THE UNITED REPUBLIC OF TANZANIA

NATIONAL EXAMINATIONS COUNCIL OF TANZANIA

ADVANCED CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

052/1 **COMMERCE 1**

(For Both School and Private Candidates)

Time: 3 Hours **ANSWERS** **Year: 2009**

Instructions

1. This paper consists of seven questions.

2. Answer five questions, question number one is compulsory

1. (a) Define the term pre-packaging.
(b) Describe who undertakes pre-packaging.
(c) List five (5) advantages of pre-packaging.

(a) Pre-packaging refers to the process of enclosing or wrapping goods in sealed packages before they are sold to consumers. This ensures that the product is protected, maintains its quality, and is convenient for handling and marketing. Pre-packaged goods include food products, pharmaceuticals, cosmetics, and household items.

(b) Pre-packaging is undertaken by different entities depending on the industry. Manufacturers perform pre-packaging at the production stage to ensure consistency, hygiene, and branding before distributing goods to wholesalers or retailers. Wholesalers may also pre-package goods, especially when selling bulk products in smaller portions to retailers. Retailers, particularly supermarkets and grocery stores, sometimes pre-package products such as rice, flour, and fresh produce for customer convenience.

(c) Pre-packaging has several advantages.

One major advantage is hygiene and safety. Since products are sealed before reaching the consumer, they are protected from contamination, dirt, and tampering. This is particularly important for food, medicine, and health-related products.

Another advantage is convenience. Pre-packaged products save customers time because they do not have to measure, weigh, or wrap the items themselves. This makes shopping easier, especially in busy retail environments.

Better shelf life and preservation is also a key benefit. Pre-packaging helps prevent spoilage by protecting products from exposure to air, moisture, and bacteria. This is crucial for perishable goods such as dairy products, snacks, and frozen foods.

Additionally, effective branding and product information is enabled through packaging. Manufacturers can print essential details such as ingredients, usage instructions, expiry dates, and promotional messages on the package. This helps consumers make informed purchasing decisions.

Lastly, efficient storage and transportation is another major advantage. Pre-packaged goods are easier to stack, store, and transport in warehouses and retail shelves. This reduces handling time and minimizes the risk of product damage.

2. (a) What is wholesaling?
(b) Describe the circumstances that may give rise to the elimination of a wholesaler.

(a) Wholesaling is the business activity of buying goods in bulk from manufacturers and reselling them in smaller quantities to retailers, businesses, or institutional buyers. Wholesalers act as intermediaries in the distribution chain, ensuring that products are efficiently supplied to retailers and end-users.

(b) Several circumstances can lead to the elimination of wholesalers from the distribution channel.

One major reason is direct selling by manufacturers. Some manufacturers prefer to distribute their products directly to retailers or consumers through company-owned stores, online platforms, or sales representatives. This eliminates the need for wholesalers.

Another reason is bulk purchasing by large retailers. Supermarkets and chain stores have the financial capacity to buy directly from manufacturers, bypassing wholesalers and reducing costs. Retailers such as Walmart and Carrefour follow this model.

Advancements in e-commerce and digital trade have also reduced the role of wholesalers. Online shopping platforms allow manufacturers to sell directly to consumers without relying on traditional wholesale distribution. Companies like Amazon and Alibaba have revolutionized the supply chain by enabling direct manufacturer-to-consumer transactions.
Government regulations and policy changes can also impact wholesaling. Some governments promote cooperative societies and farmer groups that sell directly to retailers or consumers, reducing the reliance on wholesalers.

Lastly, the nature of certain products may make wholesalers unnecessary. Perishable goods like fresh fish, vegetables, and dairy products often require a short supply chain to ensure freshness. In such cases, manufacturers or farmers may sell directly to retailers or consumers.

3. (a) What is automatic selling?
(b) Name five (5) modern changes in retailing.
(c) Explain the limitations of automatic selling.

