



Commerce ACSEE

**Past Paper Questions and
Answers by Topic**

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Form V

1.0 THE SCOPE OF COMMERCE

2015 PAST PAPERS

7. ^ (a) Define the term trade and describe its branches.
(b) Discuss how aids to trade facilitate trade.

07.	<p>a) Trade is any activity that involves buying and selling of goods as well as provision of services for the purpose of generating profit. Trade is the branch of the commerce study. Any activity carried out for the purpose of satisfying needs of a person without yielding income cannot be termed as trade.</p> <p>Trade also has its branches in which through those branches, one is able to fully grasp the concept of trade. There are only two branches of trade with their sub-branches.</p> <p>Home trade, this is the buying and selling of goods and services within the country and not across the borders. It can involve (regional trade), between regions of the same country, or between districts but it has to be the same country. It has two sub-division which are,</p> <p>Retail trade, is the buying of goods from wholesalers or manufacturers and selling them to the final users in affordable quantities. Retail trade can at times be done by wholesalers or even manufacturers so long as goods are sold to the final consumers. It may involve</p>
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Small scale retailers and large scale retailers, non-store and instore retailers, and so forth.

Wholesale trade, Is the buying of goods from manufacturers in large quantities and selling them to retailers in small quantities. There has been arguments as to if wholesalers should be eliminated or not, the traders bridges the gap between producers and retailers but also can prepare goods for sale.

The second branch of trade is Foreign trade, Is the buying and selling of goods across the borders. It involves more than one country.

Q7 a) It can be between two countries (bi-lateral) or more than two countries (multi-lateral). Foreign trade can be between China and Tanzania, or Tanzania and Japan and Kenya. It has three sub-divisions:

Export trade, Is the selling of goods to other countries. For example Tanzania can sell Tanzanite to Japan, or Japan can sell manufactured products to Tanzania. Export trade can be a cause of favourable balance of payment, if it exceeds import trade.

Import trade, Is the buying of goods and services from other countries. For example Tanzania can buy manufactured goods from Dubai, or from China, thus conducting importation. Imports can add varieties of goods and hence satisfy consumer requirements.

Entrepot trade, Is the re-exporting of already imported goods. A country may buy goods from another country and later on sell them to another country.

For example, Tanzania may buy goods from Japan, and then sell them to Kenya. Thus conducting entrepot trade.

Trade widens the study and growth of commerce around the globe, with the help of other services like transport and communication, banking and insurance.

b) Aids to trade are services that helps to facilitate trade, or services that smoothens the running of trade, to make trade run smoothly and efficiently. Aids to trade is a branch of commerce. Aids to trade facilitates trade through the help of its various services it offers and ^{main} function each service performs.

02 (b) of goods by fire, or theft, or fraud by employed people and thus assuring traders to carry on their activities without worrying on the collapse of their businesses. Thus by doing so insurance facilitates trade, because in any case a loss occurs traders are assured to be restored in their former positions.

Warehousing, this service involves storing of goods in specialized buildings, and dispatching them when required by traders or other individual for sale. Warehousing facilitates trade because through it traders are assured of safety from bad weather conditions of their products, but also they can look for market when goods are still stored and also goods can add value while being stored thus earning large income; through warehousing.

Advertising: This service is a non-paid form of communication that intends to inform, remind and persuade potential buyers to buy products and thus by doing so facilitates trade. Because once consumers become aware of certain goods in the market they can be convinced and attracted to acquire them for satisfaction of their wants, and thus by doing so increase the volume of sales, for traders.

Aids to trade has been a greater influence in the growth of commerce worldwide and the growth of other related subjects of the same nature such as economics.

The candidate managed to define the term trade, describe its branches and discuss how aids to trade facilitate trade.

2019 PAST PAPERS

4. (a) "Commerce is evolutionary subject." Comment on this statement by applying the view of historical development of commerce in Tanzania.
(b) Explain four shortcomings of barter trade.

4(a) commerce is process of production and distribution of goods and services so as to satisfy human wants. commerce is evolutionary subject that is change from time to time. The following below are the historical development of commerce in Tanzania.

Pre-colonial period, during this period before colonisation in Tanzania there is a little development in production and at that time there is no permanent shop except in coastal areas which were opened by Arab traders. Trade activities during this period were conducted by few African loggers and Arab traders. The slave trade also emerge during that period. During that period barter trade was much practiced with African loggers exchanging animal skins, ivory and human beings with cloth from Arab traders.

During colonial period, during colonial period of 1880's trade activities in Tanzania

was under germany company. Also during that period Germany companies and started to improve infrastructures example Germany build railway during that period NCI to facilitate his trade activities. Also during that period big plantation was established Dangambo sugar plantation in Tanga and Morogoro. Medium of exchange during colonial period was money. That is money is used as a medium of exchange in trade activities.

Post-colonial period, after independence of 1961. Tanzania government nationalized all private company and start to be controlled by the public. Also 1967 Arusha declaration enable many of regional and national company to be formed. During that period there is no private ownership of resources and resources are distributed equally among the citizens.

During free market era, during that period privatization was made so as to encourage private ownership of resources so as to increase efficiency in production. Free market era in Tanzania was much insisted by World bank so as to increase efficiency in production in 1970's. Free market era's system of economy died up to day in Tanzania where government allow private ownership of resources.

4 b) The following are the shortcomings of barter trade system as explained below,

Lack of double coincidence of wants,
In barter trade there is no double coincidence of wants because it difficult to find some who have what you need and at the same time that person also want that you have. This problem is take a time to find the person who can have what you want and need what you prefer for exchange.

4 b) Lack of measure of value, In barter trade system there is a problem of measuring value of goods because it is difficult to decide how much quantity of salt can be exchanged with cow. Due to this reason some people are more benefit than other people during exchange.

Lack of store of value, to store value of goods is too difficult in barter trade because there is no things which is used as a means of storing value. Example value of perishable goods cannot be stored in this system of trade.

Lack of divisibility of commodity, In barter trade system the commodity can not be divided into small units. Example can not divide commodity like cow into small units so as to facilitate exchange of goods and services.

2018 PAST PAPERS

8. Commerce is part and parcel of human life. Justify this statement by giving six importance of commerce to the society.

8	<p>Commerce is the study which deals with the exchange and distribution of goods and services from producers or manufacturers to the final consumers to satisfy various human wants such as food. It is true that commerce is part and parcel of human life due to the following importance undertaken by commerce to the society.</p> <p>provides employment opportunities to people in the society. Various people in the society have been employed as, marketing managers, economists of which all these careers help people to obtain incomes in terms of salaries which helps them to cater for their basic needs such as food, shelter so as to live well in their societies.</p> <p>Commerce has facilitated an exchange of technology within and across the countries boundaries. Commerce, through its branch of trade has given rise to an overseas/foreign trade whose advantages ^{are} of great importance such as transfer of technology from the developed nations to developing countries. Example, in Tanzania, the sector of taxation procedures, machines such as ELECTRICAL FISCAL DEVICES have been imported which smoothens the easy collection of revenues from firms and individuals and minimizing cases of evasion and avoidance of taxes thus</p>
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improving the economy of a country by widening tax compliance.

Promotion of confidence among business dealers,

Dealers in business have ^{been} attaining great assurance of their business continuity, due to existence of insurance services which are as a result of development of commerce. Various risks that are most likely to occur in the business are assured of their coverage through various insurance policies such as, policies against the bad debtors, fire insurance policies, life insurance policies. Thus, promotes businesses in the society.

8. ^{introduction of} Commerce has facilitated an valuable information - among the low level students to further business studies such as economics, marketing, finance, banking. In the secondary schools, the studying of commerce has introduced people to various professional studies such as banking and finance. Thus, commerce is of great use to students life at school.

Commerce also bridges the gap between the producers and consumers: Through various aids to trade, such as transport, existence of trade agents like wholesalers, this has enabled those consumers to enjoy the use of various products without buying in bulk or moving long distances, since retailers and wholesalers are conveniently located near residential areas.

Example, the existence of kiosks selling sodas, Mangishaps selling small items like matchboxes has reduced the burden to consumers to move all the way to the original producer. Thus, improved human life and act as a beneficial intermediary.

Commerce creates awareness among various people and individuals: Through advertising process in various media of communication such as radios, televisions and newspapers, people have become aware of the right sources of supply and right sources of orders, thus, the individuals can make choices which suits their ability and preference in their day to

day life and hence live a life they are accustomed to.
Example, through advertising, the society is warned about imitation and harmful products in the market; this kind of awareness helps to save lives of people from consuming what is harmful and going for what is useful and proper for their health, by use of various trade laws such as the TFDA (Tanzania Food and Drugs Act).

Therefore, commerce is a very important field in human's life.

The candidates who justified that commerce is part and parcel of human life by giving the importance of commerce to the society.

2.0 PRODUCTION

2015 PAST PAPERS

3. - (a) (i) Analyse four types of utility.
(ii) Why are some countries involved in specialization? Give two reasons.
(b) Examine four advantages of specialization to an industry.

3(a)(i)

Utility refers to the ability of goods and services to satisfy human needs. Therefore utility is the satisfaction that a person gains from the consumption of a particular goods or services.

The following are the types of utility.

Form utility, this is the satisfaction that is gained or obtained when raw materials are transformed into finished goods for example when cotton is transformed into clothes.

Time utility: This is the satisfaction that is obtained when goods and services are available when people need them at a particular period, for example during rain season when there's umbrella we can say there's time utility for umbrella.

Place utility: Also this is the satisfaction that is gained when goods are available at a particular place that is at the market where customers can get their requirement.

Possession utility: This is the satisfaction that is gained when goods are sold from one person to another and take the title of the goods sold. This satisfaction is mostly obtained through actual buying of goods and sometimes known as ownership utility.

3a(ii)

Specialization refers to the whole process of concentrating in doing a certain activities that a person or a country can do the best than any other. The following are the reasons for some countries to involve itself in specialization.

Resources reasons: A country may decide to specialize in production of a particular commodity because of the resources are highly available in the country for example due to the high availability of skilled labour force, natural resources, good climatic condition and geographical location. For example Malawi has specialized in producing tea due to the resources reason.

