PRE NATIONAL EXAMINATION, 2025

MARKING SCHEME

COMMERCE 2

1. **In the following scenarios a non-owner of goods can transfer a better title to the buyer**

(i) **Sale by a mercantile agent;** Buying in good faith from a mercantile agent who holds the goods with the owner's consent

(ii) **Sale by one of the Joint Owner,** Many times goods are purchased in joint ownership. In many cases, the goods are kept in the possession of one of these joint owners by the Permission of the co-owners. If this person (who has the sole possession of the goods) sells the goods, the property in the goods is transferred to the buyer. This is provided the buyer acts in good faith and has no reason to believe that the seller does not have a right to sell the goods

(iii) **Sale by a Person who has already sold the Goods but Continues to have Possession** Consider a person who has sold goods but continues to be in possession of them or of the documents of title to them. This person might sell the goods to another buyer. If this buyer acts in good faith and is unaware of the earlier sale, then he will have a good title to the goods even though the property in the goods was passed to the first buyer.

(iv) **Sale by Buyer obtaining possession before the Property in the Goods has Vested in him** Consider a buyer who obtains possession of the goods before the property in them is passed to him, with the permission of the seller. He may sell, pledge or dispose of the goods to another person. If the second buyer obtains delivery of the goods in good faith and without notice of the lien or any other right of the original seller, and he gets a good title to them. This rule does not hold true for a hire-purchase agreement which allows a person the possession of the goods and an option to buy unless the sale is agreed upon.

(v) **Sale by an Unpaid Seller.** If an unpaid seller exercises his right of lien or stoppage in transit and sells the goods to another buyer, then the second buyer gets a good title to the goods as against the original buyer.

(vi) Sale by an Official Receiver or Liquidator of the Company will give the purchaser a valid title.

(vii) Goods sold on the market overt. Where goods are openly sold in the shop or market in Tanzania in the ordinary course of business. A buyer who buys goods in good faith and without the knowledge that the seller is not a true owner acquire ownership of goods

(viii) Where the sale is ordered by the court, the buyer received a good title

(ix) Sale by a Person in Possession of Goods under a Voidable Contract:Consider a person who acquires possession of certain goods under a contract voidable on grounds of coercion, misrepresentation, fraud or undue influence. If this person sells the goods before the contract is terminated by the original owner of the goods, then the buyer acquires a good title to the goods. Example: Peter fraudulently obtains a gold diamond ring from Olivia. Olivia can void the contract whenever she wants. Before she realizes the fraud, Peter sells the ring to Julia – an innocent buyer. In this case, Olivia cannot recover the ring from Julia since she didn't void the contract before the sale was made.

(x) **Estoppel:** If an owner of goods is stopped by the conduct from denying the seller's authority to sell, the buyer gets a good title. However, to get a good title by estoppel, it needs to be proved that the original owner had actively suffered or held out the seller in question as a person authorized to sell the goods.

Example .Let us see an example. Peter, John, and Oliver are having a conversation. Peter tells John that he owns the BMW car parked nearby which actually belongs to Oliver. However, Oliver remains silent. Subsequently, Peter sells the car to John.

In this case, John will get a good title to the car even though the seller is Peter who has no title to it. This is because, Oliver, by his conduct, did not deny Peter's authority to sell the car

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

2. **Reasons for Tanzania not purchasing all it products it requires form china/DISADVANTAGES OF INTERNATIONAL TRADE**

i. May lead to collapse of local industries as people will tend to go for imported goods. Normally imported goods are of high quality due high technology used

ii. **Over dependence/ Increases international dependence:** International trade may result into economic and political dependence which may lead to a nation losing its sovereignty and power of decision in social, economic, and political matters. Overdependence may result in exploitation.

iii. May lead to unfavorable balance of payment, if the imports are more than exports

iv. **May Cause imported inflation**: If the imported goods are affected by inflation from the country of origin, the effect will be reflected in their prices in the importing country. The effect can also lead to increase in the prices of other domestic goods of the importing country

v. Importation of harmful goods**:** If not well managed, international trade may result into an importation of harmful goods, drugs, or expired goods which have adverse effects in the economy, health, environment, moral being and well-being of the people.

vi. Unequal exchange and exploitation of resources. International trade may lead to massive exploitation of a country's wealth like minerals due to unequal exchange among the countries.

vii. May lead to dumping of goods. Goods of poor qualities may be imported into our country.

viii. May distract our culture. Due to importation of those goods

Any relevant introduction 1 marks.

Any 6points@3 marks = 18marks.

