



A *Practical* Approach to Commerce 'O' Level Revision

- With summary notes covering syllabus objectives
- Model ZIMSEC questions and answers



A *Practical* Approach to

Commerce

'O' Level Revision Book

- *With summary notes covering syllabus objectives*
- *Model ZIMSEC questions and answers*

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INTRODUCTION

Commerce is a commercial subject with interesting facts about business. It allows students to understand how goods or services are distributed from the producer to the consumer. Commerce O-Level Revision Book covers all the topics and concepts that are found in the ZIMSEC Syllabus and are structured according to the New Curriculum expectations. It summarises the eleven main topics that are in the Syllabus whilst equipping students with relevant information in their preparation for the O-Level Commerce examinations. You must work your way through this study guide to improve your understanding, identify your areas of weakness and correct your own mistakes. To ensure a high-quality pass, you should also substantiate your knowledge from other textbooks and your class notes. We are confident that this Commerce study guide can help you prepare well so that you pass the ZIMSEC O-Level exams.

Overview of the exam for Commerce O-Level Study Guide

The exam questions have been arranged topically and in the respective order in which they are taught, for example, Production, Trade and Consumer protection. The questions are structured typical of ZIMSEC exam standard.

Paper 1 carries 40 multiple choice questions which carry one mark each and the student is required to answer all the questions.

Paper 2 carries 13 structured questions. It is divided into two sections which are section A and B. Section A has 6 questions which carry a total of 40 marks and Section B has 7 questions with each question carrying 20 marks. The candidate is required to answer all the questions in Section A and any three questions in Section B.

How to use this study guide

This study guide covers selected aspects of the different topics of O-Level Commerce curriculum in the order that it is usually taught during the year. The selected aspects of each topic are presented in the following way:

- An explanation of terms and concepts.
- Worked examples to explain and demonstrate.
- Activities with questions for you to answer.
- Answers for you to use to check your own work.
- There are exercises on the notes section based on exam-type questions. Cover the answers and do the exercises on your own. Then check your answers. Reward yourself for the things you get right. If you get any incorrect answers, make sure you understand where you went wrong before moving onto the next section.
- Typical ZIMSEC exam papers are included in the study guide for you to practice.

Top 10 study tips

Try these study tips to make learning easier:

- Have all your materials ready before you begin studying – pencils, pens, highlighters, paper and all the other necessary material.
- Be positive. Make sure your brain holds on to the information you are learning by reminding yourself how important it is to remember the work and get the marks.
- Take a walk outside. A change of scenery will stimulate your learning. You will be surprised at how much more you take in being outside in the fresh air.
- Break up your learning sections into manageable parts. Trying to learn too much at one time will only result in a tired, unfocused and anxious brain.
- Keep your study sessions short but effective and reward yourself with short, constructive breaks.
- Teach your concepts to anyone who will listen. It might feel strange at first, but it is worth reading your revision notes aloud.
- Your brain learns well with colours and pictures. Try to use them whenever you can.
- Be confident with the learning areas you know well and focus your brain energy on the sections that you find more difficult to take in.
- Repetition is the key to retaining information you must learn. Keep going, don't give up.
- Sleeping at least 8 hours every night, eating properly and drinking plenty of water are all important things you need to do for your brain. Studying for exams is like strenuous exercise, so you must be prepared physically.

Question words to help you answer questions

It is important to look for the question words (words that tell you what to do) to correctly understand what the examiner is asking. Use the following table as a guide when answering questions.

State – express something definitely or clearly in writing.

Explain – give reasons for what is asked for. Provide causes.

Give – mention what you are asked.

List – make a numbered list.

Outline – make a numbered or well organised list.

Discuss – write as much as you can.

Define – give a concise and accurate definition of what is called for.

What is meant by – this is asking you to clearly show the examiner that you know what a term means.
A single sentence answer is nearly always sufficient.

Comment – express an opinion or reaction in writing.

