

THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL OF TANZANIA
CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

061

COMMERCE

(For Both School and Private Candidates)

Duration: 3 Hours

SOLUTIONS

Year: 2025

Instructions

1. This paper consists of sections A, B and C with a total of **eleven (11)** questions.
2. Answer **all** questions in section A and B and **two (2)** questions from section C.
3. Section A carries **sixteen (16)** marks, section B **fifty four (54)** marks and section C **thirty (30)** marks.
4. All writing must be in **blue** or **black** ink.
5. Communication devices and any unauthorised materials are **not** allowed in the examination room.
6. Write your **Examination Number** on every page of your answer booklet(s)

maktaba.tetea.org



SECTION A

1 For each of the items (i) - (x) choose the correct answer from the given alternatives and write its letter beside the item number in the answer booklet provided.

(i) Mr. Migomba is an entrepreneur who buys goods in large quantities direct from producer and keeps them in his private warehouse in which he insured against all risks. Which way of managing risks adopted by Migomba?

- A Preventing risks
- B Reducing risks
- C Transferring risks
- D Accepting risks
- E Scaring risks

Correct answer: C Transferring risks

Reason: Mr. Migomba transfers the financial risk of loss or damage to an insurance company, which is a common method of risk management.

(ii) Matata is a self-employed fruits vendor at the market. For the first year of his business operation he made significant loss but he did not quit hoping that things will change in the future. Which feature of entrepreneurship did Matata rely on?

- A Risk bearing capacity
- B Leadership quality
- C Goal oriented
- D Action oriented
- E Competitive

Correct answer: A Risk bearing capacity

Reason: Entrepreneurs are expected to bear business risks, including financial losses, and continue operations in anticipation of future gains.

(iii) The Form Four students at Kisima Secondary school are engaging in large scale production of maize and beans for their own use as meal at school. Which kind of production students are engaging in?

- A Direct production
- B Indirect production
- C Secondary production
- D Tertiary production
- E Primary production

Correct answer: A Direct production

Reason: Direct production involves producing goods for immediate personal consumption, which is what the students are doing.

(iv) Which one is a type of small-scale retailer without fixed premises?

- A Single shops retailer
- B Market stalls retailer
- C Tied shops retailer
- D Canteens
- E Itinerant trader

Correct answer: E Itinerant trader

Reason: An itinerant trader sells goods by moving from place to place without a fixed shop or premises.

(v) Kameme Trading company Ltd extracted the following information for the year ending 31st December 2022; selling price of their products was TZS 800,000/= and markup percentage was 25. What was the value of cost price of their products?

- A TZS 960,000/=
- B TZS 640,000/=
- C TZS 200,000/=

D TZS 800,025/=

E TZS 600,000/=

Correct answer: B TZS 640,000/=

Reason: Cost price = Selling price \div (1 + markup%) = 800,000 \div 1.25 = 640,000/=

(vi) The government of Tanzania has entered into the contract with the government of Uganda to transport large volume of gases with high speed from Mtwara region to Jinja in Uganda. Which one is the best and safe means of transporting that item?

A Air transport

B Pipeline transport

C Railway transport

D Road transport

E Water transport

Correct answer: B Pipeline transport

Reason: Pipelines are the safest and most efficient means of transporting gases over long distances.

(vii) In 2019 a country tax authority introduced a simple way of collecting taxes from small-scale vendors where every small-scale vendor was required to pay TZS 20,000/= per year regardless of size of his/her business and capital invested. Which canon of taxation was violated by a country tax authority?

A Canon of certainty

B Canon of equality

C Canon of economy

D Canon of convenience

E Canon of productivity

Correct answer: B Canon of equality

Reason: This taxation method violates the principle of equity because it ignores the ability to pay, charging all vendors the same amount regardless of income.

(viii) Mr. Juma is one of the partners who forms JMN partnership. He was proposed by other partners to run partnership business on behalf of other two partners. Being knowledgeable on different types of partners, in which category of partners is he belonging?

A Active partner

B Dormant partner

C Quasi partner

D Minor partner

E Major partner

Correct answer: A Active partner

Reason: An active partner is involved in the daily management and operations of the partnership.

(ix) Mr. Kagwai insured his building property worth TZS 20,000,000/= for TZS 15,000,000/= with premium payment of TZS 1,000,000/= per annum. Fire occurred and destroyed all his property. What will be the amount of compensation that Mr. Kagwai will receive from Insurance Company?

A TZS 20,000,000/=

B TZS 5,000,000/=

C TZS 1,000,000/=

D TZS 15,000,000/=

E TZS 35,000,000/=

Correct answer: D TZS 15,000,000/=

Reason: Insurance payout cannot exceed the sum insured; since he insured for 15,000,000/=, this is the maximum compensation.

(x) Which sets of goods represents a joint demand?

- A Car and fuel
- B Coffee and salt
- C Sugar and milk
- D Bread and coffee
- E Coffee and tea

Correct answer: A Car and fuel

Reason: Joint demand occurs when the consumption of one good requires the use of another; a car requires fuel to operate.

2 Match the descriptions of the taxation principles in List A with the appropriate tax principle in List B by writing the letter of the correct response beside the corresponding item number in the answer booklet provided.