Economic reason: Also country may decide to specialize in a particular commodity due to the existence of absolute advantage and comparative advantage in order to gain in the international trade.

A country may specialize in a particular product when it can produce such commodity at highly quantity but at low cost or cheaply compared to other country, or it can specialize in such commodity because of low opportunity cost that it can incur. For example Tanzania has specialized in extraction of minerals of Tanzanite because it cannot be found else where, that is absolute advantage.

3(b)

Specialization leads to a number of advantages to an industry and even to the country in general, therefore the following are the advantages of specialization to an industry.

Larger output and of high quality. When an industry specialize in a particular commodity that it can do best than production other thing it will result into more output to be produced by the labourers and workers which have been employed and the output will be of high quality.

The use of machinery. Specialization leads to the repetition of a particular activity in the production process, therefore due to more repetition of the same activity workers may discover a machine that can simplify their task in operation and leads to advantage to the industry.

Saves time and energy. Specialization saves time to all workers who are engaging in a such particular production process because workers don't overwork themselves in doing their

task but operate only in their respective specialized area therefore production in the industry tend to be done faster at a short period of time and save the energy of the workers.

Develop skills and experience.

Specialization enable a worker to increase his or her experience and skills in the production process which result into efficient and effective utilization of their labour potentials and leads to the benefit in the industry.

The candidate managed to analyse the types of utility, explain the reasons for a country to be involved in specialization and examine the advantages of specialization to an industry.

2016 PAST PAPERS

7. (a) Analyse five aims of the productive organization.
(b) Identify five factors for labour efficiency.

7

Productive organization is the organization which involve the the production of the goods and services in order to satisfy the final consumers and production is not completed until when the goods reached to the final consumers.

The following are the aims of the productive organization:

To produce or to manufacture the goods in order to satisfy the needs of the consumers. The productive organization aim at producing goods which are needed by the consumers how to meet their needs examples production of agricultural products, clothes and vehicles in order to meet demand for the people.

To transfer goods from the area of production to where they are demanded for consumption. Also productive organization transfer goods meaning transporting the goods through different means of production so to were they are produced to where they are demanded.

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7 To maximize profit for the producers, also the productive organization aim at maximizing the profit to their producer as they are marketing the product and reduce the cost of production (minimizing cost) hence high turnover will lead to maximize profit of the producers.

To generate income by rewarding the other factors of production, one this is the other objective of the productive organisation, the, rewarding wages and salaries to labours employed in the production process hence they will improve their living standard.

(b) Labour refers to the physical and mental ability of a person employed in the production activities labour include skilled labour, unskilled labour and semi-skilled labour.

The following are the factors for the efficiency of a labour

Good working condition environment is the one among the factors for the efficiency of a labour where by a labour becomes efficient if the surrounding environment are conducive to make labour

Good working condition environment, is the one among the factors for the efficiency of a labour. Where by a labour becomes efficiency if the surrounding environment are conducive to make labour to perform his function such as availability of good inputs and a good weather condition.

Health factor, is the other factor for the efficiency of labour where by the health of a labour will make him to perform well in production process but if a labour is sick or unmentally fit then the work will be poorly performed.

Experience of a labour, is the one where by if a labour has much experience on that kind of a job this will be due to the fact that he/she has done that work before in a good way then the work performed will be efficiently hence when there is labour but fails to have experience of what he is doing then the work might be poorly done

7 b Education and training there are some other work which without the knowledge and training then the work will be poorly done such work include teaching, auditing, doctor and engineering so if the labour is well trained and educated then even the work will be well done

Poace of mind, if a labour has a peace in mind then he will be free to do his work appropriately and accurately but if a labour is faced with some of the things will which will not have peace of mind then he/she will do the work inefficiently.

2018 PAST PAPERS

4. Examine six factors that influence labour supply in production.

4.	<p>Labour supply refers to the number of people who are willing and able to work at the prevailing wage rate at a given period in time. There are various factors affecting labour supply in production and among them are as follows:</p> <p>The population demographic in a country affects the labour supply. If a majority of the population is made up of young children and aged people, then the supply of labour will be low. This is because of the few number of people of working age making up the work force. Similarly, when there are less children and aged people making up the population, then the labour supply will be high. This is because of the large number of people of working age making up the population.</p>
	<p>The wages being offered influence the labour supply in production. Workers are more attracted towards higher wages than low wages. Hence, when wages being offered are high, the corresponding response is a high supply of labour. On the other hand, when prevailing wages are low, the supply of labour for production is also low.</p>

	<p>The transport and communication networks influence labour supply. Where transport systems are well developed, labour can move throughout the country to work. Likewise, where communication systems are established and efficiently run, labour can come to know of job opportunities available. Thus, improvements in transport and communication facilities boosts labour supply in a country. On the opposite end, poorly developed transport and communication systems hinder labour mobility, hence resulting in low labour supply.</p>	
	<p>The level of education and training of the labour available influences labour supply in production. Both skilled and unskilled labour are needed in the production process. Where the labour is educated, the supply of labour that is skilled tends to be higher than that of unskilled labour. Also, where ^{the} labour force is in possession of little to no education, the supply of unskilled labour tends to be high in comparison to that of skilled labour.</p>	

	<p>The attitude of people towards work influences labour supply in production. In areas where people possess a positive attitude towards work and have a hardworking spirit, supply of labour tends to be high in production. Conversely, in areas where people have a negative attitude towards work and are lazy, the supply of labour tends to be low in production.</p>	
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A.	<p>The government policy on retirement age affects labour supply. In places where the retirement age is low, then the labour supply will be low. Individuals cannot work for prolonged periods of time in such places. On the other hand, labour supply is higher where the legal retirement age is high. People are able to continue working in production for longer periods of time.</p> <p>Labour is a core factor of production; without it, production cannot take place. Where labour supply is low, efforts by both the government and firms can be made to improve labour supply through training programs and improved infrastructure. Likewise, where it is high, measures can be taken to distribute it throughout various productive enterprises.</p>
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2019 PAST PAPERS

8. Explain how industries benefit from specialization in the production process. Give six points.

8.	<p>Specialization refers to the concentration of an organisation, individual or country in the production of goods and services which one is best at, and leaving the rest to others. It arises due to the differences in skills and resources. Specialization is usually accompanied with division of labour which is the splitting of work into tasks and assigning workers at each task. Countries, organisations specialize because of exchange. Surplus products are exchanged for goods and/or services which one cannot produce. Types of specialization is specialization by craft, by trade/profession, by commodity and regional specialization. The following are the ways to how industries benefit from specialization in the production process:</p> <p>It provides variety of goods. Specialization supports production by improving the worker's skills and use of technology. As a result, economies of scale are attained and hence a firm can produce a greater quantity of</p>
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goods with different variety. This will increase the market and enable the producer to fetch profits.

It develops the workers' skills. Specialization is characterized with the repetition of the same task everyday. As a result of that, workers will be great and more efficient at the work they do because they have been doing it frequently. As a result, it will lead to efficiency in production due to productivity of workers.

It promotes trade. The main essence of

specialization is exchange. When an individual produces goods which the other cannot and vice versa, it will lead to exchange because of the interdependence. Henceforth, producers will be able to exchange his goods domestically and internationally, and earning him higher profits.

It saves time. Specialization reduces the time taken in production of goods and thereby increasing production. When workers are specialized, they are going to be efficient in what they do

hence be able to produce more in a short period of time, that is, greater productivity. Adding on to that, specialization is characterized with the use of advanced technology, hence less time will be used in production.

Production of standard goods. Specialization is characterized with the use of advanced technology and efficient workers. Due to that, the goods produced will be of great quality because workers are productive and advanced technology is applied. Standard goods fetch higher price in the market and are greatly demanded. As a result greater profits to the producer.

All in all, although specialization provides various benefits to industries, it is necessary to make it known that they also result to harm to industries and individuals such as inflexibility of the workers, unemployment, loss of craftsmanship, danger to the health of worker, boredom and quick exhaustion of resources.

3.0 TRADE

2019 PAST PAPERS

2. Analyse eight business challenges facing domestic traders in Tanzania.

SECTION A	
2.	Domestic traders are the traders who deals with buying and selling goods or services within the country or locally. The following are the business challenges facing domestic traders in Tanzania. Inadequate fund. Domestic traders do not have enough fund to expand their business and even to operate with high efficiency. Due to tight policies of obtaining loans formulated by commercial banks mostly high interest rate. High taxes charged. The government charges high taxes to domestic traders of which limits their ability to save and invest more in their business, hence small scale operation without expansion. Stiff competition. Domestic traders faces stiff competition from foreign traders who large number of consumers import goods from them due to the high quality and status of the goods. For example clothes, phones. Low level of technology. Tanzania do not have advanced technology that will facilitate domestic traders on operating like other traders from other countries, that is why there are poor quality goods. Low extent of market. Most of domestic traders size of their market is very limited they operate on small geographical area, and hence can not be exposed to even international markets that is why they are not developing.

2.	<p>Inadequate knowledge and skills about business. Another challenge is inadequate knowledge and skills of business that is why they fail even to anticipate the actual demand of their products or failure to know they can increase their sales like doing sales promotion, personal selling and others.</p> <p>Bureaucracy. In Tanzania there is high bureaucracy practices or red tapism. In many areas like on registration of domestic traders the process is too long that they become discouraged to register their business and hence operate illegally and they would not enjoy things like tax holiday and others.</p> <p>Poor management and organization. Most of domestic traders are poor in managing their business on various areas like planning, staffing and others and they would find out that they invest a lot of energy and fund but gain is very low.</p> <p>In conclusion therefore, business challenges facing domestic traders are very many but the government can reduce them in one way or another like subsidizing domestic traders, offer financial assistance to domestic traders, provide appropriate knowledge and skills concerning business matters and others</p>
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4.0 WHOLESALE TRADE

2015 PAST PAPERS

2. - (a) Explain five roles of middlemen in the distribution process.
(b) Elaborate five kinds of mercantile agents.