Suggest – mention or introduce (idea, action or plan) for consideration or possible action.

Justify – discuss the good and the bad points of the subject and discuss why it is good or bad.

Distinguish – discuss differences.

Evaluate/Criticise – discuss the good and the bad points of the subject and conclude whether it is primarily good or bad.

Identify – establish or indicate who or what (someone or something) is.

Compare and contrast – discuss similarities and differences.

Differentiate – recognise or show that two things are not the same.

In your own opinion – what you think or believe about something.

To what extent – the degree to which something extends / the particular degree to which something is or believed to be the case.

Study skills to boost your learning

This guide makes use of three study techniques you can use to help you learn the material:

- Mobile notes
- Mnemonics
- Mind maps

Mobile notes

Mobile notes are excellent tools for learning all the key concepts in the study guide. Mobile notes are easy to make and you can take with them with you wherever you go:

1. Fold a blank piece of paper in half. Fold it in half again. Fold it again.
2. Open the paper. It will now be divided into 8 parts.
3. Cut or tear neatly along the folded lines.
4. On one side, write the basic concept.
5. On the other side, write the meaning or the explanation of the basic concept.
6. Use different colours and add pictures to help you remember.
7. Take these mobile notes with you wherever you go and look at them whenever you can.
8. As you learn, place the cards in three different piles:
 - I know well
 - Getting there
 - I need more practice
9. The more you learn them, the better you will remember them.

Mnemonics

A mnemonic code is a useful technique for learning information that is difficult to remember. This is an example of a word mnemonic using the word MAPPING where each letter of the word stands for something else:

M – **M**ake an effort

A – **A**pply yourself to your studies

P – Practise, practise, practise your mapwork

P – Prepare well for the exams

I – Ignite your passion for Geography

N – Notice your subject around you

G – Go for it – the stars are the limit!

Mnemonics code information and make it easier to remember. The more creative you are and the more you link your ‘codes’ to familiar things, the more helpful your mnemonics will be. This guide provides several ideas for using mnemonics. Be sure to make up your own.

Mind maps

There are several mind maps included in this guide, summarising some of the sections.

Mind maps work because they show information that we have to learn in the same way that our brains ‘see’ information.

As you study the mind maps in the guide, add pictures to each of the branches to help you remember the content.

You can make your own mind maps as you finish each section.

How to make your own mind maps:

1. Turn your paper sideways so your brain has space to spread out in all directions.
2. Decide on a name for your mind map that summarises the information you are going to put on it.
3. Write the name in the middle and draw a circle or bubble or picture around it.
4. Write only key words on your branches, not whole sentences. Keep it short and simple.
5. Each branch should show a different idea. Use a different colour for each idea. Connect the information that belongs together. This will help build your understanding of the learning areas.
6. Have fun adding pictures wherever you can. It does not matter if you cannot draw well.

Top 10 exam tips

1. Make sure you have all the necessary stationery for your exam, such as pens, pencils, eraser, as well as your ID document and exam admission letter.
2. Arrive on time, at least one hour before the start of the exam.
3. Go to the toilet before entering the exam room. You do not want to waste valuable time going to the toilet during the exam.
4. Use the 10 minutes reading time to read the instructions carefully. This helps to ‘open’ the information in your brain. Start with the question you think is the easiest to get the flow going.
5. Break the questions down to make sure you understand what is being asked. If you do not answer the question properly you will not get any marks for it. Look for the key words in the question to know how to answer it. A list of these words is on page (ii) of this study guide.
6. Try all questions. Each question has some easy marks in it so make sure that you do all the

questions in the exam.

7. Never panic, even if the question seems difficult at first. It will be linked with something you have covered. Find the connection.
8. Manage your time properly. Do not waste time on questions you are unsure of. Move on and come back if time allows.
9. Check weighting – how many marks have been allocated for your answer? Take note of how marks are allocated to the questions in this study guide. Do not give more or less information than is required.
10. Write big and bold and clearly. You will get more marks if the marker can read your answer clearly.

