

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF EDUCATION AND VOCATIONAL TRAINING
FORM TWO SECONDARY EDUCATION EXAMINATION, 2005

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.

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FOR EXAMINER'S USE ONLY		
QUESTION NUMBER	SCORE	EXAMINER'S INITIALS
1		
2		
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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) The activity of storing goods is

- A. transportation
- B. warehousing
- C. advertising
- D. branding

Correct answer: B. Warehousing.

Warehousing involves keeping goods safely until they are needed for sale or use, which is the direct meaning of storage of goods.

(ii) Goods produced for exchange are

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

Correct answer: B. Economic goods.

Economic goods are produced for sale or exchange and have value because they are scarce and require resources to produce.

(iii) The reward for capital is

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

Correct answer: B. Interest.

Interest is the payment made to the owner of capital for allowing it to be used in production.

(iv) Excess demand leads to

- A. fall in price

- B. rise in price
- C. equilibrium
- D. surplus

Correct answer: B. Rise in price.

When demand is greater than supply, buyers compete for goods, which pushes prices upward.

(v) A document reducing the amount payable by buyer is

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

Correct answer: D. Credit note.

A credit note is issued by the seller to reduce the buyer's payable amount, usually due to returns or overcharging.

(vi) A market that exists online is

- A. physical
- B. abstract
- C. retail
- D. wholesale

Correct answer: B. Abstract.

An abstract market has no physical meeting place and transactions are conducted through the internet or other communication means.

(vii) A shop selling many goods under one roof is

- A. tied shop
- B. mobile shop
- C. hyper market
- D. single shop

Correct answer: C. Hyper market.

A hyper market sells a wide variety of goods in one large premises under one management.

(viii) Goods imported for sale are

- A. exports
- B. imports
- C. capital goods
- D. free goods

Correct answer: B. Imports.

Imports are goods bought from other countries for use or sale within the country.

(ix) A trader selling goods on the street is

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

Correct answer: B. Hawker.

A hawker sells goods by moving from place to place, often on streets or public areas.

(x) The difference between demand and supply causes

- A. scarcity
- B. price change
- C. utility
- D. profit

Correct answer: B. Price change.

Any imbalance between demand and supply results in either a rise or fall in price.

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 and LIST B

LIST A	LIST B
(i) Selling to consumers	A. Wage
(ii) Buying abroad	B. Rent
(iii) Payment for land	C. Retail trade
(iv) Storage of goods	D. Import trade
(v) Movement of goods	E. Export trade
(vi) Selling abroad	F. Transportation
(vii) Exchange without money	G. Warehousing
(viii) Organizing production	H. Barter trade
(ix) Promotion of goods	I. Entrepreneur
(x) Payment for labour	J. Advertising
	K. Interest
	L. Profit

	M. Commerce
	N. Wholesaler
	O. Consumer

Answers

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

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

(i) Goods that satisfy wants directly are consumer goods.

(ii) Trade across borders is foreign trade.

(iii) Cost that remains unchanged is fixed cost.

(iv) Selling goods at reduced price is sales promotion.

(v) Reward for capital is interest.

(vi) Goods kept for emergencies are reserve goods.

(vii) The person who bears risk is entrepreneur.

(viii) Buying and selling is trade.

(ix) The document showing goods returned is debit note.

(x) The reward for land is rent.

SECTION B (30 MARKS)

4. Explain the followings.

(a) Stock administration

Stock administration refers to the systematic process of recording, controlling, and monitoring goods in a business. It ensures that the right quantity of stock is available at the right time to avoid shortages or overstocking.

(b) Demand curve

A demand curve is a graphical representation showing the relationship between price and quantity demanded. It normally slopes downward from left to right, indicating that as price falls, quantity demanded rises.

(c) Consumer

A consumer is a person who buys goods or services for personal or household use. Consumers are the final users of goods and services in the chain of distribution.

(d) Wholesale trade

Wholesale trade involves buying goods in large quantities from producers and selling them in smaller quantities to retailers. It helps in distributing goods efficiently from producers to consumers.

(e) Communication

Communication is the process of transmitting information from one person or place to another. In commerce, it facilitates exchange of information between buyers, sellers, and other business parties.

5. State five advantages of large scale production.

Large scale production reduces cost per unit because fixed costs are spread over many units.

It allows specialization of labor, which increases efficiency and quality of output.

Large scale firms can afford modern machines and technology, leading to higher productivity.

It enables bulk purchasing of raw materials at lower prices.

It creates employment opportunities for a large number of people.

SECTION C (40 MARKS)

6. The table below shows stock records of Baraka Traders.

Description, Quantity (kg)

Opening stock, 300

Purchases, 1200

Closing stock, 400

Average daily sales, 50

(a) Calculate total quantity sold.

Total quantity sold = Opening stock + Purchases – Closing stock

Total quantity sold = 300 + 1200 – 400

Total quantity sold = 1100 kg

(b) Calculate average stock.

Average stock = Opening stock + Closing stock divided by 2

Average stock = 300 + 400 = 700

Average stock = 700 divided by 2 = 350 kg

(c) Determine rate of stock turn.

Rate of stock turn = Total quantity sold divided by Average stock

Rate of stock turn = 1100 divided by 350

Rate of stock turn = 3.14 times

7. Explain five causes of price fluctuations.

Changes in demand cause price fluctuations because an increase in demand raises prices while a decrease lowers prices.

Changes in supply affect prices since shortages increase prices and surplus leads to price reduction.

Seasonal changes influence prices of goods like agricultural products due to variations in production.

Government policies such as taxes, subsidies, or price controls can raise or lower prices.

Natural factors like droughts, floods, or pests affect production and lead to changes in market prices.