Q@

Middlemen :- These are experts who works in between producers and consumers; - They provide a link between producers and consumers of goods and services :- The following are their roles in distribution process:-

Risk bearing ;- their main function is risk bearing they bear risks on behalf of producers like risks of spoilage, damage, and change in fashion, value of goods but they undertake to take the goods and distribute to consumers. hence its among their role in distribution process also.

Transportation ;- also middleman transport goods from producers and undertakes to deliver to ultimate consumers and ensures regular supply of goods and reduce delays in delivery of goods its also among their roles.

Market research ;- also middlemen conducts market research on behalf of producers and enables them to know market conditions exists like what to supply at what quality and enables middlemen to advice producers on what to supply according to existing demand conditions by consumers.

Storage facilities:- also middlemen

they offer storage & act of holding and preserving
stocks till are needed by ultimate consumers
through storage enables middlemen to
ensure continuation of production to producer
and also enables to reduce and minimize
supply irregularities to consumers:- also
its among their role lastly:-

②@ Preparing Goods For sale:- also middlemen can
prepare goods for sale they undertake to
brand goods, packaging, blending and grading
which in turn increase and stimulates the
rise of sales of goods to ultimate consumers
hence its also among their role.

Despite of their roles in distribution
process but who can tend to the rise in
prices of goods supplied by them also can widens
distribution channels which in turn are
needed to be eliminated.

③@ Mercantile agents :- These are agents
who works on behalf of others called
"principal" The following are the kinds of
mercantile agents

Commission Agents:- These are
mercantile agents who buys and sells goods
on behalf of their principal but undertakes
to buy and sell goods on their own names
upon agreed commission. They possess the goods
they sell also have authority to receive
charges for the goods on behalf of their
principal.

Brokers:- These are mercantile agents
who negotiates purchase or sell goods without
physical handling of the goods. They do not
sell or possess goods they sell also can

	act in both parties whether a buyer or seller, also their main function is to facilitates close contact between a buyer and seller of goods. Brokers are paid brokerage charge for undertaking those functions.
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2(b)	<p><u>Factors</u>:- These are mercantile agents who sells goods consigned or delivered to them on behalf of their principal (owner of goods). Also factors sells goods on their own names also can fix prices of goods on their own and also are authorized to receive charges on behalf of their principals, also factors can sue or be sued according to the contracts entered with his principal.</p> <p><u>Auctioneers</u>:- These are mercantile agents who sells goods on public auction :- They usually sell goods on cash basis to the highest bidder. Of goods are mainly involved in selling second-hand goods, or repossessed goods on behalf of their principals.</p> <p><u>Lastly Del credere Agents</u>:- These are mercantile agents who sells goods on behalf of their principals and undertakes to guarantee a seller (his principal) to pay for the goods when loss occur on goods supplied (sold) by them on bearing that risks are paid extra commission called del credere commission.</p>
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The candidate who performed well in both part (a) and (b). This candidate managed to explain the role of middlemen in distribution process and elaborated five kinds of mercantile agents.

2018 PAST PAPERS

2. A wholesaler relieves the manufacturer from a number of business risks. By giving six points, explain the risks that manufactures are served by a wholesaler.

Q2	<p>A wholesaler is a person who buys goods in bulk from manufacturer and sell them in relative small quantity to retailer after Breaking the bulk. A wholesaler serves many business risk, that would have been on manufacturer's shoulder if there was no wholesaler. the following are the risk that wholesaler serves the manufacturers</p> <p>Transportation Risk; The wholesaler does a service of transporting goods from the manufacturer's premises to his/her warehouse. Thus he/she bears the risk of transporting the goods as they could be damaged on the way or high way robbery of the product. Thus he/she bears the risk that would have been done by Wholesaler him/herself.</p> <p>Storage Risk; The wholesaler after transportation of the goods he/she bears the risk of storing the goods in the warehouse in which, he/she is still looking for the market of those products. He/she bears the risk of damage of the product, or fall in quality of those products. If the wholesaler did not bear the risk, it would have been borne by the manufacture. Hence served by a Wholesaler.</p>
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02. **Financing Risk;** A wholesaler finance the producer by buying the product in large quantity and paying in cash. Also the wholesaler can offer credit facility to its retailers and sometime they get bad debts. That's the wholesaler bears the risk of bad debt and financing the producer without being assured of the payment or selling of the products. Hence serves the risk of the producers.

Marketing Risk; The wholesaler markets the products of the producer to the retailers and other customers. That's he/she bears the risk of marketing as he/she is not assuredly he/she would be able to sell the product in the market. Hence he/she has to advertise the products to the retailers and that's sometime the product may be out of fashion or outdated hence the wholesaler bears the risk.

Stabilise the price; The manufacturer U the one who stabilize the price by ensuring steady flow of goods in the market. That's the manufacturer should ensure not to supply the goods in large quantity than what is actually demanded, as it would cause fall in price. That the manufacturer is served of the risk in

falling of price as the wholesaler is the one who holds the stock and distribute to the retailers.

Bridge the gap; The wholesaler plays the role of bridging the gap between producer and retailer. That's buy buying goods in large quantity from producer and selling them to retailer, that he/she serves the risk of gaping the two traders. That's this would have been done by producer himself by he/she did there will no wholesaler.

The candidates were able to explain most of the risks that a wholesaler serves the manufacturer. However, he/she did not score full marks because the last point is about wholesalers' function and not the risks.

2019 PAST PAPERS

6. (a) A wholesaler cannot be eliminated from the channel of distribution. Argue for this statement by giving five reasons.
(b) Examine four disadvantages of wholesale trade.

6a) Wholesaler is a trader who buys goods in large quantities from the manufacturer and sells them in relatively small quantities to retailers. They perform different functions like bulk breaking, prepare goods for sale, they finance both manufacturers and retailers, transportation and storage.

The following are arguments for why a wholesaler cannot be eliminated from the channel of distribution.

Most of manufacturers do not have own transport facilities, so this makes them difficult in distribution of goods to the retail or end consumer. So the wholesaler, they have own transport facilities hence distribution and concentration of goods become easier.

Most of manufacturers do not have storage facilities, the wholesalers can not be eliminated in the channel of distribution because they own storage facilities which make the goods available when they are needed by the retailers due to the demand by final consumers.

8g) Manufacturers cannot sell on credit to retailers and also some retailers can not buy in cash from the manufacturers; the wholesalers have enough funds to finance both manufacturers and retailers. By paying cash the manufacturer can allow credit to retailers.

Few number of large scale retailer, also a wholesaler cannot be eliminated from a channel of distribution because there are few number of large scale retailer which can perform the same activities which are done by the wholesalers.

Most of manufacturers operate production on small scale thus make them unable to establish their own retail outlets so due to this reason the wholesalers can not be eliminated because the manufacturers are unable to do so.

Mentioned above are the reasons why a wholesaler cannot be eliminated from the channel of distribution. But a wholesaler can be eliminated under certain circumstances like large number of large scale retailer, large scale consumers, selling of perishable and expensive goods and also presence of consumer associations.

6 b) Wholesale trade is the buying of goods in large quantities from manufacturers and sell them in small quantities to retailers. A person carrying out wholesale trade is known as a wholesaler. The following are the disadvantages of wholesale trade.

1. Increase in price of goods; the wholesale trade leads to an increase in price of goods because the wholesaler will want to earn profit also retailer wants to earn profit hence increase in price of goods which is quite different when goods are from manufacturer than retailer than consumers.

Sometimes the wholesaler may decide to create shortages by indulging hoarding of goods so as to lead to an increase in price and obtain the higher profit than before.

Wholesalers may cause decline of some goods or some manufacturer's goods for personal reasons. also sometime the wholesaler may decide to decline distribution of some goods due to personal reasons.

Also wholesalers cannot pay attention on all goods from different manufacturers. This is because in an industry there are many firms and there will be firms which have goodwill and those which are normal so the ~~many~~ wholesaler will pay attention on goods which a firm have high goodwill.

Mentioned above are the disadvantages of wholesale trade. But it has its

advantages like ensuring steady supply of goods by maintenance of inventories, offer transport services, bulk breaking and preparation of goods for sale.

5.0 RETAIL TRADE

2016 PAST PAPERS

3. (a) Discuss five factors a retailer has to consider when setting up a retail business.
(b) Elaborate three merits and two demerits of mail order shops.

5

A retailer is a trader who buys goods in bulk and sells them in small quantities to the final consumer. A retailer has to consider the following factors when setting up a retail business.

Demand. A retailer has to ask himself, is there demand for the goods he wants to offer the public? or maybe the goods he wants to sell have a seasonal demand for example umbrellas, raincoats, jackets, christmass trees, and others. So he has to consider the nature of demand and decide to deal with retail business which has high or constant demand example soap, sugar, salt and other food stuffs have constant demand.

Competition. A retailer should not just start his business without considering degree of competition. He has to check, how many other retailers are offering same products as he wants to sell. He has to be sure, if he is efficient enough to compete. This is mostly to large scale retailers example supermarkets. There are big supermarkets like Shoppers plaza, so a retailer has to be sure if he can compete with other retailers otherwise he has to choose

2 A business with less competition.

3(a) Location. Also a retailer has to consider where he wants to establish his business. For example a fish vendor should be near a lake so as to avoid large transport costs. Or for instance a retailer wants to sell electrical supplies, he can't start his business in a village or area without electricity, he has to set up his business in an area where there is availability of electricity.

Capital. This is most important factor to be considered. A retailer has to start a retail business which is within his budget. If he has large capital, he can set up a large retail business, but if he has less capital, it's better to start a small scale retail business since it's what he can afford.

Experience or skills. A retailer should do something that he is competent at. He should set a business which he has knowledge about or he has experience in that business. It will be hard to run a business that a retailer has no skills on, this can lead him to incur losses and at last shut down his business.

Hence, retailers have to be careful when setting up a retail business and they have to be honest and cooperative with their customers and suppliers.

3(b)

Mail order shops are large scale retailing units that involves buying and selling goods through post office. Mail order shops have their merits and demerits. The following are the merits and demerits of mail order. Starting with merits :-

3(b)

Risk of bad debts is lower as there is no credit facilities in mail order shops. Consumers have to pay in cash and payment is done through post or Hence mail order retailers do not face bad debts like other small scale retailers.

