

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF EDUCATION AND VOCATIONAL TRAINING
FORM TWO SECONDARY EDUCATION EXAMINATION, 2001

0061

COMMERCE

Time: 2 Hours.

SOLUTIONS

INSTRUCTIONS

1. This paper consists of sections **A**, **B** and **C**.
2. Answer **ALL** questions.
3. **ALL** answers should be written in the spaces provided.
4. Write your examination number at the top-right corner of every page
5. **ALL** writing must be in **black** or **blue** ink.
6. Cellular phones and calculators are not allowed in the examination room.

| FOR EXAMINER'S USE ONLY | | |
|--------------------------------|--------------|----------------------------|
| QUESTION NUMBER | SCORE | EXAMINER'S INITIALS |
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| TOTAL | | |
| CHECKER'S INITIALS | | |

SECTION A (30 MARKS)

1. For each of the following items, choose the correct answer and write its letter.

(i) Commerce mainly deals with

- A. creation of goods
- B. distribution of goods
- C. consumption of goods
- D. destruction of goods

Correct answer: B.

Commerce mainly deals with the distribution of goods by ensuring that goods move from producers to consumers through trade and aids to trade.

(ii) Goods used to make other goods are known as

- A. consumer goods
- B. luxury goods
- C. capital goods
- D. free goods

Correct answer: C.

Capital goods are used in the production process to make other goods, for example machines and tools.

(iii) The reward for labour is

- A. rent
- B. interest
- C. profit
- D. wage

Correct answer: D.

Wage is the payment made to labour for the services provided in production.

(iv) A fall in price normally causes

- A. decrease in demand
- B. increase in demand
- C. decrease in supply
- D. no change in demand

Correct answer: B.

When price falls, more consumers are willing and able to buy the good, leading to an increase in demand.

(v) A trader who sells goods from door to door is called

- A. retailer
- B. hawker
- C. broker
- D. wholesaler

Correct answer: B.

A hawker moves from place to place selling goods directly to consumers.

(vi) Goods which spoil easily are referred to as

- A. durable goods
- B. capital goods
- C. perishable goods
- D. consumer goods

Correct answer: C.

Perishable goods spoil easily and cannot be stored for a long time, such as fruits and vegetables.

(vii) The document prepared by the seller showing goods sold on credit is

- A. receipt

- B. invoice
- C. debit note
- D. credit note

Correct answer: B.

An invoice is prepared by the seller to show goods sold on credit and the amount payable by the buyer.

(viii) Buying and selling within a country is called

- A. foreign trade
- B. international trade
- C. home trade
- D. export trade

Correct answer: C.

Home trade refers to buying and selling of goods within the boundaries of one country.

(ix) A warehouse owned by the government and open to the public is

- A. private warehouse
- B. bonded warehouse
- C. public warehouse
- D. cold storage

Correct answer: C.

A public warehouse is owned by the government and provides storage facilities to the public for a fee.

(x) The ability of a good to satisfy human wants is

- A. scarcity
- B. utility

C. demand

D. supply

Correct answer: B.

Utility refers to the usefulness of a good in satisfying human wants.

2. Choose the correct term from List B which matches with the explanation in List A, then write the letter below the number of the relevant explanation in the table provided.

LIST A

- (i) Buying goods in large quantities from producers
- (ii) Payment for use of land
- (iii) Exchange of goods without use of money
- (iv) Selling goods to final consumers
- (v) Storage of goods until required
- (vi) Risk bearer and organizer of production
- (vii) Document authorizing removal of goods from warehouse
- (viii) Cost that remains constant regardless of output
- (ix) Promotion of goods and services
- (x) Movement of goods from one place to another

Answers

- (i) B, (ii) C, (iii) D, (iv) A, (v) E, (vi) F, (vii) G, (viii) H, (ix) I, (x) J

3. Complete each of the following statements by filling in the blanks with correct word(s).

- (i) Trade that involves other countries is called foreign trade.
- (ii) The reward for capital is interest.
- (iii) Goods kept for future sale are known as stock.

- (iv) The selling price minus cost price gives profit.
- (v) The process of valuing stock periodically is stock taking.
- (vi) Goods bought for resale are consumer goods.
- (vii) The point at which demand equals supply is equilibrium.
- (viii) A trader who sells goods on commission is a broker.
- (ix) The cost per unit of output is called average cost.
- (x) The study of how people satisfy unlimited wants using scarce resources is economics.

SECTION B (30 MARKS)

4. Write short notes on the following.

(a) Retail trade

Retail trade involves selling goods in small quantities directly to final consumers. It acts as the last link between producers and consumers.

(b) Consumer goods

Consumer goods are goods bought for final use and satisfaction of wants, not for resale or further production.

(c) Advertising

Advertising is the process of informing and persuading consumers about goods and services through media such as newspapers, radio, and television.

(d) Fixed cost

Fixed cost is the cost that does not change with the level of output, such as rent and insurance.

(e) Warehouse

A warehouse is a building used for storing goods safely until they are required for sale or use.

5. Explain five services rendered by wholesalers to retailers.

Wholesalers supply goods to retailers in small quantities, enabling retailers to meet consumer demand easily.

They store goods on behalf of retailers, reducing storage costs for retailers.

Wholesalers provide transport services by delivering goods to retailers.

They grant credit facilities to retailers, allowing them to trade without immediate cash payment.

Wholesalers provide market information to retailers about prices and consumer preferences.

SECTION C (40 MARKS)

6. The following table shows price and quantity demanded of maize flour.

Price per bag (Tshs): 20,000, 25,000, 30,000

Quantity demanded (bags): 600, 450, 300

(a) Calculate the price elasticity of demand when price rises from Tshs 20,000 to Tshs 30,000.

$$\text{Change in quantity demanded} = 300 - 600 = -300$$

$$\text{Average quantity} = (600 + 300) \div 2 = 450$$

$$\text{Change in price} = 30,000 - 20,000 = 10,000$$

$$\text{Average price} = (20,000 + 30,000) \div 2 = 25,000$$

$$\text{Price elasticity of demand} = (\text{Change in quantity} \div \text{Average quantity}) \div (\text{Change in price} \div \text{Average price})$$

Price elasticity of demand = $(-300 \div 450) \div (10,000 \div 25,000)$

Price elasticity of demand = $-0.67 \div 0.4$

Price elasticity of demand = -1.67

(b) Comment on the elasticity obtained.

The demand is elastic because the elasticity value is greater than 1, meaning quantity demanded responds greatly to price changes.

7. Explain five advantages of home trade.

Home trade promotes local industries by providing a ready market for locally produced goods.

It reduces transport costs since goods are sold within the country.

Home trade encourages employment by creating jobs in trade and distribution.

It promotes national unity by linking different regions through exchange of goods.

Home trade ensures availability of goods to consumers within the country.