

# PRE NATIONAL EXAMINATION, 2025

## MARKING SCHEME

### COMMERCE 1

1. **Share.** This is a unity of capital of a company divided into units of uniform value whoever contributed to the capital of the company will be the owner and called a shareholder. In that case a share certificate will be issued to certify that a person has contributed some amount of money in the total capital to be invested in the company. The shares can be divided into two classes which are Ordinary Shares and Preference shareholder.

**What factors which influence the price of securities in stock exchange market?**

- i. **Demand and supply of shares and stocks.** These forces of demand and supply of the issued shares, securities and stocks can influence the price of share either to rise or fall at a particular period of time. So, when the share, securities and stocks are more demanded this will lead to the rise of price compared to when they are not much needed.
- ii. **Bank rate.** Also the bank rate or interest rate affects much the price of stock exchange whereby when there is high bank rate this means most of people will be discouraged to lend money from banks so the supply of money in the society will decrease hence the price of stock exchange also will fall unlike when there is low bank rates the price of stock exchange will rise and investors will be encouraged to lend more money from banks and other financial institutions.
- iii. **Political situations.** The political situation of a country also determines the price of stock exchange, when the country is facing conflicts and wars, there is absence of political freedom the price of stock exchange will be low because people will not concentrate on investing or purchasing shares. And where peace and security is will encourage people to invest and price of share will raise.
- iv. **Director's dividend policy.** If a company distribute more profits to its shareholder more people will be interested in the company thus the price of share will raise and vice versa.
- v. **Performance of the company.** If the profits of the company have been good for some years or expected to improve the price of shares is likely to increases and vice versa.

- vi. **Government policy.** Government interest in a particular industry will have an effect on the price of shares. Example the government bans the activities of the given company, the share price of a particular company will go down. Or govern favor a particular sector/business the price of share will raise.
- vii. **Trade activities.** The stock exchange is influenced by the slumps and boom. When trade activities are at boom the price of the shares tend to increase and in case depression, the price of the shares will go down.
- viii. **Views of business experts.** If experts of business and business analyst write/talk positively about a particular company its share may raise but if experts write/talk negative about the company, the prices of share of the particular company may fall.
- ix. **Activities of the speculators.** The policy of speculators i.e. Bulls and Bears influence the prices of shares in the stock exchange market.
- x. **Influence of media.** Sometimes the opinions and analysis of the current economic situation by both print and electronic media influences the prices of the shares in the share market.
- xi. **Director's influence.** When any influential director resigns from the Board of Directors it may create doubts in the mind of the public about the financial stability of the company

**Any relevant introduction 1 marks.**  
**Any 6points@3 marks = 18marks.**  
**Any relevant conclusion 1 marks**

**2. CENTRAL BANK.** This is a bank established by the government through the act of the parliament to manage and control the monetary matters in the country. In Tanzania central bank is known as **BANK OF TANZANIA (BOT)**. It was established in 1966. The central bank undertakes the functions of guiding and regulating the banking system of a country. The central bank does not deal with the general public directly by being involved in accepting deposits and lending money.

In order to control the supply of money in circulation, the following methods/tools/techniques are adopted by the central bank.

- i) **Bankrates:** Central may increase or decrease the interest rate at which they lend to the commercial banks to enable them increase or decrease the rate at which they lend money to their customers in the economy to enable the government achieve the

desirable economic development in the country. During inflation, central bank rises bank rate of interest to commercial bank, the commercial banks also raise their lending rates to the consumers to discourage borrowing and supply of money in circulation decreases. During deflation, central bank decreases their lending interest rate, the commercial banks also decreases their lending rates to the consumers and hence it increases supply of money in circulation the economy

- ii) **Open Market Operations(OMO):** Central bank may regulate the supply of money in the economy by either selling or buying the government securities (treasury bills or bonds) in the open market .(during inflation) When they want to reduce the amount of money in circulation they will sell the government security to the public in the open market to reduce the excess supply of money in the economy and (During inflation) That is when they want to increase the supply of money in the economy, they buy the securities from the members of the public who had bought them to increase more supply of money in the economy.
- iii) **Reserve requirement:** All commercial banks are required to keep a specific part of their money as reserve with central bank. During inflation, reserve requirement is increased this reduce the amount of money held by the commercial banks in cash hence reducing the amount of money in supply **while** during deflation reserve requirement is decreased to the commercial banks to enable them to increase the amount of money they spent in cash, hence increasing the amount of money in supply
- iv) **Special deposit:** The commercial banks are required to maintain a certain amount of deposits with the central bank which will be held in a special account where the money stays frozen. The deposit may be increased to reduce the amount of money in the commercial banks, or reduced to increase the amount of money in the commercial banks
- v) **Selective creditcontrol:** The central bank may issue a special instruction to the commercial bank and other financial institution only to lend more in a particular sector to control the amount of money reaching the economy. The instruction may be removed, if the bank feels that the supply in the economy has reduced and needs to be increased
- vi) **Rationing of credit:** All commercial banks can get loans from central bank up to a specific limit. During inflation this limited is decreased and vice versa.

