

THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL OF TANZANIA
FORM TWO NATIONAL ASSESSMENT

061

COMMERCE

Time: 2:30 Hour

SOLUTIONS

Year: 2025

Instructions

1. This paper consists of sections A, B and C with a total of **ten (10)** questions.
2. Answer **all** questions in spaces provided.
3. Section A and C carry **fifteen (15)** marks each and section B carries **seventy (70)** marks.
4. All writing must be in **blue** or **black** ink, **except** diagrams which must be in pencil.
5. Communication devices and any unauthorised materials are **not** allowed in the examination room.
6. Write your **Assessment Number** at the top right corner of every page.

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SECTION A (15 Marks)

1. For each of the items (i) – (x) choose the correct answer from the given alternative and write its letter in the box provided

(i) Which one represents the various levels of stock in warehouse?

A Minimum average maximum and order point

B Average maximum receiving and stock taking

C Maximum order point average and opening stock

D Average minimum closing stock and order point

Correct answer: A

Reason: Stock levels in a warehouse are commonly classified as minimum stock, average stock, maximum stock, and re order level or order point.

(ii) At the end of her teaching contract in Dubai Madam Maua decided to transport her properties from Dubai to Zanzibar Which one of the documents must be used as a contract of transport between the ship owner and Madam Maua?

A Freight note

B Charter party

C Charter bill

D Dock warrant

Correct answer: B

Reason: A charter party is the legal contract between the ship owner and the person hiring the ship for transportation of goods.

(iii) Kikunje Secondary School employed three computer teachers during holiday time in which stage of production does the services provided by those teachers be categorised?

A Primary production

- B Secondary production
- C Direct production
- D Tertiary production

Correct answer: D

Reason: Teaching is a service, and services are classified under tertiary production.

(iv) There is a high demand for cotton in the market due to excessive customer's demand for clothes Which type of demand explains this situation?

- A Competitive demand
- B Joint demand
- C Derived demand
- D Composite demand

Correct answer: C

Reason: Demand for cotton arises because it is needed to produce clothes, so it is derived from the demand for clothes.

(v) Why is it important for employers to motivate employees in an organisation?

- A To enable employees to work dependently
- B To encourage absenteeism among the employees
- C To increase efficiency of the employees
- D To enable employer to increase supervision to employee

Correct answer: C

Reason: Motivation increases morale, commitment, and efficiency of employees.

(vi) Zarat is one of Mama Mkulima agent who sells onions in her possession and under her control on behalf of Mama Mkulima In which category of agent do Zarat be placed?

- A Auctioneers
- B Factors

C Broker

D Del credere

Correct answer: B

Reason: A factor sells goods in his or her possession and control on behalf of the principal.

(vii) Which one presents the main branches of commerce?

A Home trade and foreign trade

B Import trade and export trade

C Trade and aids to trade

D Retail trade and wholesale trade

Correct answer: C

Reason: Commerce is divided into trade and aids to trade.

(viii) Mr. Masika wants to buy the products from department stores Which feature would help him to identify department stores from other shops?

A They sell products of a single manufacturer only

B They use large vans to arrange and display goods for sale

C They sell different products under one roof and one management

D They sell products to customers in public places only

Correct answer: C

Reason: Department stores sell a wide variety of goods under one roof and one management.

(ix) John is a transportation agent who is involved in the transportation of fresh fishes from Mwanza to all regions in Tanzania In which type of utility do John's activities be placed?

A Marginal utility

- B Place utility
- C Possession utility
- D Form utility

Correct answer: B

Reason: Transportation creates place utility by moving goods from where they are produced to where they are needed.

(x) The following are the importance of entrepreneurship except

- A creating employment
- B promotes innovations and development of products
- C promotes the use of obsolete technology in production
- D fosters economic development

Correct answer: C

Reason: Entrepreneurship encourages modern and innovative technology, not obsolete technology.

2. Match the descriptions of concepts of demand in List A with the relevant concept in List B by writing the letter of the correct response beside the corresponding item number in the table provided

List A	List B
(i) The rise in demand of a commodity due to change in factors affecting demand other than the price of the commodity.	A Increase in supply
(ii) The rise in supply of a commodity due to change in factors affecting supply other than the price of the commodity.	B Change in quantity supplied

(iii) An increase or decrease in demand of a commodity due to change in other factors affecting demand other than the price of the commodity.	C Change in supply
(iv) An increase or decrease in quantity demanded of a commodity due to change in price while other factors remain the same.	D Change in quantity demanded
(v) An increase or decrease in quantity supplied of a commodity due to change in price while other factors remain constant.	E Increase in demand
	F Change in income
	G Change in demand
	H Change in price

Answers

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

SECTION B (70 Marks)

3. Briefly explain the following terminologies in relation to commerce

(i) Capital goods

These are man made goods used in the production of other goods and services, such as machines, tools, and equipment.