Any relevant conclusion 1 marks,

3. DOCUMENTS RELATED TO PAYMENT WHEN EXPORTING GOODS

(i) **Commercial Invoice :**A legal document issued by a seller (exporter) to a buyer (importer) to inform a buyer about the quantity of goods and the price to be paid for the goods. It shows the summary of the sale transaction which serves as a contract and proof of sale between a seller and a buyer. The commercial invoice is the main document presented to custom authority to aid in determining duty payable in custom clearance for goods imported**.**

(ii) **Letter of hypothecation.** Is a letter from an exporter to his bank authorizing the bank to sell goods being exported for the best possible price if the bank cannot obtain payment on a bill of exchange drawn to the importer? If the bank gets less money from sale of goods, the deficit is met by the exporter. Any surplus from the sale is returned to the supplier (exporter). If the bank cannot obtain payment on a discounted bill of exchange drawn by the exporter, the exporter can allow a bank to repossess and sell goods from the importer and remit the remained money collected to an exporter after deducting charges for the

(iii) **Letter of credit:** Is the letter which is used to prove creditworthiness of the importer send by the importer or indent house to the exporter so that he gets assurance of payment of amount due to him. The importer's bank guarantees that the buyer's payment to a seller will be received on time. In an event that the buyer is unable to make such payments, the bank covers in full or the remaining amount on behalf of the buyer

(iv) **Bank draft**.is cheque drawn by the bank on behalf of its customer.

(v) **Receipts**. It is document for proof of payment made.

(vi) **Bill of exchange**. It is financial document used in international trade to facilitate payment. It is an order written by a seller directing the buyer to pay a certain amount of money at a specified time. The buyer required to pay either on demand or a future date depending on the terms of the bill.

(vii) **Pro forma invoice**.is a preliminary bill (invoice) of sale sent to a buyer before the actual shipment of goods and services. It outlines the expected cost, taxes, shipping and other charges. But is not a demand for payment

The pro forma invoice is typically used in international trade, often to help with customs procedures or securing finance

Any relevant introduction 1 marks.

Any 6points@3 marks = 18marks.

Any relevant conclusion 1 marks.

4. **STANDADISATION**

As a marketing function, Standardization means establishment of a certain standard and specification based on physical properties or qualities of any commodity. Based on size, color, quality and quantity etc.

Advantages standardization to both consumer and seller.

1. Facilitate selling. Easy to sell because no inspection is needed to sell such products they can be sold out only by looking the sample or description.

2. Reduction on cost of marketing. Cost of marketing of graded goods is relative less. Grading reduces marketing cost in many ways. These are:-
3. Wider market. Because goods do not need to be inspected even customer from distant places can sent their order on the basis of standard, grade and size.
4. It helps to allocate prices of the goods. i.e. High prices for superior quality goods are paid and low prices for inferior quality are paid.
5. Better price for the seller. Graded products are likely to fetch better price because of their assured quality
6. Increases goodwill. Since standardized products have certain quality, quantity and price, good will of the seller of such products increases. Also market spoilage is reduced by separating poorer quality products from higher quality one
7. Consumer satisfaction .consumer can buy exactly what he/she wants.
8. Facilitate buying. Consumer can easily buy the products without looking and inspecting instead they buy by looking at a sample or from description
9. Enable consumer to make choice. The customer can choose the grade that he/she prefers or can afford.
10. Loan security. Banks are more willing to grant loans on the security of graded goods because their exactly quality is known. It is possible to obtain loans at lower rates than for the goods of unknown quality.
11. Easy realization of claims. Graded products can be easily valued. Therefore, collection of claims from insurance companies, railways, or warehouse keeper can be easily realized in case of loss or damage of goods in transit or in storage.
12. It assures goods of standard quality to the consumer at a fair price. Since the products are graded according to some standard

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. **Any relevant introduction 1 marks.**

Any 6points@3 marks = 18marks.

Any relevant conclusion 1 marks.

5. Surplus balance of trade.

The statement "export more and import less for the benefits of your country" is rooted in economic strategies designed to improve a nation's trade balance and strength its economy. Here are some points to validate this.

(i) Trade balance improvement. When a country exports more than imports it generates a positive trade balance.

(ii) Domestic job creation. Exporting products often require domestic production which lead to more job opportunities within the country.
(iii) Increase foreign currency in the country. Export bring more foreign currency which increase the national income.
(iv) Boost to domestic industries. Focusing on exports encourages innovation and competition within domestic industries.
(v) Diversification of market. Relying on broad range of international markets reduce dependency on local market.
(vi) Improvement in foreign relations. Active participation in international trade through export can help to improve stronger political and economic relationship with other nations.
(vii) Strengthened currency. A higher level of exports increases the demand for the country's currency as foreign buyers needs to exchange their money to purchase the exported goods.
(viii) Better resources utilization. Exporting goods can help to optimize the use of natural resources and raw materials that might otherwise remain unutilized.