Common errors

- Most candidates do not read instructions before attempting the paper.
- Some candidates fail to pay attention to the keywords and do not understand the demands of the question.
- Some of the candidates' work is not clear and not readable.
- Others fail to manage their time effectively to ensure that they do not spend more than enough time on one question.
- Some students fail to number correctly their work.

Topic objectives

By the end of the topic, you should be able to:

- *explain the need for production.*
- *classify goods and services.*
- *explain primary, secondary and tertiary production.*
- *describe factors of production.*
- *describe the importance of land reform and indigenisation of our economy.*
- *explain direct and indirect production.*
- *explain the advantages of division of labour and specialisation.*
- *state ways in which goods are distributed from producers to consumers.*
- *identify factors considered when selecting channels of distribution.*
- *explain the terms value addition and beneficiation and give the benefits.*
- *add value to a product.*
- *explain how value can be added at each stage of production.*
- *identify how the community and the country at large benefit from exploitation of resources.*
- *describe business environment.*
- *identify the internal and external factors affecting a business.*
- *explain how each factor affects a business.*

Production

- It is the making or provision of goods and services to meet human needs and wants.
- It is done by different producers at different stages of production.

Producer – Refers to any individual or organisation which makes goods or services to satisfy human needs and wants.

Goods – These refer to all tangible and physical products produced and offered by organisations. Examples are cars, furniture and food.

Goods can be classified into:

(a) Consumer goods

These are all goods ready for use or consumption by consumers such as clothes and food.

(b) Producer goods

- These refer to goods that are used to make other goods.
- They are goods used in production of other goods such as machinery and a grinding mill.
- They are also called capital goods.

(c) Durable goods

- These involve consumer goods which last for a long period of time.
- They are goods that have a long life span such as furniture.

(d) Perishable goods

These involve all goods with a short life span, such as fresh fruits, vegetables and meat.

Services

These refer to all intangible products offered by producers to satisfy human needs and wants.

They cannot be seen or touched such as entertainment, teaching, health and insurance.

There are two groups of services. These include direct and indirect services.

(a) Direct services - these refer to personal services provided to consumers such as teaching, health care and entertainment.

(b) Indirect services - these are services which are provided indirectly to consumers such as banking, insurance and advertising.

Human needs

These are all basic items that people cannot live without. They are necessary in life such as food, shelter, clothing and water.

Human wants

Refer to all items that people can live without such as cars, television, fashion and entertainment.

Stages of production

Goods and services can be produced in three different stages of production. The three stages of production are primary, secondary and tertiary.

Primary production

- This is the first stage of production.
- It involves the extraction of raw materials and all natural resources from the earth.
- The extraction of raw materials takes place on land, in mines, seas, forests and rivers.
- Industries at this stage are called extractive industries.
- Examples include farming, mining, fishing, forestry and quarrying.



Figure 1.1 Agriculture as an example of primary production

Secondary production

- It is the second stage of production.
- It involves the processing of raw materials into finished or semi-finished goods.
- An example is of maize being processed into mealie meal.
- The processing or conversion of raw materials takes place in manufacturing industries.
- This stage also involves assembling of parts or components into finished products and construction of buildings, roads and bridges.