(a) Automatic selling refers to the process of selling goods and services through machines or self-service technology without the need for human salespeople. This includes vending machines, self-checkout counters, online shopping platforms, and mobile payment systems. Automatic selling provides convenience by allowing customers to purchase goods at any time and location without waiting for assistance.

(b) Modern retailing has undergone several transformations due to technology and changing consumer preferences.

One major change is the rise of e-commerce. Many retailers have moved to online platforms where customers can browse, order, and pay for goods remotely. Companies like Amazon, Jumia, and Alibaba have dominated online retailing.

Another change is self-service checkouts. Many supermarkets and retail stores now have self-checkout counters, allowing customers to scan and pay for their items without cashier assistance.

Mobile and contactless payments have also become popular. Consumers now use digital wallets, QR codes, and mobile banking apps to make transactions, reducing the reliance on physical cash.

Personalized shopping experiences through artificial intelligence and data analytics are also revolutionizing retail. Online stores track consumer behavior and suggest products based on browsing history and preferences.

Lastly, click-and-collect services have gained popularity. This system allows customers to order products online and pick them up at a physical store or collection point, combining the benefits of online shopping with convenience.

(c) Despite its advantages, automatic selling has several limitations.

One major limitation is lack of human interaction. Unlike traditional stores where customers can ask for assistance, vending machines and online stores do not provide personal customer service. This can be a disadvantage for customers who need product recommendations or help with purchases.

Another limitation is high initial investment costs. Setting up self-service kiosks, vending machines, and digital retail systems requires significant capital investment in equipment and software.

Technical failures and maintenance issues are also challenges. Machines can malfunction, leading to lost sales and customer frustration. Regular servicing is needed to ensure smooth operations.

Limited product range is another drawback. Automatic selling is suitable for standardized products such as snacks and beverages but is not ideal for complex or customized items that require human interaction.

Lastly, security risks and fraud are concerns. Digital transactions and self-service kiosks are vulnerable to hacking, card fraud, and unauthorized access, posing financial risks to businesses and customers.

4. Discuss five (5) methods of selling goods abroad and indicate the benefit of each method to the manufacturer.

One common method is direct exporting, where manufacturers sell goods directly to foreign buyers without intermediaries. This allows manufacturers to have full control over pricing, branding, and customer relationships, leading to higher profit margins.

Another method is using export agents. These are professionals or companies that handle international sales on behalf of manufacturers. The benefit of this approach is that agents have knowledge of foreign markets, reducing the risks associated with international trade.

Licensing and franchising is also a popular method. A manufacturer grants a foreign company the rights to produce and sell their products under their brand. This helps manufacturers expand internationally without heavy investments in production facilities.

Joint ventures involve forming partnerships with foreign businesses to produce and distribute goods in the target market. This method allows manufacturers to share risks and benefit from the local partner's expertise and market knowledge.

Lastly, online sales and digital platforms have become effective for selling goods abroad. Manufacturers use e-commerce websites and international marketplaces to reach global consumers. This method lowers operational costs and increases global reach without requiring physical retail stores.

5. Explain different types of ordinary life insurance.

Ordinary life insurance provides financial protection to policyholders and their beneficiaries. Different types of life insurance policies exist to meet varying needs and financial goals.

One common type is whole life insurance, which provides coverage for the insured person's entire life. The policyholder pays fixed premiums, and upon their death, a lump sum payment is made to the beneficiaries. This type of insurance also has a savings component that allows policyholders to accumulate cash value over time, which can be borrowed against if needed.

Another type is term life insurance, which provides coverage for a specific period, such as 10, 20, or 30 years. If the insured person dies within the policy term, the beneficiaries receive a payout. However, if the policyholder survives the term, no benefits are paid. This type of insurance is more affordable than whole life insurance but does not offer cash value accumulation.

Endowment life insurance is a type of policy that combines insurance coverage with a savings plan. The policyholder pays premiums for a set period, and at the end of that term, they receive a lump sum payment. If the policyholder dies before the term ends, the beneficiaries receive the death benefit. This type of insurance is ideal for those looking for financial security along with guaranteed savings.

