreneurs can control their earnings, expand their businesses, and improve their financial well-being.

It provides flexibility in working hours since self-employed individuals can set their schedules based on business demands and personal preferences. This independence allows them to balance work and personal life more effectively.

Self-employment creates job opportunities for others, as entrepreneurs may need to hire workers to assist in running their businesses. This contributes to economic growth by reducing unemployment and improving community livelihoods.

b. In summary, give two problems faced by people who are self-employed.

Self-employed individuals often struggle with financial instability, especially in the early stages of business. Their income is not guaranteed, and fluctuations in market demand can lead to unpredictable earnings.

They face high levels of responsibility and stress since they must manage all aspects of their business, including finances, marketing, and operations. Unlike salaried employees, they do not have job security or employer-provided benefits.

4. a. You have a saving account with CRDB bank, and you have been issued with a bank card. What are the three modern self-services banking you will get from the bank?

ATM services allow customers to withdraw cash, deposit money, check account balances, and make bill payments without visiting a bank branch. This enhances convenience and accessibility.

Internet banking provides a digital platform where customers can perform various transactions, such as fund transfers, utility bill payments, and loan applications, from their computers or mobile devices.

Mobile banking enables customers to access banking services through mobile apps or SMS. This includes checking balances, transferring money, and receiving transaction alerts, making banking more efficient and user-friendly.

b. Ms. Akido needs to open a fixed deposit account with NMB Bank, but she wants to know the basic features of a fixed account before opening the account. Briefly explain to her two features of the fixed deposit account.

A fixed deposit account requires a customer to deposit a specified amount for a predetermined period, during which the funds cannot be withdrawn without incurring penalties. This helps in disciplined saving and higher interest accumulation.

It offers a higher interest rate compared to a regular savings account because the money remains locked for a fixed term. The longer the deposit period, the higher the interest earned.

5. a. Draw the supply curves to show an increase in supply of maize and state the effect of an increase in supply on equilibrium prices and equilibrium quantity.

When the supply of maize increases, the supply curve shifts to the right, indicating that more maize is available at the same price. This increase in supply leads to a decrease in equilibrium price since surplus maize forces sellers to lower prices to attract buyers. The equilibrium quantity rises because more maize is being sold in the market.

b. Draw the supply curves to show a decrease in supply of maize and state the effect of a decrease in supply of maize on equilibrium prices and equilibrium quantity.

When the supply of maize decreases, the supply curve shifts to the left, meaning less maize is available in the market. This causes the equilibrium price to rise because maize becomes scarce, increasing competition among buyers. The equilibrium quantity falls since fewer maize products are being traded at higher prices.

6. Storage facility is one of the problems facing mobile shop traders in Tanzania. The solution towards this problem is to hire a space in private warehouses. Briefly elaborate to them four types of private warehouses and advise them on the one which is suitable for their business.

Bonded warehouses are storage facilities licensed by the government where imported goods can be kept without immediate payment of customs duties. These warehouses are beneficial for businesses that deal with international trade.

Distribution warehouses are used by wholesalers and retailers to store large volumes of goods before they are distributed to various locations. These warehouses ensure a steady supply of products to meet market demands.

Cold storage warehouses are designed to store perishable goods such as food, medicines, and dairy products at controlled temperatures. These facilities are essential for businesses dealing with frozen or fresh products.

Retail warehouses are designed for businesses that require immediate stock availability for direct sales to customers. These warehouses are located near commercial centers to facilitate quick delivery.

For mobile shop traders, a distribution warehouse is the most suitable option because it allows them to store bulk goods and distribute them efficiently to their selling locations while maintaining a stable supply chain.

7. a. Mr. Konge insured his car against accidents, but he thought that the principles of utmost good faith, insurable interest, and indemnity are not necessary principles in insurance. Describe the necessity of these three principles of insurance to Mr. Konge.

The principle of utmost good faith requires both the insurer and the insured to disclose all relevant information honestly. If Mr. Konge hides critical details about his car's condition or previous accidents, his policy may become invalid when he files a claim.

The principle of insurable interest states that the insured must have a direct financial stake in the insured item. Since Mr. Konge owns the car, he has an insurable interest, meaning he would suffer a financial loss if the car is damaged or destroyed. Without this principle, people could insure items they do not own for fraudulent gains.