(ii) Consumer goods

These are goods produced for final consumption by consumers to satisfy their wants, such as food, clothes, and furniture.

(iii) Variable cost

These are costs that change directly with the level of output, such as cost of raw materials and wages.

(iv) Fixed cost

These are costs that remain constant regardless of the level of production, such as rent and insurance.

(v) Extractive industries

These are industries involved in extracting natural resources from the earth, such as mining, fishing, and farming.

4. Being a good buyer is among the qualities a good retailer to succeed in retail trade In five points briefly explain other qualities that a good retailer should possess

A good retailer should be honest to gain customer trust.

He or she should have good customer care skills to attract and retain customers.

A retailer should have good record keeping skills to manage business information.

He or she should be patient when dealing with different customers.

A retailer should have sufficient capital to run the business smoothly.

5. Briefly explain the following concepts

(i) Retail trade

This is the buying of goods in large quantities from wholesalers and selling them in small quantities to final consumers.

(ii) Wholesale trade

This involves buying goods in large quantities from producers and selling them in bulk to retailers.

(iii) Import trade

This is the buying of goods from other countries for use or sale within the country.

(iv) Export trade

This is the selling of goods produced within a country to other countries.

(v) Barter trade

This is the exchange of goods and services for other goods and services without the use of money.

6. Bill of lading is an important document in water transport Justify by giving five points

It acts as evidence of a contract of carriage between the shipper and the ship owner.

It serves as a receipt acknowledging that goods have been loaded on the ship.

It acts as a document of title to the goods.

It enables the transfer of ownership of goods.

It is used to claim goods at the port of destination.

7. Ms Mkomazi is an entrepreneur who own a poultry farm in Mbeya region Briefly suggest five roles that she should perform as entrepreneur

She should organize factors of production such as land, labour, and capital.

She should take risks associated with poultry farming.

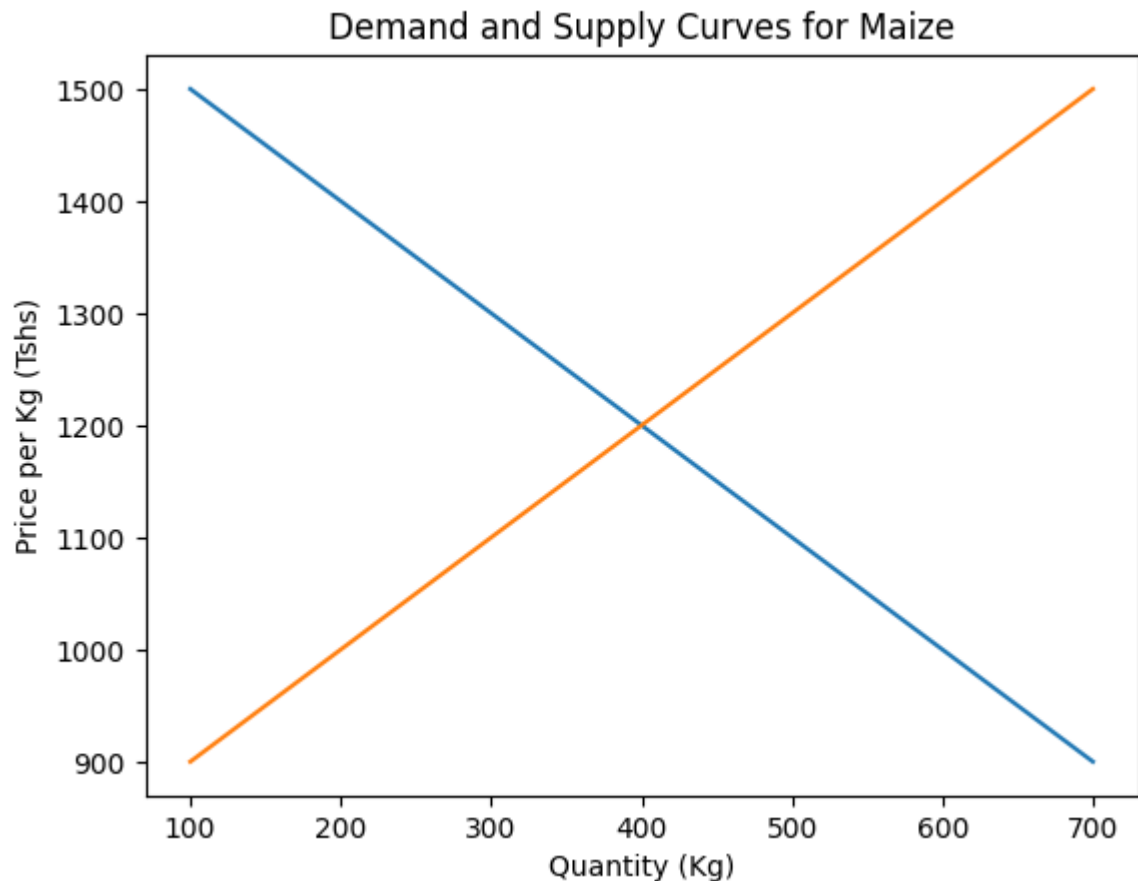
She should make key decisions on production and marketing.