Any relevant introduction 1 marks.

Any 6points@3 marks = 18marks.

Any relevant conclusion 1 marks.

6. **The need for consumer protection (Reason for consumer protection)**

(i) **Protect consumers from being overcharged;** consumers may be over charged for the products than the actual prices for the goods. This is done by hoarding to give an impression of scarcity. For example the scarcity of sugar which emerged in Tanzania in 2016.

(ii) **To ensure correct weights and measures are used**. Some traders use the wrong measurements and weights when selling goods to customers thus cheating them. This is very common with goods such as sugar, salt, beans, maize and wheat flour, rice which traders sell in small, weighed units.

(iii) **To guarantee safety of foodstuffs and drinks**. Some traders sell foodstuffs and drinks from unhygienic places and other traders sell foodstuffs and drinks that are out of date, half-cooked or stale. To protect consumers, therefore the Ministry of Health sets up standards which must be met by traders engaged in the sale of foodstuffs and drinks.

(iv) **Eliminating misleading advertisements**. Many business owners use persuasive, attractive and misleading advertisements to persuade customers to buy goods from them. Today it is common to find such advertisements. Example some dealers of used vehicles display misleading adverts on television showing such vehicles jumping over buildings.

This is very misleading as there is no vehicles which can go over building unless it is an airplane and many cosmetics advertisements have misleading phrases, pictures and slogans.

(v) **To avoid sale of out of date (expired) drugs.** In rural areas where drugs are scarce, drug dealers sell out of dated drugs to unsuspecting illiterate consumers. Also, some people pretend to be doctors and prescribe wrong doses of drugs to consumers.

(vi) **Consumer ignorance of their rights.** Many customers do not know their rights. Therefore, it is the duty of the government to protect them.

(vii) **To prevent illegal products**; some products may be sold in the market and they are illegal according to law; for example the sale of spirits in plastic bags (“viroba”) in Tanzania has been stopped

(viii) **To protect the environment;** some commodities are produced and marketed in a manner that leads to environmental pollution. Consumers should be protected against air, water and noise pollution that may arise from business activities.

(ix) **To avoid trade mark infringement;** traders can use a trademark of a firm with reputation to attract consumers. A fast selling trademark is used to tempt the consumer. This is done by deceptive packaging and false labelling

Any relevant introduction 1 marks.

Any 6points@3 marks = 18marks.

Any relevant conclusion 1 marks.

7. The following are the main differences between partnership and company.

(i) **In company there Legal personality / legal personwhile** in partnership there is no separate legal personality. :Being association of persons created by law a company has an entity separate from shareholders in other word it is an independent person in the eyes of law and therefore: -

(ii) **Strictly regulated** in company the power and duties of a company are closed regulated by the company act **while** in partnership **there is no strictly regulation.** In partnership there is more freedom to carry on any business.

(iii) **Perpetual succession / continuous existence.**Companies are established with a belief of operating indefinitely. Hence companies are designed in such a way that the death of a member will not significantly affect the continuity or going concern of the company**. While** in partnership has **no perpetual succession**

(iv) **In company Member cannot bind a company by their act. While in partnership the act bind the partnership.** Members of the company are quite distinct and separate from the company: There is a clear line of separation between the business and its owners. No members can bind his company by his act or dealing with the third party.

(v) **Limited liability:** Owners of the company usually have limited liability. The liabilities of owners of the business are limited to the amount of capital they have agreed to contribute or an amount of capital guaranteed by owners in the event of a crisis**while** in partnership there is unlimited liabilities.

(vi) **In company management is by directors while partnership management is managed by partners.** Companies are always managed by the board of directors who act on behalf of the owners. They are responsible to appoint top management to oversee the daily functioning of the company .The individual's ,members of the company are not entitled to take part in management of the company .

(vii) **Transferability of share.** Members of public limited company are free to transfer the share held by them to anyone else, because the shares of a company can be sold and purchased in share market.**Whilein partnership no transferability of interest** without the consent of all partners.

(viii) **Number of members.** There are large number of members in the joint stock company.in case public company minimum number of member is seven (7) and there is no restriction for the maximum number of members. While in case of private company, minimum number of member is two and maximum is 50 (2-50) **while** partner number of member range from 2 to 20 members.

(ix) In company there is complicated procedures and cost in formation of a company while. In partnership there is easy procedures and low cost.

Any relevant introduction 1.5 marks.

Any 6points@3 marks = 17.5marks.

Any relevant conclusion 1 marks,