Figure 1.2 Construction as an example of secondary industry



Figure 1.4 Banking as an example of tertiary production



Figure 1.3 Manufacturing as an example of secondary production

Stages of production summary

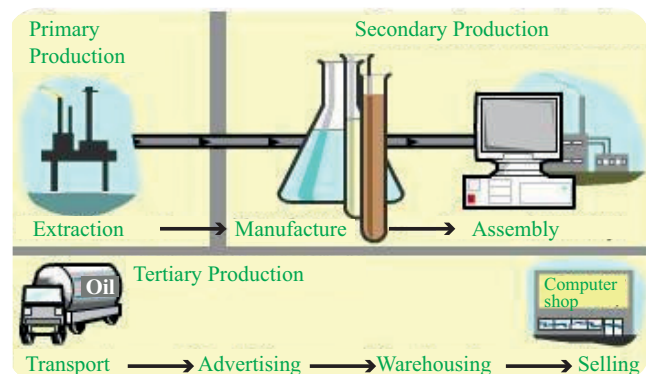


Figure 1.5 Stages of production

Tertiary production

- This is the third stage of production. It involves the distribution of goods and services to the consumers.
- It is the stage which deals with service provision. The services include direct services and indirect services.
- Direct services are all personal services such as teaching, health and entertainment.
- Indirect services involve all aids to trade, that is banking, insurance, transport, warehousing, advertising and communication. Indirect services are also called commercialised services.

Factors of production

These are means of production that are necessary for production to take place, these include:

- Land.
- Labour.
- Capital.
- Enterprise and organisation.

Land

It refers to the place where production takes place. This includes all natural resources on which production is done. Examples include seas, farms, mines and forests. The reward for land is rent.

Labour

- This refers to human effort exerted in the production of goods and services. Human effort can either be physical or mental.
- Labour can also be skilled, semi-skilled and unskilled. The reward for labour is wages and salaries.

Capital

- It refers to the money or any other resources used by the owner to start a business.
- It can be in form of assets.
- The reward for capital is interest.

Enterprise

- This refers to the skill of combining the other factors of production so as to obtain a profit. It is the ability of the owner to organise the other factors of production.
- It is also called organisation or entrepreneurship. The reward for enterprise is profit.

Ownership of means of production

- Means of production used to be owned by a few people. These few people were from the better or upper class social group (the elite).
- Productive land used to be owned by a few privileged. This was not fair as the means of production are the peoples' heritage. Heritage is something that is passed on from one generation to the other.
- This means it is the people's legacy which they have a right over. The government then came up with the land reform program to redistribute the land.

Land reform

- It involves the redistribution of land from being owned by a few elite to being owned by the majority.



Figure 1.6 Communal farmers as beneficiaries of the land reform

Importance of land reform

- It brings empowerment to the majority.
- It improves food security to families and the economy at large.
- It can be used as collateral security to obtain loans.
- It creates employment and reduces poverty.

Indigenisation

- It is the process of making local (indigenous) people own the means of production.
- It enables the local people to have control over the local means of production.

Importance of indigenisation

- Employment creation to the locals.
- It encourages participation of indigenous people.
- It allows redistribution of wealth.
- It empowers local people.
- It allows people to have full control over their resources.

Forms of production

There are two forms of production. These are direct and indirect production.

Direct production

- It refers to the provision of goods and services for one's own use.
- Examples are designing one's clothes or a family farming maize for home consumption.
- The purpose of production is for personal use not for resale.
- It makes use of simple home tools like hoes and light machines.

Advantages of direct production

- Products are made to suit personal taste.
- Less capital is required.
- Simple and cheap tools are used.
- Labour costs are eliminated since it usually make use of family members.
- Less or no wastage of resources.

Disadvantages of direct production

- It does not lead to trade.
- Usually poor quality goods are produced.
- There is lack of variety in the goods that are produced.
- It leads to low living standards.
- Less goods or services are usually produced.

Indirect production

- Refers to the provision of goods and services for commercial purpose.
- Goods and services are produced in large quantities for sale.
- Producers make use of heavy machines and advanced technology in production.
- The use of heavy machinery is known as automation or mechanisation.

- There is use of highly skilled labour.
- There is greater specialisation since producers focus on producing one line of product.

Advantages of indirect production

- There are high levels of production (mass production).
- Goods and services of high quality are produced.
- It leads to trade. There is high and better living standards due to trade.
- Use of machinery and technology leads to creativity.
- Mass production reduces cost of production per unit.
- There is variety which leads to consumer satisfaction.