She should innovate by adopting better poultry rearing methods.

She should manage and supervise workers effectively.

8. The following table shows the information obtained from Mbuyuni market showing quantity of maize demanded by consumers and quantity of maize supplied by producers at different prices for the month of January 2025

(a) Draw the demand and supply curve on the same pair of axis



(b) Interpret the nature of the two demand and supply curve in (a)

(i) Demand curve

The demand curve slopes downward from left to right, showing that as price decreases, quantity demanded increases.

(ii) Supply curve

The supply curve slopes upward from left to right, showing that as price increases, quantity supplied increases.

(c) From the demand and supply curves in (a) determine

(i) Equilibrium quantity

Equilibrium quantity = 400 kg

(ii) Equilibrium price

Equilibrium price = Tshs 1200 per kg

9. (a) Briefly explain two advantages of warehousing to the customers

Warehousing ensures steady supply of goods even when production is seasonal.

It helps customers to obtain goods near their location, saving time and transport costs.

(b) Stock administration calculations

Sales = Tshs 7,200,000

Opening stock = Tshs 1,250,000

Closing stock = Tshs 1,650,000

Cost of goods sold = Tshs 3,500,000

(i) Gross profit

Gross profit = Sales – Cost of goods sold

Gross profit = 7,200,000 – 3,500,000

Gross profit = Tshs 3,700,000

(ii) Average stock

Average stock = (Opening stock + Closing stock) / 2

Average stock = (1,250,000 + 1,650,000) / 2

Average stock = 2,900,000 / 2

Average stock = Tshs 1,450,000

(iii) Stock turn rate

Stock turn rate = Cost of goods sold / Average stock

Stock turn rate = 3,500,000 / 1,450,000

Stock turn rate \approx 2.41 times

SECTION C (15 Marks)

10. "Risks in self employment are unavoidable." By using five points justify the validity of this statement

Self employment is associated with financial risk because the income of a self employed person is uncertain. Unlike salaried employment, earnings depend on sales and business performance. When sales are low or costs increase unexpectedly, the entrepreneur may incur losses or fail to meet financial obligations such as rent, loan repayment, or wages.

Market risk is another unavoidable challenge in self employment. Changes in customer tastes, competition from other businesses, or fluctuations in demand can negatively affect sales. Since the market environment is beyond the full control of the entrepreneur, even well managed businesses may suffer due to unfavorable market conditions.

Self employed individuals also face operational risks. These include breakdown of machines, shortage of raw materials, poor quality inputs, or mistakes in management decisions. Such risks can disrupt production or service delivery and reduce profitability, making them inevitable in day to day business operations.

Natural and environmental risks further justify the statement. Businesses may be affected by events such as floods, droughts, diseases, or fires. For example, farmers and livestock keepers may suffer heavy losses due to diseases or adverse weather conditions, despite taking preventive measures.

Lastly, personal risks are unavoidable in self employment. Illness, accidents, or lack of adequate skills and experience can reduce the ability of the entrepreneur to manage the

business effectively. Since the business often depends directly on the owner, any personal problem can seriously affect its performance.