No transport cost. Unlike other large scale retailing shops, where customers have to pay transport to reach the shops, in mail order there are no transport costs. Goods are sent by post and the post office takes care of their delivery through

Does not require establishment of huge premises.

Other large scale retailing shops like supermarkets, hypermarkets and departmental stores require large area to establish their stalls. But for mail order, there is no such a need as goods are sent through post

The disadvantages of mail order are as follows.

Consumers cannot inspect the goods before buying (consumers are only sent catalogues and quotations or sample but they can't personally inspect goods hence they

might buy defective goods.

Delay in delivery. It takes time for goods sent by post to reach customers. In case of urgent goods like medicines, the customers may face great inconveniences. Also it's hard to replace goods of wrong type which the retailer has already sent, due to delays by post offices.

Therefore, for mail order shops to prosper, they should deal in goods whose utility is well known and which are not perishable.

2018 PAST PAPERS

7. (a) Elaborate five characteristics of large scale retail business.
(b) Analyse four advantages of small scale retail business.

7(a)

Large scale retail business refers to the type of retail trade who operate on large scale. Examples: Super Markets, Hyper Markets, Departmental stores, Multiple shops, Mail order business, etc. These large scale retail business possess the following characteristics:

'Large Initial Capital': Large scale retailers need huge initial capital to start up the business as they buy goods in bulk, and operate under large buildings. Example: Departmental stores and Hypermarkets, they have large buildings and buy lots of equipments to facilitate trade activities. Examples of these equipments are refrigerators, computers, security equipments etc.

'Fixed Premises': Most of large scale retailers have their own permanent premises in which they operate their businesses. Examples: Super Markets, Departmental stores, Multiple shops have fixed shops where they conduct their business. Example: Mlimani city mall.

Employment of 'specialist', the Large scale retailers have the ability of employing qualified personnel who are specialist who have specialized knowledge on the products that they are dealing with, this is due to large capital they have. Example sales man, Accountants and cashiers Managers.

Hold large stocks; the large scale retailers tend to hold large amounts of variety of stocks since they have enough Capital and can buy from many sources of suppliers hence get large stocks in which they

7(a) buy at discount price to enable attracting many customers and get more profits.

Large volume of Business and sales; the large scale retailers operate in large scale hence they have large volume of Business as they hold many stocks and variety of goods this led to increased sales and bring huge returns. Example Hyper Markets, Multiple shops, Super Markets, Malls all of this are operating on large volume of Business as they have Administration layout, Secretaries, Managers, Supervisors etc.

Above all the large scale retailers also pay huge taxes to the government since they get enough profit and operate on large scale this enable government to run its activities smoothly.

7(b)	<p>Small scale retail business refers to the type of retail business which operates on small scale. Example: Tie & Dyes, Singleshops, Indoor Rent traders, Hawkers, Peddlers, Cafeterias, etc. They have the following Advantages.</p> <p>Small initial Capital; the small scale retail business needs small amount of capital to finance its activities hence any one who wishes to join the business can afford since initial capital outlay is quite small.</p>
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	<p>little expenses; Since most of them do not employ specialist, they operate under their own abilities hence overhead expenses such as wages, rent expenses are reduced since can not employ salesman to operate and run the business. Example: Tie & Dyer, who employ family labour.</p>
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	<p>Quick decisions can be made; since small scale retailers operate, manage, control and supervise himself thus decision can be made quickly since there are no prolonged procedures as he/she can only decide as nature of business. Example: Singleshops, Cafeterias, kiosks, etc.</p>
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	<p>Flexibility; the retail business is more flexible as one can change from one line of the business to another line. If he/she seeks to get more profits Example: Cafeterias can change from selling foodstuffs to selling clothes since he is alone.</p>
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	<p>The government should provide protection measure to the small scale retailers so as to improve their business.</p>
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The candidate who managed to elaborate the characteristics of large-scale retail business and analysed the advantages of small scale retail business.

6.0 WAREHOUSING

2015 PAST PAPERS

6. (a) (i) Identify four levels of stock held in the warehouse.
(ii) Calculate the order point in bags from the following data:
Minimum stock of 850 bags of rice @ 50 kilograms, the time to deliver new stock ordered is 12 days and sales per day are 12,500 kilograms.
(iii) Why is it necessary to indicate the delivery time in the calculation of order point?
(b) Analyse the procedures necessary for storing and removing goods from the bonded warehouses.

(a)	i) The following are the levels of stock held in the warehouse.
	ii) Maximum stock level ; is a level of stock beyond which stock will not be allowed to rise. This level is reached immediately after the receipt of new stock. It is calculated by using the following formula.
	$\text{Maximum stock level} = \text{ROL} + \text{RQ} - [\text{MC} \cdot \text{MRP}]$
	Where by
	ROL : Reorder level
	RQ : Reorder quantity
	MC : Minimum consumption/unit/day
	MRP : Minimum Reorder period.
	iii) Minimum stock level ; is a level of stock which should always be in store so as to safeguard sales against unforeseen delays in delivery of goods or is a level of stock which would be highly undesirable for the stock to fall. Minimum stock level is given by the following formula
	$\text{Minimum stock level} = \text{Reorder level} - [\text{Average consumption} \times \text{Average leadtime}]$

6(a) iii) Reorder stock level ; Is a level of stock in which an order should be sent to the supplier, so as to deliver new stock before the stock held falls below minimum level. It means at this level the placing of new order must be done. It is calculated by using the following formula

$$\text{Reorder stock level} = (\text{Daily sales} \times \text{Time of delivery}) + \text{Minimum stock}$$

iv) Average stock ; Is the average number of stock held in a particular period. It is given by the following formula

$$\text{Average stock} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

Data

Minimum stock of 850 bags @ 50 kg.

Time of delivery of new stock 12 days

Sales per day 12500kg

Soln.

$$\begin{aligned}\text{Order Point} &= (\text{Daily sales} \times \text{Time of delivery}) + \text{Minimum stock} \\ &= (12500 \text{ kg} \times 12 \text{ days}) + 42,500 \text{ kg} \\ &= 150,000 \text{ kg} + 42,500 \text{ kg} \\ &= 192,500 \text{ kg}\end{aligned}$$

$$\therefore \text{Order Point} = 192,500 \text{ kg} \div 50 \text{ kg} \\ = 3850 \text{ bags.}$$

The candidate managed to identify four levels of stock held in the warehouse and calculate the order point.

2016 PAST PAPERS

6. (a) State five reasons for holding stock by the business firm.
(b) What is the main difference between private warehouses and public warehouses?
(c) Explain four disadvantages of private warehouses.

Q6	<p>to increase in value of a good in storage at which if they increase in value they will be sold at a high price example wine and so on</p> <p>During fabrication the business firm tend to hold the stock because they want to stabilize price of the product they sell in which if they store goods or hold stock it will remove the shortage of the stock they supply of which due to shortage may lead to fluctuation in price so through holding of stock it leads to price stabilization.</p> <p>to avoid delays in the delivery of the goods this means that the business firm decide to hold stock because to avoid unnecessary delays which may be happening if the business firms do not hold stock the business will face delay in delivery of orders but if the business firm hold stock it will enable them to deliver the orders without delay.</p>
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due to Economies of buying on large scale this means that the reason to why the business do hold stock is that the business firms do enjoy the position of buying large quantities of stocks at low price than why they found themselves holding a large amount of stock.

to provide consumers with wide variety of choices, this means that the reason of the business firm to hold stock is to provide wide variety of choices to their consumers to have a wide variety of choices when making order or purchasing of the goods from the business firm.

Generally above are the reason to why the business firms do hold stock for different purpose which are mentioned above which can enable the firm to expand and operate their activities well.

6(b) Private warehouses refers to the warehouses which are owned by private companies or business or group of investors of which they do store their stock in those warehouse until they are needed for sale.

WHILE,

Public warehouse refers to the warehouses which are owned by general public to which they are available to serve the public to any one who prefer to store the goods within a warehouse and payment of charges for keeping the goods in the warehouse.

Note: Public warehouse they are owned by general public and anyone can store the goods, but Private Warehouse they are owned by the private businessmen and they do keep their goods until they are needed.

QN

6(c) Private warehouses refers to the warehouses which are owned by private businessmen or factors to which they do store their goods within these warehouses until they are needed by the public.

The following are the disadvantages of private warehouse.
Capital in building them, this means that private warehouses are so capital in building them, because the private businessmen do use his own capital to construct the warehouse so it leads to be very capital in constructing it till it is completed.

high operational cost this means that the operational cost of a private warehouse are so high because private businesses will incur cost of employing different machines, staffs and different activities to which it may lead to high operational costs.

They are allocated in a remote area or

6(c)	<p>an area which is not suitable or convenient this means that a private warehouse is located to a area which is not convenient at which it may be far from the buyer's premises; this it may lead to loss or disadvantage.</p> <p>Risk occurring is on expenditure on either this means that the risks occurring on the private warehouse is one of the hazards to the owner of the goods, and business at which he trades himself not insured by anyone at which he faces the law which will make him suffer in operating expenses, not compared to the public company whereby the one who stores goods is insured by the owner of the public warehouse against risks.</p>
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7.0 TRANSPORT AND COMMUNICATION

2015 PAST PAPERS

4. (a) Examine five disadvantages of pipeline transport.
(b) (i) Differentiate internal communication from external communication.
(ii) Explain four merits of good external communication in an organization.