The principle of indemnity ensures that the insured does not profit from insurance claims but is instead compensated for actual losses. If Mr. Konge's car is damaged, he will receive compensation equal to the market value of the damage, preventing overcompensation or financial gain from the claim.

b. Mr. Pokea received a cover note after paying the premium to the insurer but did not know why the insurer issued him such a document. Give him two functions of the document he received.

A cover note serves as temporary proof of insurance before the actual policy document is issued. It allows Mr. Pokea to have immediate coverage for his insured asset while waiting for the final policy document.

It contains essential details about the insurance agreement, including the type of coverage, period of validity, and terms of protection. This helps Mr. Pokea understand his rights and obligations under the insurance contract.

8. A good transport facility in business is regarded as blood vessels in the human body. Justify this statement with six importance of good transport facilities in business.



A good transport system ensures the smooth movement of goods from producers to consumers, just as blood vessels transport oxygen and nutrients throughout the body. Without efficient transportation, businesses struggle to deliver products on time, leading to delays and customer dissatisfaction.

It reduces production costs by facilitating the delivery of raw materials to manufacturing plants at lower costs. When transportation is efficient, businesses can access raw materials from different suppliers at competitive prices, lowering overall expenses.

Transport infrastructure expands market reach by allowing businesses to distribute their products beyond local areas. Companies can sell goods to national and international markets, increasing sales and profitability while reducing dependency on a single customer base.

It enhances customer satisfaction by ensuring timely delivery of goods and services. Customers prefer businesses that provide fast and reliable delivery, and an efficient transport system helps meet customer expectations, leading to repeat purchases and brand loyalty.

A reliable transport network promotes economic growth by linking different sectors of the economy. When businesses can move goods efficiently, industries such as agriculture, manufacturing, and retail thrive, leading to job creation and increased economic activity.

It enables businesses to respond quickly to market demand by adjusting production and distribution accordingly. With efficient transportation, companies can replenish stock in real time, reducing the risk of inventory shortages and maintaining a steady supply chain.

9. One of the Form Four students argued that "business is most likely to collapse in future if there is no good business communication." Support this argument by analyzing six roles of business communication.

Business communication facilitates decision-making by ensuring that all stakeholders have access to accurate and relevant information. Without proper communication, managers may make uninformed decisions, leading to inefficiencies and potential business failure.

It enhances coordination among departments by ensuring that employees understand their roles and responsibilities. Effective communication allows different teams to work together smoothly, reducing misunderstandings and improving overall productivity.

Good communication strengthens customer relations by enabling businesses to address customer inquiries, complaints, and feedback effectively. If businesses fail to communicate well with their customers, they risk losing trust and loyalty, which can lead to declining sales.

It supports marketing and brand promotion by conveying clear messages about products and services to potential customers. Businesses that struggle with communication may fail to reach their target audience, resulting in reduced market penetration and lower sales.

Effective communication improves employee engagement by keeping workers informed about company goals, expectations, and performance. When employees are well-informed, they are more motivated and productive, reducing turnover and increasing business stability.

It minimizes conflicts within the organization by fostering transparency and clarity in instructions and policies. Miscommunication can lead to disputes between employees, management, and customers, negatively impacting business operations and overall success.

10. Suppose your name has been shortlisted by SIDO (Small Industries Development Organization) as a job applicant under the research and development department. An interviewer asked you to explain the contributions of innovation towards business success. What would be your response?

Innovation enhances competitiveness by allowing businesses to develop unique products and services that differentiate them from competitors. Companies that continuously innovate can attract more customers, build strong brand identities, and maintain market leadership.

It improves efficiency in business operations by introducing advanced technologies and modern production methods. Automation, for example, reduces manual work, lowers production costs, and increases output, enabling businesses to scale operations more effectively.

Innovation leads to increased customer satisfaction by meeting evolving consumer needs. Businesses that invest in product development and service improvements can create solutions that address customer demands, leading to higher sales and customer loyalty.

It opens new market opportunities by enabling businesses to explore untapped markets and expand globally. Innovative products and services attract new customer segments, allowing companies to diversify revenue streams and reduce dependence on a single market.

Businesses that embrace innovation can adapt quickly to changing market conditions and economic disruptions. Companies that fail to innovate risk becoming obsolete as customer preferences shift, while innovative firms can pivot and introduce new offerings that match current trends.

It boosts profitability by creating cost-effective processes and high-value products. When businesses develop innovative ways to cut expenses and maximize output, they achieve higher profit margins and long-term sustainability in competitive industries.