

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF EDUCATION AND VOCATIONAL TRAINING
FORM TWO SECONDARY EDUCATION EXAMINATION, 2002

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 in the box provided.

(i) The main aim of production is to

- A. earn profit
- B. satisfy human wants
- C. expand markets
- D. advertise goods

Correct answer: B.

The primary purpose of production is to create goods and services that satisfy human wants, while profit is a secondary motive.

(ii) A trader who links producers and retailers is

- A. broker
- B. consumer
- C. wholesaler
- D. agent

Correct answer: C.

A wholesaler buys goods in large quantities from producers and sells them in smaller quantities to retailers, thus linking the two.

(iii) The reward for entrepreneurship is

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

Correct answer: C.

Profit is the reward earned by an entrepreneur for organizing production and bearing risks.

(iv) A rightward shift of the demand curve indicates

- A. fall in demand
- B. increase in demand
- C. fall in supply
- D. increase in supply

Correct answer: B.

A shift of the demand curve to the right shows that more quantity is demanded at each price, meaning demand has increased.

(v) A shop selling goods through catalogues and postal services is

- A. mobile shop
- B. mail order business
- C. tied shop
- D. multiple shop

Correct answer: B.

A mail order business sells goods using catalogues and delivers them through postal services.

(vi) Goods that are used once are

- A. durable goods
- B. capital goods
- C. non-durable goods
- D. producer goods

Correct answer: C.

Non-durable goods are consumed quickly and are usually used only once.

(vii) A note sent by buyer to seller for overcharge is

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

Correct answer: C.

A debit note is sent by the buyer to inform the seller that the amount charged was higher than required.

(viii) Trade and aids to trade together form

- A. economics
- B. commerce
- C. industry
- D. specialization

Correct answer: B.

Commerce consists of trade and aids to trade such as transport, banking, and insurance.

(ix) Stock level below which goods should not fall is

- A. maximum stock
- B. minimum stock
- C. average stock
- D. closing stock

Correct answer: B.

Minimum stock is the lowest level that stock should reach to avoid running out of goods.

(x) Selling goods to other countries is

- A. import trade
- B. export trade
- C. home trade
- D. retail trade

Correct answer: B.

Export trade involves selling goods to foreign countries.

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) Payment for use of capital
- (ii) Exchange without money
- (iii) Buying goods abroad
- (iv) Selling goods abroad
- (v) Storage of imported goods before duty payment
- (vi) Buying goods in bulk
- (vii) Selling goods in small quantities
- (viii) Risk bearer in business
- (ix) Promotion of sales
- (x) Price paid for land

Answers

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

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

- (i) The total revenue minus total cost gives profit.
- (ii) Goods from abroad are imports.
- (iii) The path goods follow from producer to consumer is channel of distribution.
- (iv) The reward for labour is wage.
- (v) Selling goods at reduced price is discount.
- (vi) Goods for final consumption are consumer goods.
- (vii) The ability to satisfy wants is utility.
- (viii) Trade within the country is home trade.
- (ix) Goods stored awaiting sale are stock.
- (x) The organizer of production is entrepreneur.

SECTION B (30 MARKS)

4. Briefly explain the following.

(a) Division of labour

Division of labour is the practice of splitting production into different tasks and assigning each task to different workers. It increases efficiency and productivity.

(b) Supply

Supply refers to the quantity of goods that producers are willing and able to offer for sale at different prices during a given period.

(c) Mobile trader

A mobile trader is a person who sells goods by moving from place to place instead of operating from a fixed shop.

(d) Consumer

A consumer is a person who buys goods or services for personal or household use and not for resale.

(e) Discount

Discount is a reduction in the marked or list price of goods, usually given to encourage sales or reward bulk buying.

5. State five functions of retailers.

Retailers sell goods in small quantities to final consumers.

They provide a variety of goods at one place for consumer convenience.

Retailers offer advice and information to consumers about products.

They store goods and ensure steady supply to consumers.

Retailers link wholesalers or producers with final consumers.

SECTION C (40 MARKS)

6. The following information relates to Mlimani Stores.

Opening stock Tshs 48,000

Purchases Tshs 212,000

Closing stock Tshs 52,000

(a) Calculate cost of goods sold.

Cost of goods sold = Opening stock + Purchases – Closing stock

Cost of goods sold = 48,000 + 212,000 – 52,000

Cost of goods sold = Tshs 208,000

(b) Calculate average stock.

Average stock = Opening stock + Closing stock divided by 2

Average stock = 48,000 + 52,000 = 100,000

Average stock = 100,000 divided by 2 = Tshs 50,000

(c) Determine the rate of stock turn.

Rate of stock turn = Cost of goods sold divided by Average stock

Rate of stock turn = 208,000 divided by 50,000

Rate of stock turn = 4.16 times

7. Explain five causes of increase in demand.

Increase in consumer income raises purchasing power, leading to higher demand.

Increase in population increases the number of buyers, raising demand.

Rise in prices of substitute goods causes consumers to demand more of the cheaper alternative.

Change in consumer tastes and preferences in favor of a product increases its demand.

Expectation of future price increase makes consumers buy more now, increasing current demand.