4a	<p>Pipeline transport, involves the movement of liquid materials through the use of pipes, liquids materials to be transported are water, oil and sometimes gasses materials. The following are the disadvantages of pipeline transport:</p> <p>It need heavy Capital of construction, as a lot of machines are involved and must be bought all o high skilled and specialized workers & must be paid high remuneration.</p> <p>It lead to environmental degradation during its construction, as a lot of trees must be cut down, destruction of settlement in order to allow the pipe to pass.</p> <p>The risk of accident is high, if leakages occur may lead to heavy losses since it takes a long time to fix the gap.</p> <p>It carries only limited type of goods, which are liquids and gases hence not suitable for solid materials like clothes, cars and so furniture.</p>
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It is not flexible, not easy to change the route of liquid and gases from one well to another immediately.

i) Internal Communication is the transfer of information and messages from one place to another within the organization for example from the subordinate to the top management, accountant and manager while External communication is the transfer of information between the organization and the outsiders such as customers, creditors, and bank.

ii) External Communication, is the transfer of information between organization and outsiders, for example banks, customers and creditors. The following are the merit of good external communication the organization:

Create business reputation, provision of various information to the public such as financial statement made the people to develop interest toward an organization.

It widen market, as the customers are being informed about the availability of product, they can buy the product and extend the market size of an organization.

It enable to know the taste and preference of the customers

4bii Once produce goods and services which satisfy their real needs.

Improve public relations, as members of the society can provide opinion and suggestions to the organization in matters such as negative externalities control and organization implement for the welfare of the people.

The candidate managed to examine the disadvantages of pipeline transport, differentiated internal communication from external communication and explain the merits of good external communication in an organization.

2018 PAST PAPERS

3. Elaborate nine factors which are to be considered before choosing the appropriate mode of transport to be used in transporting goods and services.

3.	<p>Transport ; Is the movement of goods services and people from one place to another it is categorized into three types which are water transport, air transport and Land transport. transport enables goods and services to be in the Market on demand. The following are the factors to consider before choosing the appropriate mode of transport to be used in transporting goods and services:-</p> <p>Cost of Mode of Transport; before choosing an appropriate mode to be used in transporting goods and services one should consider how much is it cost when using such mode of transport. For example the cost of using road transport and railway transport are different compared to air transport. That using an aeroplane to transport goods and services cost much than trains and cars.</p> <p>Availability of Mode of transport; before transporting goods and services one should consider the presence of the mode if they are ready available on demand</p>
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or not, for example one should consider - that road transport, railway transport and air transport are appropriate in his or her area then he or she choose the appropriate mode suitable for him or her.

Nature of goods to be transported; also one should consider the nature of his goods that for perishable and fragile goods need quick transport to avoid losses then road transport and air transport are more suitable.

3 Distance; Also one should consider the length of his or her journey, that how far the journey is then he is reliable to - choose what mode to be used in transporting goods and services. For example for the long journey air and road transport may be appropriate but railway are not more suitable for transporting goods and services.

Speed and urgency; One should - consider what kind of mode of transport offering speed and quick transport according to his demand then he should choose such mode to transport goods and services. For example for a quick and speeding mode of transport air transport may be appropriate

value of the goods; One should consider the price of the products to be - transported before choosing the mode of transport to be used, for example for the expensive goods like Gold, silver, Diamond tend to add the value when delay to reach the market so to avoid this one should use a faster mode of transport and air - transport may be appropriate.

Risks involved in the mode of transport; Also before choosing the mode to be used one should consider how and what risks are likely to happen on the mode of transport chosen. For example for the road transport risks of accident and robbery are very high so to avoid this one should use water transport or railway transport.

3. Terminals; One should consider if there are appropriate areas for loading - and offloading before choosing any mode of transport because terminals are the end and starting point of the journey. For example one should ensure that there are harbours, car parks, bus stand, railway stations and airport to ensure good transport system.

Bulk of the goods; Before choosing a mode of transport one should consider how heavy is goods appear, that for the heavy and bulk goods water transport is more appropriate. So one should use water transport to transport its goods.

Therefore, the explained and-mentioned are the factors to consider before choosing the appropriate mode of transport. Not only that transport are very important because it enables people goods and services to move from one place to another, it influence the availability of the market and also it creates employment opportunities to the people.

2019 PAST PAPERS

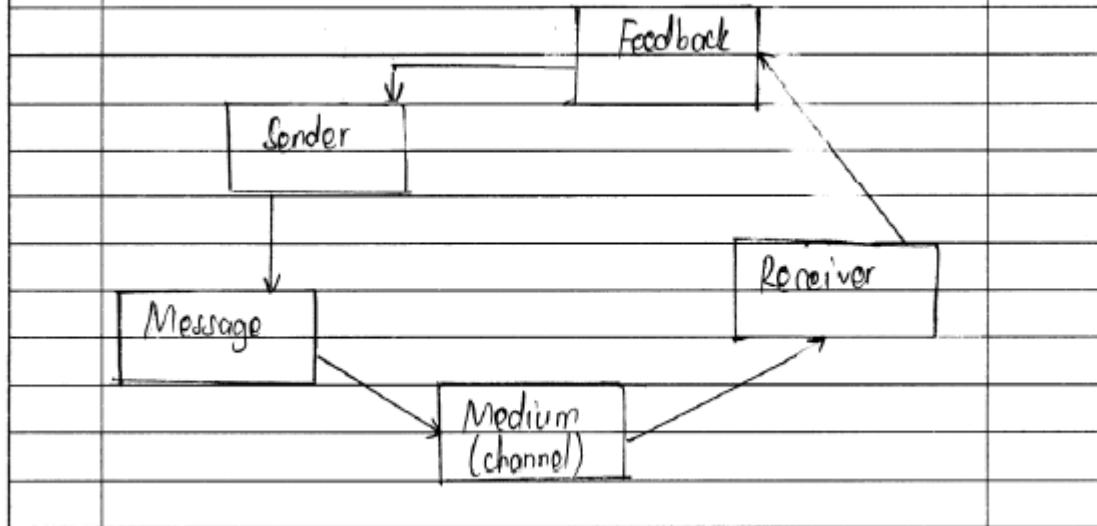
3. (a) With the aid of diagram, describe five main aspects of communication.
(b) Explain three factors that hinder effective communication.

3a)	<p>Communication refers to the transfer of information from one point to another. Communication can be either oral or written. Oral communication, is the one which uses the sound to transmit information especially face to face. And written refers to the type of communication where the message is transmitted in writings. The following are the aspects of communication.</p> <p>Sender. This is the person who intends to transmit or send information to another person. The sender is the source of the communicative message to be communicated. Therefore the sender is the one who initiates the communication process and wishes to pass out the information to the intended person.</p> <p>Message. This refers to the information that a sender wishes to transfer from one place to another or one person to another. This is the content of the information that are to be delivered to the receiver of the message. The message can be either written or oral.</p> <p>The channel (medium). This refers to the means through which the intended information moves from the source (sender) to another person or place. The medium of communication can be, example, letter, e-mail or telephone. So the channel is the path of the information from sender to receiver.</p>
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3a) Receiver. This is the person to whom the information is sent. This is the destination of the message sent by the sender. Therefore, the medium of communication transmits information upto the final receiver and delivers the message.

Feed back. This refers to the reply or the answer that is given out by the receiver to the sender of information. When, the receiver accepts received the information from the sender through the channel, he has to reply the message so as to give answer to the sender and assure the sender on the delivery of the message.

The diagram to show aspects of communication.



3b)

Communication refers to the transfer of information from one person or point to another.

Effective communication refers to the communication in which both parties the sender and receiver get what exact message which has been intended.

The following are three factors that hinder effective communication.

Language barrier. When the language used by the sender is not well understood or is not familiar to the receiver, the receiver will not understand and hence will not get what the sender wanted to transmit to him. Therefore, with language barrier, the intended information can not be imparted to the receiver. This hinders effective communication.

Noise. In a place where there are too much noise, the information intended to be given out will not reach the receiver effectively especially when it is oral info communication.

Therefore, with noise effective communication can not take place. The sender has to find a quiet place so as to give out the message, so that it can be clear.

Use of inadequate means or channel. When the sender of the message uses the channel of communication which the receiver can not access, the effective communication can not be ensured.

Example, If the sender sends information through the e-mail yet the receiver has no access to emails, the receiver will not get the information.

Generally, the sender of the information should choose the right means to use, the right place and time to communicate with the receiver so as to make effective communication possible.

8.0 INSURANCE

2015 PAST PAPERS

1. (a) What is the main difference between cover note and insurance policy? Elaborate three functions of the cover note.
- (b) (i) Explain the procedures necessary for making an insurance claim.
(ii) Joseph is a wholesaler who has decided to insure his business. The value of his stock was shs.150,000,000 but he insured only part of his stock against fire worth shs.80,000,000. A month after, his store was ablaze and everything was destroyed. How much would the insurer pay to Joseph as compensation? Explain the principle of insurance applied on compensating the loss.

1. (a) A cover note or binder is a document issued by the insurer to the insured after the first premium has been paid acting as a temporary contract before the policy is issued.

Insurance policy is an insurance contract between insurer and insured issued after 30 days since the first premium has been paid and cover note has been issued. It is a permanent contract as compared to the cover note.

Functions of Cover note

- (a) It is an evidence to an insured that premium has been paid to the insurer.
- (b) It acts as a temporary contract between the insurer and insured before the issue of an insurance policy.
- (c) It is an evidence that there is agreement between the insurer and insured and insurer agree to compensate insured at a time of loss from event or risk insured against.

(b) (i) An insurance claim is a claim made by insured to insurer for compensation due to the loss incurred accordingly with the risk insured. For example, a car was insured against fire risks, when that car suffer loss due to fire accident, insurer will be liable to compensate the car owner according to the agreements in the insurance contract.

On the occurrence of an event insured, the following

i. b) procedures are adopted:-

i) The insured notifies the insurer about the loss or damage occurred owing to the event which the property was insured against so as the insurer is aware to prepare for compensation.

ii) Claim form, insurer issues a claim form to the insured to fulfill necessary information on the loss occurred.

iii) Assessor's report. After filling necessary information, the claim form is returned to the insurer, after which an insurance assessor is sent to the place of loss, that is where damage occurred to assess necessary details concerning the agreement laid down in the contract. This enables insurer to be responsible for compensation if the risk and cause of loss is what defined in contract hence enables insured to be compensated of what he or she deserves. An assessor establishes loss and prepare assessor's report to the insurer.

iv) Calculation of compensation. After receiving assessor's report, the insurance actuary uses the details from report to calculate the amount to be compensated.

v) Compensation. Lastly, compensation is effected accordingly with the report of from insurance actuary. After the insured is compensated, the insurance contract between insurer and insured is discharged and if they wish to continue another contract or policy is made as new one.