Convertible term insurance allows policyholders to convert their term life policy into a whole life policy without undergoing a medical examination. This is beneficial for individuals who may initially opt for a lower-cost term insurance policy but later decide they need lifelong coverage.

Lastly, joint life insurance covers two individuals under one policy. It is commonly used by married couples or business partners, with the benefit being paid out upon the death of one of the insured persons. This type of policy ensures financial security for the surviving policyholder or family members.

6. (a) Draw a well-labelled commerce flowchart.
(b) Define (i) Commerce (ii) Economics
(c) How are commerce and economics related?

(a) Commerce Flowchart:

Production ---> Distribution -----> Trade ----> Consumers

Trade is further divided into Home Trade (wholesale and retail) and Foreign Trade (import and export).

(b) Commerce refers to all activities involved in the buying, selling, and distribution of goods and services. It includes trade, transportation, banking, insurance, and warehousing, which facilitate the exchange of goods between producers and consumers.

Economics is the study of how individuals, businesses, and governments allocate limited resources to satisfy needs and wants. It focuses on production, distribution, and consumption of goods and services, aiming to understand how economies function and how wealth is created.

(c) Commerce and economics are closely related because commerce focuses on trade and distribution, which are key aspects of economic activity. Economic principles guide business decisions, pricing, and supply chain management, ensuring efficient resource allocation. For example, demand and supply theories in economics influence pricing strategies in commerce. Additionally, commerce helps in the practical application of economic policies by providing markets for goods and services, contributing to economic growth and development.

7. Define the following terms:

(a) Factors of production – These are the resources required to produce goods and services. They include land (natural resources), labor (human effort), capital (machinery and tools), and entrepreneurship (the ability to organize and manage production while taking business risks).

(b) Costs of production – These are the expenses incurred in the process of producing goods and services. They include fixed costs (costs that do not change with production, such as rent), variable costs (costs that fluctuate with production levels, such as raw materials), and total costs (the sum of fixed and variable costs).

(c) Entrepreneur – An entrepreneur is a person who identifies business opportunities, organizes resources, and takes risks to establish and manage a business. Entrepreneurs play a crucial role in innovation, job creation, and economic development by introducing new products and services.

(d) Primary sector – This is the sector of the economy that involves extracting natural resources. Activities in this sector include agriculture, fishing, mining, and forestry. The primary sector provides raw materials used in secondary industries for manufacturing and production.

8. What major issues should a business person consider when establishing a warehousing system?

When setting up a warehouse, a business person must consider several key factors to ensure efficiency, cost-effectiveness, and smooth operations.

One important factor is location. The warehouse should be situated in a place that allows easy access to transportation networks such as roads, railways, ports, or airports. A well-located warehouse reduces transportation costs and ensures fast delivery of goods to retailers and customers.

Another critical consideration is storage capacity. The warehouse should have enough space to accommodate current stock levels and allow for future expansion. Insufficient storage capacity can lead to overcrowding, making it difficult to manage inventory efficiently.

Security measures must also be in place to protect goods from theft, fire, and other risks. This includes installing security cameras, fire suppression systems, and hiring security personnel to safeguard the warehouse and its inventory.

Handling equipment and technology play a vital role in warehouse efficiency. The availability of forklifts, conveyor belts, and automated storage systems helps speed up loading and unloading, reducing labor costs and improving productivity. Inventory management software should also be used to track stock levels and prevent losses due to mismanagement.

Compliance with regulations is essential. The warehouse must meet government safety, health, and environmental standards. This is especially important for warehouses storing hazardous or perishable goods, which require specialized handling and storage conditions.

Cost management is another major issue. Setting up and maintaining a warehouse requires financial planning to balance operational costs such as rent, labor, and utilities while maximizing efficiency. Business owners must assess whether renting, leasing, or building a warehouse is the most cost-effective option.

Lastly, proximity to suppliers and customers should be considered. A warehouse located too far from suppliers may result in delays in receiving goods, while one far from customers may increase transportation costs. A strategically placed warehouse ensures timely delivery and cost savings for the business.