- vii) **Request (Moralsuasion):** The central bank may appeal to other financial institutions to exercise restraint in their lending activities to the public to help in controlling the money supply. This method is the tooth less approach.
- viii) **Margin requirement:** When loan is obtained from a commercial bank, a specific security is offered to the commercial bank as collateral security, the difference between the value of the security and loan advanced is known as margin requirement. during inflation, margin requirement is raised so that demand for loan is decreased, but during deflation margin requirement is decreased so that demand for loan is increased

**Any relevant introduction 1 marks.**

**Any 6points@3 marks = 18marks.**

**Any relevant conclusion 1 marks,**

### **3. Reasons for holding of stock.**

- i) **Regular flow of goods:** A warehouse enables an efficient distribution of products in the market. Producers can produce and store goods awaiting for demand through warehousing e.g. agricultural products that are produced seasonally are made available throughout the year
- ii) **Stability in prices:** Warehousing ensures that there is no surplus or shortage of goods. It ensures that goods are stored when in plenty and released to the market as their need arises. This helps to keep their prices fairly stable
- iii) **Security:** Warehousing ensures that goods are protected against physical damage and adverse weather conditions. This also ensures that the quality of the goods is maintained until they are demanded. Goods are also protected from loss through pilferage and theft.

- iv) **Preparation of goods for sale:** While in the warehouse, goods can be prepared for sale e.g. they can be blended, packed, graded or sorted out.
- v) Delivery cannot be exactly matched with usage day by day.
- vi) Economies associated with buying in large quantities from manufacturer
- vii) Operation risks require the holding of stock to guard against breakdown.
- viii) **Easy access of finance:** When people store goods in a warehouse they receive a legal document referred to as a warehouse keeper's warrant. The warehouse keeper's warrant can act as collateral for securing a loan from financial institutions such as banks.
- ix) Warehousing helps to improve the quality of some goods e.g. goods like tobacco and wine mature with time.

**Any relevant introduction 1 marks.**  
**Any 6 points @ 3 marks = 18 marks.**  
**Any relevant conclusion 1 marks.**

#### **4. FACTORS FOR GROWTH OF COMMERCE**

1. **The diversification of natural resources/Differences in the gifts of nature:** Different countries or regions have different natural resources. As a result of this, countries cannot produce everything they need or want, such countries can only get what they have in shortage by engaging in exchange with other countries or regions. Hence, this facilitates the growth of commercial activities some. For example, Tanzania which is rich in Tanzanite minerals exports them to other countries and Tanzania imports other goods such as oil from Arabic countries.
2. **The difference in human wants and needs:** Human needs and wants are unlimited and vary widely. People or countries cannot satisfy themselves with all that they want without consulting others who have what they do not have, as a result commercial activities keep on growing.
3. **Specialization or division of labour:** Some countries or regions can efficiently produce specific types of goods and services than others. This brings about the need for specialization, which in turn lead to an increase in production of goods and services and therefore, accelerating commercial activities.
4. **Different in skills and knowledge:** People in various countries or area have different knowledge and skills such difference leads to production of different kinds of goods

hence a need to exchange them among the countries arise. Example Chinese are skillful in production of phones while Tanzanian are very skilled in making traditional baskets therefore Tanzanian and Chinese have to export and import them for both citizens to benefit.

5. **Improved commercial services:** there have been great improvement in provision of commercial services such Improvement of transport and communication system, banking, insurance. Facilitated much the growth of commerce.
6. **Population increase:** increase in population lead to increase of demand for various goods and services.
7. **Liberation of trade in industries (free market economic policies)** involvement of private sector in business contributed to growth of commerce in the world

**Any relevant introduction 1 marks.**

**Any 6points@3 marks = 18marks.**

**Any relevant conclusion 1 marks,**

5. **Digital advertising.** Uses the Internet or the World Wide Web for the purpose of attracting consumers to buy their product and services. Examples of such advertising include ads on search engine, rich media ads, social network advertising, and email marketing, face book, Instagram

**Benefits of digital advertising.**

- i. Wide reach.
- ii. Targeted advertising. Digital advertising can target specific group.
- iii. Cost effectiveness. Digital advertising is more affordable.
- iv. Higher engagement. There interactive elements such as comments, likes.
- v. Flexibility.
- vi. Increase brand awareness.
- vii. Measurable result. Easy to measure the response from the audience.
- viii. 24/7 availability

**Any relevant introduction 1 marks.**

**Any 6points@3 marks = 18marks.**

**Any relevant conclusion 1 marks,**

6. Obligation of hirer in charter party.
  - i. Payment of freight

- ii. Payment of demurrage charges.
- iii. Timely delivery of goods.
- iv. Loading and unloading of goods.
- v. Compliance with the law
- vi. Providing necessary documentation of goods.

**Obligation of the ship owner in charter party**

- i. Delivery of ship in seaworthy y condition.
- ii. Provision of vessel for agreed time
- iii. Proper maintenance of ship.
- iv. Liability for damage of cargo.
- v. Provision of ray days.
- vi. Timely delivery of goods to agreed destination.

**Introduction Meaning of charter party. 1 marks.**

**Any 6points@3 marks = 18marks.**

**Any relevant conclusion 1 marks,**

**7. DISADVANTAGES OF SPECIALIZATION**

- (i) Monotony/Boredom. This is due to doing the same task again and again hence monotonous
- (ii) Risk of unemployment- this is due to use of machines in production process
- (iii) Less creativity and mental development: when workers are trained to perform as specific task, they become less creative because they lack knowledge of the complete work. And due to the use of machine
- (iv) Increased dependence: absence of one worker would affect the whole production process especially when work is divided into processes performed by different worker
- (v) Increasing cost of production; upon employing specialists who are highly paid.
- (vi) Reduced flexibility.
- (vii) Reduced collaboration.
- (viii) Decreased personal growth.

**introduction meaning of specialization 1 marks.**

**Any 6points@3 marks = 18marks.**

**Any relevant conclusion 1 marks,**