I(b) iv The insurer will compensate the loss to Joseph by paying him shs. 80,000,000.

This is because, Joseph underinsured his stock and the premium was paid for only sum insured which was shs. 80,000,000 and thus Joseph will not get more than what he insured.

The principle of Indemnity applies in this event. This principle states that, the insurance is aimed at compensating the loss occurred and not to benefit the insured. Under this circumstance, the insured will be restored to his former position before the loss occurred. Therefore, since Joseph insured shs. 80,000,000 of his stock, he will not gain more than shs. 80,00,000

The candidate managed to: differentiate cover note from insurance policy, elaborate functions of cover note, procedures necessary for making insurance claim, the amount to be compensated to Joseph and the principle applied in compensation.

2016 PAST PAPERS

1. (a) Describe five factors to be taken into consideration in calculating the amount of premium to be paid by the insured.
 (b) Examine five ways in which insurance can benefit a business firm and the country at large.

1(a)	<p>Insured is the person who has an insurance contract with the Insurer (Insurance Company). Premium is the specified amount of money that the insured has to pay for the compensation of future loss. Premium is calculated by a person in an Insurance Company known as an Actuary. There are factors that are to be taken into consideration while calculating the amount of premium to be paid by the insured.</p> <p>Value of the policy. A policy is a document that specifies that property ^{voted} in which the insured has insured against. The higher the value of the policy taken out by the insured, the higher the premium paid by the insured. The policy shows what the insurance company covers when the loss occurs.</p> <p>Number of applicants. The number of applicants who apply for the similar policy is also considered. If the number of applicants of the same policy is lower then higher premium is paid by the insured.</p> <p>Age of a person. In life assurance, age matters that is age is the major determination of premium in life assurance. The older the person that is assured the higher the premium paid for the person has a short life span remaining.</p>
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Level of Precaution: Precaution is reconsidered when a person insures a petrol station has to put signs such as No smoking so as to decrease the degree of occurrence of the accident, therefore the more precaution taken the less premium paid.

Nature of a property: The property insured If it is fragile in nature then the premium paid raises for it is more subject in the occurrence of two accident and also when a Petrol station

1(a) is located nearer explosive matters (things) this raises the degree of occurrence of the accident leads to high payment of premium.

Generally, the insured should be able to do his or her responsibility of paying premiums without any delay for one of the reasons of terminating an Insurance contract is the delay of payment of premiums.

1(b) Insurance is the contract whereby the insurer under consideration paid undertakes to compensate the insured during the occurrence of the loss. Insurance is one of the newly introduced commercial activity especially in developing countries and it has brought benefits to both a business firm and the country at large.

Provide confidence to the business owners. Insurance has been able to help an entrepreneur to undertake risks that is it has brought initiative for the business owners to bear risks this provides confidence which enhances the productivity of the organization.

It encourages saving. Insurance has also played a big role in mobilizing saving among the members of the public. Through life assurance a person (insured) can provide money to the beneficiaries during his or her absence where the money was accumulated through payment of premium.

Provides employment opportunities. Insurance has brought also job opportunities that is in an insurance company there are people who are employed. People such as Broker, Actuary, Assessor. There

fore members of the public are employed thus rises the income of individuals in the society.

Increase in government revenue. The presence of insurance company, the organization makes up profit and enables the payment of government revenue through payment of tax also the employees in the insurance company are charge tax hence enhances the tax base and increases government revenue.

Enables continuity of the business. Insurance Service enables to return the insured to his or her former financial position this insures the continuity of the business thus for a business firm

ensures constant supply of goods and services thus also improves the living standard of the society.

Generally, Insurance as a commercial activity also facilitate trade and advance the development of commerce and industry at large. Also Insurance brings about balance of payment since the supply of money is reduced in an economy through saving.

The candidate was able to describe the factors to consider in calculating the premium and the benefits of insurance to a business firm and a country at large.

2018 PAST PAPERS

1. (a) Explain four forms of marine losses which are covered by marine insurance contract.
 (b) Describe three types of marine losses which can be insured under marine insurance.

1	<p>Marine insurance is the contract between the insurer and insured whereby the insurer agrees to indemnify the insured against the peril of the sea such as collision of ships, storm and sinking of the ship in return of consideration known as premium. While Marine losses are the losses that result from happening of the risks insured against.</p> <p>The following are the forms of the marine losses that are covered by the marine insurance contract and are explained as follow:</p> <p>Actual losses: This is the type of loss whereby the ship and cargo is totally destroyed by the water and nothing more can be collected from either cargo or ship that means they are totally lost in the water.</p> <p>Constructive loss: This is the form of the marine loss whereby the cargo and ship are destroyed to extent that they have no practical use of either the cargo inside the ship or the ship itself.</p> <p>General average losses: These are the type of losses whereby some of the cargo must be jettisoned in the water so as to serve some of the cargo and ship for this loss is borne by cargo owner and the ship owners.</p> <p>Particular average loss: This is the loss where only some of the cargo have destroyed in the ship not all the cargo. For this case the loss is borne by the ship owner if it is due to misconduct of the ship master or the crew on the ship; otherwise is borne by cargo owner if it's due to natural causes.</p>
1	<p>Therefore marine insurance are important as it help to ensure that the insured is compensated on the event against the risk insured against such to enable them to continue with their business effectively thus economic progress within the country.</p>

2019 PAST PAPERS

1. Insurance is necessary to both traders and the government in their day to day activities. Justify this statement by giving three needs of insurance to traders and to the government.

1.	<p>Insurance is the contract between two parties whereby one party agrees to compensate another party in the event of loss as per agreement with the consideration of premium which are paid regularly per installment or at lumpsum. The party which agrees to compensate another party is known as insurer and the compensated party is known as insured. Insurance have principles such as insurable interests, utmost good faith, indemnity and proximate cause. Insurance are classified into two parties which are life assurance and general assurance. The following are the needs of insurance to traders.</p> <p>It offers compensation, insurance offers compensation to traders in the occurrence of the events or risk as agreed between the insured and insurer and thus enabling them to run their business smoothly since risks such as of damage, theft and fire are compensated hence assurance in continuity.</p>
	<p>It acts as collateral security, also insurance certificates or policy can act as the means of acquiring loans from bank and any other financial institutions, hence through insurance traders can expand their financial position of their enterprises as they can easily obtain loans.</p> <p>It provides confidence to the business owners, due to assurance of the business caused by insurance business owners are free to undertake any investments especially risk investments with the assurance that in case</p>

-1-	<p>they suffer the actual loss they can be compensated by the insurance company hence confidence to them are assured through the insurance company.</p> <p>The following are the needs of insurance to the government.</p> <p>It encourage economic development and growth, insurance company encourages economic development and growth by making assurance to investors and traders to undertake any lawful business smoothly. Also through investments made by insurance company in different undertakings such as industry, buying securities and share from different company lead to economic growth and development.</p> <p>It is the source of government revenue, also government need insurance company since it is the source of revenue through tax such as corporate tax which are charged on the profits of the company, hence increasing the government revenue and enabling the government to meet its expenditure.</p>
	<p>It is the source of employment, through insurance company millions of people have been employed such as brokers, assessors and underwriters, As the one of the function of the government is to create employment to the citizens hence through the insurance company employment are created, hence increasing its needs to the government.</p> <p>Apart from the needs mentioned also insurance company, it encourages trade, it acts as the means of savings and it help in undertaking risky investments which are essential in the society and which need a high capital to establish and operate.</p>

The candidate correctly explained the necessity of insurance to both traders and the government.

9.0 ADVERTISING

2015 PAST PAPERS

5. (a) Explain five forms of outdoor advertising.
(b) Describe six benefits of trade fair and exhibition to both businessmen and customers.

5(a)	<p>Outdoor advertising involves publication of advertising message to the strategic places, such as street corner, railway station, bus stand and football ground. The aim is to attract the attention of passer-by. The following are the forms of outdoor advertising.</p> <p>Foster and painted display. The advertising message is published in a strategic places of big cities such as street corner, and railway station by writing the advertising message in a sheet of paper or wooden panel for the public to read. The printed information shows the details of firm and product.</p> <p>Travelling display; This are displays that are painted outside the motorvehicle; That travel from one place to another and supplying the information to many peoples who may read the information. This is very common form of advertising in Tanzania.</p> <p>Sky-writing. This is the modern form of advertising where the information concerning the firm's product is lifted in a balloon which is flown in the sky for the public to read.</p>
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Car Cards: This are stickers that are attached inside the, trucks, buses and private cars which contain the information about the firm's product, and all passengers who are travelling everyday on these means of transport may read the information.

Sandwichmen: This is also form of outdoor advertising in which a person carry advertising message and move with it in different places for the public to read. He or she can paint the information in his body skin with paint colour. This is very common in football ground where supporters of a certain football team paint the information in the body.

S(b) Trade fair refer to the system of displaying goods and services at a show ground for the public to come to see the product and also buy it at the same time; but Trade exhibition refers to the system where producers display goods and services at show ground for the public to come to only see the goods and may buy latter. The following are the benefits of Trade fair and exhibition to businessmen and customers.

Trade fairs ^{and exhibition} widen the market for firm's product. Through displaying the firm's product at show ground, the market for an established product extend. This will increase sales and boost the rate of stock turnover.

Trade fair and exhibition provide a wide choice to customers. Customers are free to select goods and services that can satisfy his want according to his income. The customer is able to visit different sellers at show ground and buy what he want.

Trade fair and exhibition create goodwill of the firm. Trade fair makes good reputation to the firm's product and name to be household name everywhere, because in Trade fair people from different place meet to buy and see various goods and services.