List A	List B
(i) Tax should be charged according to the individual ability to pay.	A Economy
(ii) Tax should change in proportion to the change of tax base.	B Convenience
(iii) Tax payers must know exactly how much to pay and tax collectors must know how much to collect.	C Equity

(iv) The cost and administration of tax should not exceed the revenue realized.	D Certainty
(v) Tax collection should be easy or should not cause unnecessary hardship for tax payers.	E Productivity
(vi) Tax should generate enough revenue for the Government.	F Simplicity
	G Elasticity
	H Flexibility

Answer

List A	(i)	(ii)	(iii)	(iv)	(v)	(vi)
List B	C	G	D	A	B	E

SECTION B

3. Briefly explain three positive and three negative effects of specialization and division of labour in the organization.

Specialization increases efficiency as workers become highly skilled in performing specific tasks, which reduces time wastage and improves productivity.

It enhances quality because workers focus on areas where they have expertise, leading to better products and services.

Specialization promotes innovation, as repeated focus on a particular task allows workers to develop improvements and efficiencies.

On the negative side, excessive specialization can lead to monotony and boredom, reducing worker motivation and job satisfaction.

It may cause over-dependence on specific workers, making the organization vulnerable if those employees are absent or leave.

Specialization can create communication and coordination problems between departments, leading to inefficiencies and conflicts within the organization.

4. You have been invited in a school economic committee to discuss the need for the school to have some commercial activities. Briefly elaborate the following to the members;

(a) Four importance of commerce.

Commerce facilitates the movement of goods and services from producers to consumers, ensuring availability when needed.

It promotes economic growth by generating revenue and supporting employment opportunities within and outside the school.

Commerce allows the school to acquire necessary resources and materials efficiently, improving operational efficiency.

Engaging in commercial activities can help develop students' entrepreneurial skills and practical experience in business.

(b) Two commercial activities that can be undertaken by the school.

Operating a school tuck shop selling stationary, food, and beverages.

Engaging in school farm produce sales, such as vegetables, fruits, or poultry products.

5. Entrepreneurship activities are important. Briefly justify this statement by using six points.

Entrepreneurship creates employment opportunities, reducing unemployment in the community.

It generates income for individuals and contributes to national economic growth through taxation and investment.

Entrepreneurs innovate, introducing new products and services that improve quality of life.

Entrepreneurship encourages the effective use of resources and promotes business efficiency.

It enhances skill development and personal growth among business owners and employees.

Entrepreneurial activities strengthen trade and market networks, facilitating economic integration and development.

6. (a) Planning is the only function of business management. By using four points briefly argue against this statement.

Management involves multiple functions including organizing, which ensures resources are properly allocated and coordinated.

Directing is crucial for motivating employees and guiding them to achieve organizational goals.

Controlling allows managers to monitor performance, detect deviations, and implement corrective measures.

Staffing ensures the right people are recruited, trained, and retained to perform business activities efficiently.

(b) Differentiate the Unity of command from the scalar chain management as explained by Fayol.

Unity of command states that each employee should receive orders from only one superior to avoid confusion, while scalar chain refers to the clear line of authority from top management to lowest ranks.

7. (a) How are the following mechanisms used in protecting domestic industries?

(i) Imposing heavy import duties increases the cost of foreign goods, making locally produced goods more competitive.

(ii) Fixing import quotas limits the quantity of imported goods, reducing competition and protecting domestic producers.

(iii) Total ban prevents specific foreign goods from entering the country, safeguarding local industries from external competition.

(b) Despite its limitations, international trade is important for the country's economic development. Briefly use three points to justify this statement.

International trade enables access to a variety of goods and services not produced locally.

It promotes economic growth through foreign exchange earnings and market expansion for domestic products.

Trade encourages technological transfer and innovation by exposing local industries to global practices and competition.

8. Differentiate the following terms as used in marketing:

(a) Market and marketing

Market refers to the group of buyers and sellers for a particular product, while marketing is the process of promoting, selling, and distributing products to satisfy consumer needs.

(b) Branding and packaging

Branding involves creating a unique identity and image for a product, while packaging refers to the physical container or wrapping that protects and presents the product.

(c) Grading and standardizing

Grading involves classifying products based on quality or size, while standardizing ensures products meet specific minimum quality requirements or specifications.

SECTION C

9. Explain the factors to consider when choosing a means of communication. Give six points.

The distance between sender and receiver affects whether to use verbal, written, or electronic communication.

The nature of the message determines the medium; complex messages may require detailed written communication.

Cost considerations may influence the choice, with some means being more expensive than others.

Urgency dictates whether fast methods like phone or email are appropriate compared to formal letters.

The target audience's literacy and language skills affect the choice of communication method.

Confidentiality needs may require secure methods, such as sealed letters or encrypted digital communication.

10. Explain six importance of a business plan in business operations.

A business plan guides entrepreneurs by outlining objectives, strategies, and action plans.

It assists in securing funding by demonstrating viability and profitability to investors or banks.

A business plan helps monitor progress and performance against set goals and targets.

It reduces business risks by forecasting challenges and preparing contingency plans.

It facilitates decision-making and prioritization of resources for effective operations.

A business plan provides a framework for evaluating new opportunities and adjusting strategies accordingly.

11. Elaborate six functions of Central Banks to the government.

The Central Bank issues and regulates the national currency, ensuring stability in money supply.

It acts as a banker and advisor to the government, managing public debt and providing financial guidance.

The bank regulates commercial banks and financial institutions to maintain financial stability.

It implements monetary policy to control inflation, interest rates, and liquidity in the economy.

The Central Bank manages foreign exchange reserves and stabilizes the exchange rate.

It provides lender-of-last-resort facilities to banks and the government during financial crises.