S(b)	<p>Trade fair and exhibition enable the businessmen to overcome present and potential competition. Through trade fair businessmen are exposed to the world of competition, therefore he is able to learn from others experience, and improve the quality of his goods and services.</p> <p>Through trade fair and exhibition the businessman can introduce new line of product in the market and can inform the public about the availability of the new product in the market, hence create market for a new product.</p> <p>Trade fair and exhibition have educative value to the customers. Through trade fair customer are provided with valuable education concerning on how to use a certain product, and the effect of using a certain product.</p> <p>These explained above are the benefits of trade fair and exhibition to both businessmen and customers.</p>
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The candidate managed to explain the forms of outdoor and the benefits of trade fair and exhibition to both businessmen and customers.

2016 PAST PAPERS

8. (a) Evaluate four roles of advertising in modern marketing.
(b) (i) Briefly describe the term advertising agent.
(ii) The manufacturing firms having their own advertising departments still use advertising agencies. Give five reasons why they find advertising agencies useful?

8.	<p>(a) Advertising this is the process of making goods known to the public The following are the roles of advertising in modern marketing.</p> <p>It creates demand of goods through advertising of a product it helps to increase the demand of that product for example the coca cola company have been continuously and repeatedly advertise there products this is why the demand of coca cola products or drinks is high compared to any other products or drinks.</p> <p>It creates a good reputation of the firm or company for example C.R.B the bank that lists through this customers get motivated to use the product or join in the Company because of the advertisement or through the good will that it has.</p> <p>If helps in expanding the market this is through the repeated advertisement of that product this help or contribute in widening the market of that product for example if a product was only consumed by people of Mwanza only when that product is advertised in other places it enables the people of other areas to also to consume that</p>
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'product' this 'product' extends the market national wise and finally world wide.

It provides education or information about the product; through advertisement people are able to know more about the product such as the usage of the product, side effects of the product, its merits and demerits and many other stuff. for example advertisement on job employments they tend to give information on the qualification of the person that they need also they tend to tell on the level of education that a person should be this also help to avoid disturbances.

b) Advertising agent: this are independent firms or companies or individuals who help in assisting different firms, or companies or individual who are having less knowledge on the whole process of advertisement by doing various services to them such as studying the characteristics of the product, determining the best or suitable media that can be used by the individuals.

8 ff). Manufacturing firms find advertising agencies useful due to the following reasons:

The advertising agencies possess much experience on the advertising problems. people find the advertising agencies useful because they know that they have a great experience on the problem so it will be easy for them to get help through them rather than solving the problems on there own while they have little knowledge or experience.

The firms gain much knowledge from the advertising agencies. the firms tend to use the advertising agencies because they know they will also gain much from them because they possess much knowledge on advertisement.

The individual firms can not have large number of expertise than the advertising agencies. the advertising agencies possess large number of expertise who can help the firms who need help this is why the firms tend to use the advertisement agencies.

The advertising agencies have contact with different contractors, designers, sole owners of various business so it is easy for them to get other services cheaply and less costly.

The advertising agencies provide advice to the firms which help them to conquer various problems that they are facing in there firms for example they give advice on which is the suitable media to use so on to creat demand.

2018 PAST PAPERS

6. Newspaper advertising is advantageous compared to posters and neon signs advertising. Justify this statement by giving six advantages of newspapers advertising.

6.	<p>Advertising it refers to the whole process of creating awareness to the public about the features and availability of the commodities in the market. E. Newspaper advertising this is the form of advertising through written words in a newspaper to the public. The following are the advantages of newspaper advertising.</p> <p>Life span factor ; a newspaper advertising is one among an advertising media which is very preferred by the advertising agents . In this point it stresses out that newspaper tends to have a long life span hence the advert will last for a long period of time after the target group reads it. Unlike the use of other advertising media such as television and radio they don't last long.</p> <p>Flexibility ; one among the advantages obtained through newspaper advertising is the flexibility to change the adverts for a very short period of time where by because of errors the advertising agents can easily change the advert for a very short period of time. Hence the rectification</p>	
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n and correction can easily be done.

Less time consuming : Newspaper advertising consumes less time in getting the information to the targeted group in the society because once a person has bought the newspaper it's easy for him or her to obtain the information by or the wanted to get unlike posters where it's hard to locate where to obtain them and these neon signs you may find they are being putted in fly bars stand where it's hard to stop and read them.

6. They have wide coverage ; In this case the point shows that Newspaper advert tends to cover a wide area especially in towns and cities where after the advert has been published on them there are being supplied in different areas across the city and the country from which the information gets spread.

Affordable cost to use : it shows the cost or price that a firm will incur when wanting to press their advert in the newspaper and in that newspaper tends to cost less since the advert will not be printed in the whole newspaper but in just some few parts in it.

It can be used for future reference : A newspaper advertising in the firm or business plays a vital role of being used as a reference by the company, the customer as well as the advertising agents from which the information (advert) published can be kept for future reference by all parties and hence it tends to be more effective.

Therefore; Newspaper advertising is one among the means of advertising which plays a great role in supplying information to the societies and potential customers. The government must protect and provide a Considered homely to the sector in their economic way of operation.

2019 PAST PAPERS

7. Analyse four main types of advertising and give four functions of advertising agencies.

7. Advertising, this is an aid to trade which informs the public about the availability of goods in the market, also advertising has got different objectives and those objectives are such as creating brand loyalty, Building the companies image in the public eye and also many others, types of advertising are such as the following

Persuasive advertising, this is the type of advertising which persuade people to buy a certain product in the market, it needs to increase size of market to the advertising persuade or force people to buy the product and see its benefits after and when consuming it this is done to retain the demand of a product in the market or to retain a market.

Collective advertising, it is a type of advertising which advertises collective products as a group like in

7 partnership or cooperative societies as long as you do business together hence the products available in the business that you want to create a new market for you advertise it as one business like in partnership business.

Informative advertising, this type of advertising informs about the availability of a certain product in the market and also tells people on the use of that particular product in the market and advices on its use it is mostly done when a product is new in the market because people need to be informed about any new product introduced in the market.

Comparative advertising, this is a type of advertising where by a company advertises its product to compare it with another country's product this is mostly done by Pepsi and Coca-Cola companies on their products this is just to show the public that may be a particular product is better than the other product produced by a certain company.

functions of the advertising agencies are such as

Creation of an advert, the agency or the advertising agencies before placing the advert on the media they create it and decide on what type of a medium to use so as to advertise the advert and how should the advert look like may be to attract the public or the targeted market this is done by advertisers mainly in advertising agencies.

Placing of an advert, the advertising agencies do place the advert if it is ready to the public through the targeted media, also the

7. advertising agencies are so important to place the advert in such a way it may attract people to buy certain products in the market so they place it to be seen by the public and make a targeted product to be done by the public

Market research, the advertising agencies conduct market research about the goods advertised that should be advertised through what media because it concerns what group of people if it is the youth or children what media will target the market supposed

Advice, the advertising agencies give advice to people who want to advertise their goods to the market that what type of advertising should they use and what media of advertising can help to make a certain product known can easily tell on the advantages and the disadvantages of advertising media and can tell what advertising media is suitable

Therefore; advertising agencies are so important to facilitate advertising to take place, helps the advert to be attractive to the intended market so as to attract them to buy such products so as to increase sales and market of a certain company that advertises its products.

10.0 BANKING

2015 PAST PAPERS

8. (a) Explain the impact of privatization of banks in Tanzania. Give five points.
(b) Analyse five features of a current account.

8@	<p>Privatization is the situation where by the government decided to sell its assets and enterprises to private individual or companies. The privatization of banks in Tanzania has bring the following impacts to the country.</p> <p>Increase efficiency in bank's operation; efficiency have been increased in operation of bank because there is competition in a market and everyone want to win the market. So they are always competing in providing better services.</p> <p>Introduction of new technology; new technology from abroad like money counting machine, debit card, Credit card, ATM machine have been introduced after Privatization because the government was unable of bringing all these things.</p> <p>Competition due to establishment of more banks; before privatization of banks in Tanzania there were a few banks in banking industry because private companies and individuals were not allowed, but now there is many bank like ACB, KCB, Arusha, CRDB, NBC etc.</p>
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	Creation of more employment opportunity in banking industry; many people are employed in banking industry than before due to introduction of privatization which led to establishment of many banks which need workers like Accountant, Transficer, Teller etc
	Development of commerce and trade; commerce which include exchange of goods and distribution have been grow due to privatization of banks which led to increase in number of bank even in rural area

Extract 8.1 presents a sample of a good response from a script of a candidate who responded correctly on the question on the impact of privatization of banks in Tanzania.

2016 PAST PAPERS

5. (a) How does the Bank of Tanzania (BOT) contribute to the economic development in Tanzania? Give five points.
(b) Identify five monetary management functions of the Bank of Tanzania.

5a) The Bank of Tanzania (BoT) is the financial institution which established by the government in order to control economy within the country. The bank of Tanzania act as the government bank and it deals will controlling and stabilizing economy. The following are the roles or contribution of the Bank of Tanzania to the economic development of Tanzania :

It provide financial facilities. The Bank of Tanzania provide financial facilities such as loan to the commercial banks and act as a last lender of the commercial banks which lead to the commercial banks to have enough fund and provide loan and credits to its customers. Hence this lead to the economic development

If control import; The bank of Tanzania is responsible to stabilize economic of Tanzania, therefore it help to control import in order to reduce unfavourable terms of trade, dependency and so on. This may

be through imposing high tax to the goods or services imported, therefore this contribute to the economic development.

It provide assistance to the government during deficit budget. In case that the government has deficit budget the bank of Tanzania assist the government by providing them money in form of loan so that the government can cover that deficit budget.

59) It provide employment. Also the Bank of Tanzania provide employment to the people. For example the people who are working the bank of Tanzania such as An accountant, manager, cashier and alike are said to be employment. This contribute to the development of economy and the employed people are able to pay the tax to the government of Tanzania.

It stabilize economy; The bank of Tanzania stabilize economy by controlling inflation, exchange rate and so on as it is the one which is responsible to control the economy of Tanzania. Therefore this contribute to the development of economy of Tanzania.

Therefore; Apart from the monetarization of the bank of Tanzania to the development of economy, the following are the banking function of it; issuing of currency, banker's bank, government bank, provide advise to the commercial banks and so on.

s(b) The Bank of Tanzania refer to the financial institution that established by the government in order to control the economy of the country. The bank of Tanzania provide advise to the government on how to use money obtained so as to stabilize economy. The following are the monetary management functions of the bank of Tanzania management of the country's foreign exchange reserve, since the bank of Tanzania deals with controlling the foreign exchange reserve, It help to manage the inflow and outflow of the foreign currencies in the country.

Promote export; The bank of Tanzania promote export by discouraging imports through charging high rate of tax such as tariff and quotas in order to discourage the importer of the country in our country. Hence this help to stabilize economy

It control inflation, exchange rate and so on. The bank of Tanzania control inflation by increasing the bank interest rate, control credit, open market operation and others. Also control exchange rate by reducing fluctuation of it. Hence this may lead to stabilization of economy.

Management of the public debts, In case that the public have large debts, the central bank help it to pay that debt in term of loan. Therefore this help in stabilization of our economy.

sb Participation in discussion with other international financial institutions. The bank of Tanzania act as a representative of the government in discussion of the matter relating to the economy. Hence it help to stabilize our economy, since it has enough knowledge on how to obtain and how to use income obtained within a country.

Generally, The bank of Tanzania is the financial institution established by the government to control the country's economy, and it has many functions such as, export promotion, advise to the government, banker's bank and so on.

2018 PAST PAPERS

5. (a) Explain six characteristics of good money.
(b) Describe three functions of money.

5 a) Money is anything that is generally accepted as a medium of exchange and a means of settling debts. Below are the characteristics of good money.

Acceptability: For anything to be regarded as money, it should first be accepted generally by the main users of that particular society as a medium of exchange and means of settling debts. Example, in the colonial era, metal and valuable stones were considered as money, since it was what was agreed as a medium of exchange in the colonial society.

Portability: A good money must possess a reasonable weight and size so as to enable its users to easily move with it from one place to another to perform various transactions in different market places. Example is coins and notes, possess qualities of good money because their weight and size is reasonable to be carried by a consumer for performing transactional motives in the business world.

Divisibility: A good money should also be easily and readily divisible into smaller units, that is, it shouldn't be biased in terms of its availability in large units. This is termed so, so as to facilitate transactions of the consumers of small items who require small units of money. Example, money should be divided into small units such as Tsh. 50, Tsh. 100, Tsh. 200 so as to facilitate the transaction of small items like matchboxes and sweets whose value is small in terms of money.

Stability: A good money should possess a stable value. That is, its value/supply in circulation should be stable so as to be in a good position to facilitate financial transaction. Its face value should not be subject to regular fluctuations simply because, due to so doing people will

5@ tend to lose confidence in their currency. The stability of money is measured by quantity of goods it can buy/purchasing power and it should not undergo regularity in devaluation policies, or be subject to inflation often.

Malleability: A good money should also be malleable, that is, it should be printed (in case of notes) and minted (for the sake of coins) into a shape and size that can be easily identified by its user or its holder within the business economy. Malleability is regarded as a good feature of money so as to maintain uniformity of currency. A good example, is the currency of Tanzania, the shapes of its coins are regular/same to all coins, thus the user is able to identify the amount whether it is Tsh. 100/500 by looking at the shape/size.

Difficult to counterfeit: A good money also possesses a characteristic of being hard/very difficult for the fraudulent people within the economy to make the fake copies of coins and notes in the country. This can be well implemented by the printing and minting authority, that is, the central Bank making sure that there are always some description which precisely aim at distinguishing the identification of a real money from the fake money.

A good example is the Tanzanian currency where they (coins and notes) tend to possess a common seal and signature of the Governor of the Central Bank, this furtherly acts as a good feature for distinguishing fake money from real. All this, helps to regulate the legality of money supply in the economy and assist money to command its value absolutely.

5(b)

Money as anything which is generally accepted as a medium of exchange and means of settling debts undertakes to perform a number of functions. Some of the functions may include.

Medium of exchange: Exchange refers to the transfer of ownership from the seller to the buyer. Money facilitates transactions thus acts as a medium of exchange between the transacting parties. An example, a seller dealing with furniture will allow a transfer of ownership of his furnitures to the buyer only after he has received a return of a fee (money) as a reward for compensation of the ownership of furniture he/she has transferred. This function is well performed by money.

Store of value: Money performs the function of store of value when a party wishing to keep/preserve something for future use. Example, perishable goods are well stored in the refrigerated warehouses in return of payment in terms of money to the warehouse keeper. Thus the value of perishables is being stored in the warehouse from getting spoilt by the use of money.

Standard of deferred/future payments: Money also plays a great function of acting as the main standard for facilitating payments in future or to uphold credit transactions. A seller may decide to

offer credit sales to the credit worthy customer in return of future payment by use of money which is taken in different forms such as credit card. Example, due to existence of money, the current business economy is undertaking hire purchase sale agreement, due to payment of price in future, in terms of money plus the agreed interest upon it.

2019 PAST PAPERS

5. Evaluate four similarities and four differences between Central Bank and Commercial banks.

Central bank is a bank which is responsible for economic stability and financial sound of the country. In Tanzania we B.O.T (Bank of Tanzania) which performs that kind of functions. The commercial banks are the banks which offer wide range of banking services such as advancing loans, receiving deposits, safeguarding the received etc. In Tanzania we have banks like NMB, NBC, CRDB and so on. The following are the similarities of the central bank and commercial banks;

They are both lending institutions. Both of them offer credits inspite that the central bank lend to the government and commercial banks lend to the public.

They both provide banking services such as accepting deposits, and provide cheque facilities, and also making payments on behalf of their customers; Just that central bank provide such service to the government ie accepting government deposits, accept or provide cheques to the ministries and make payment on behalf of the government and

commercial bank provide such facilities to the customers

They are both custodian of valuable items. The central bank safeguard the government assets, treasury bills and securities and the commercial banks safeguard items like title deeds, bills, gold, silver etc.

They both implement monetary policies so as to control money in the circulation and prevent inflation. Such policies include bank rates, creation of credit, open market operations etc.

5. Apart from the above similarities, these two bank differ in the following ways;

Central bank aims stabilizing the economy and provide services to the economy, while the main aim of the commercial banks are to make profit through interest charged on loans, bank charges, investments etc.

Central bank is owned by the government while the commercial banks is individually owned by the shareholders or individually owned by investors and not by the government.

Central bank doesn't engage with the public that is, it doesn't give loans to the public or accept deposits from the public but only engage with the government while the commercial banks engage themselves with the public to provide loans to them, accept deposits, safeguard the wealth etc and not with the government.

The central bank perform the function of issuing currency ie printing notes and minting coins while the commercial

bank can't print money or issue currency
Instead they just assist implementation of
monetary policies.

Generally, there are some similarities
and some differences between the central
bank and commercial bank, but it should be highly
noted that the central banks are wholly
owned by the government and commercial
banks may be wholly or partially owned but
majority shares are of individuals.

The candidate correctly evaluates the similarities and differences between
the central bank and commercial banks.

11.0 STOCK EXCHANGE

2016 PAST PAPERS - 2

2. (a) Briefly explain the following commercial terms as used in stock exchange.
- Unquoted companies
 - Quoted companies
- (b) Examine four reasons why would a company like to be quoted?
- (c) Outline five advantages of investing in shares and securities.

Q4, i) Unquoted Companies these are companies which are not listed at the stock exchange market, therefore shares of this companies cannot be issued to the public for subscription through the stock exchange operation. All private companies are unquoted companies.

ii) Quoted Companies these are companies which their shares are listed at the stock exchange market therefore they can call for public subscription of their shares. The quoted companies are known as public companies.

3, The following below are the reasons for why would a Company like to be quoted. Easy expansion of capital, a quoted company can issue share and call for public subscription at anytime therefore when a company is quoted can expand capital at whatever

amount by issuing its 'share' to the public
to increase reputation of the firm, when
the share of quoted companies are bought and
sold at favourable price and the company is doing
well then the price will rise time after time and
company will become known to the public hence
the good name will be established and maintained.

Enable the company to know its
performance and public confidence on the
company. Since the price of share are shown
daily in the price index of stock exchange

2b Therefore when the firm's price continues rising
it means the general performance is good and
therefore the public has confidence this therefore
enable the firm to expand market for its products.

The firm get price of its shares set by fixed
by the stock exchange, one of the major function
of stock exchange is to set price for shares
therefore the company's share price is already
made at the stock exchange based on forces of
demand and supply.

Generally all companies should
list their share at the stock exchange
market so as to enjoy those benefits

C. Shares are unit of Capital of a joint Stock Company which they are bought and sold at the stock exchange market apart from shares securities like bonds and debentures are also traded at the stock exchange. The following below are the benefits of investing in shares and securities:

Dividend, When a person invest in shares of the Company he will be receiving dividend after a certain period of time either semi-annually or annually this ensure constant income to the investor.

The dividend warrant can be used to secure loan as the collateral security from both Commercial Banks and other lending companies therefore enable the investor to solve financial problems.

2c It is the means of saving, by investing into shares the investor make saving which after a certain period he will withdraw the amount saved and he can establish several investment.

The investor can sell the share at any time and realize the amount which can be used to meet various need at that time. In case of financial problem the investor can sell and solve all those problems.

Accumulation of fund for investment purpose by regular investing into shares the investor can accumulate large money and withdraw these fund at any time and invest in other industries like trade or set up his industries which could be otherwise difficult without investing in shares.

Generally, the government should provide education to the public on the benefits of investing in shares so that the general public become aware of these benefits.

2019 PAST PAPERS

4. (a) Examine four ways used in issuing new shares in stock exchange market.
(b) Analyse four qualifications of being a member of the stock exchange.

The candidates had corrected responds well in part (b) which required the candidates to explain qualifications required for one to be accepted as a member of a stock exchange. The majority were able to explain some qualities like age (18 years and above). The age of the person who wants to be a member of stock exchange *should be 18 years and above* because he/she can make judgment on the issues relating to shares, he/she can be sued on any matter relating to shares, he/she must provide referees in the form of a proposer and seconder, he/she must obtain a nomination from a retiring member, he/she also must be mentally sound and he /she should have not being bankrupt in the dealings.