Disadvantages of indirect production

- Use of machinery may increase unemployment.
- Highly skilled and specialised labour is expensive which increases costs.
- There is product standardisation which may affect variety.
- Mass production may ignore customer taste and preferences.

Mass production

- Mass production is the provision of goods and services in large quantities.
- Standardised products are produced often using automation technology.
- In mass production, mechanisation is used to achieve high volumes.

Advantages of mass production

- It creates room for specialisation.
- Specialisation improves efficiency in the production process.
- It reduces production cost per unit due to high rate of production.

- It allows firms to enjoy large-scale production benefits known as economies of scale.
- Raw materials can be purchased in large quantities which is often cheaper.
- It promotes automation and mechanisation which reduces labour cost.
- Large quantities produced eliminates shortages of goods.
- Allows standardisation of products which leads to consistency.

Disadvantages of mass production

- Standardisation eliminates variety of goods for consumers.
- Automation leads to unemployment.
- It is a high capital intensive method of production which is expensive.
- Automation may lead to serious production halts if machines break down.

Division of labour

- It is the division of work processes into various tasks.
- Each task is performed by one person or group of people.
- It is often applied where there is mass production.
- It reduces unnecessary movement and handling of different tools and parts by one person.
- It reduces handling of different tools and parts by many people.
- Workers become specialised in certain areas of work.

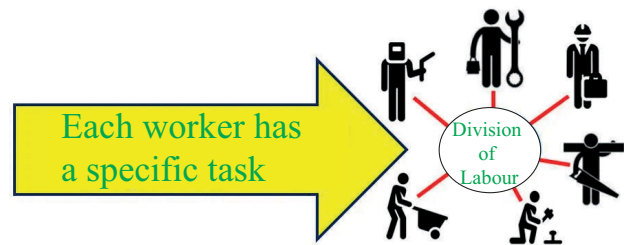


Figure 1.7 Division of labour

Advantages of division of labour

- Less time is taken in training workers for a simple task.
- It improves skills of workers.
- No time is wasted on switching from one task to another.
- Allows use of machinery and technology.
- Work becomes very easy.
- There is also improvement in speed due to experience.

Disadvantages of division of labour

- Repetitive small tasks are boring due to lack of challenge.
- Workers may lose job satisfaction.
- It leads to interdependence of workers.

Specialisation

- It is performing a task or job one is best at.
- It is as a result of division of labour.
- Specialisation can be in different forms such as:
 - **Specialisation by country:** is when a country focuses on a certain product it is best at, for example, Zimbabwe concentrating on producing tobacco, Botswana producing beef.
 - **Specialisation by region:** occur when a certain area of the country focuses on producing a product which it is best at, for example,

Matabeleland specialises in cattle ranging and Manicaland specialises in tea production.

- **Specialisation by firms or companies:** occur when a company focuses on producing only one line of products or one particular service, for example, Doves provides funeral services and Lobels bakery specialises in confectionary products.
- **Specialisation by individual:** it is when a person focuses on what he or she is good at.

Advantages of specialisation

- As workers focus on a specific job they become experts.
- It leads to mass production.
- There is high quality of production due to workers' expertise.
- Automation and mechanisation also result in high productivity.
- Costs of labour are usually reduced because of use of technology.
- Allows workers in the same job category to share ideas.
- Less worker supervision is required as workers become experts.
- It enables trade.
- Use of technology reduces cost per unit which consequently results in low prices.

Disadvantages of specialisation

- Automation and mechanisation may result in unemployment.
- Repetitive tasks are not challenging; hence, boring.
- There is too much interdependence, for example, at a firm if one worker is absent the whole production process will be affected.

- It increases labour immobility to workers.
- It leads to standardisation which reduces variety to consumers.

Chain of distribution

- It shows how goods move from the producer to the consumer. When producers finish producing goods they need to be distributed to the consumer, who is the final user.
- There are different channels or routes of distribution that can be used.

Route 1

Producer → Wholesaler → Retailer → Consumer

Route 2

Producer → Retailer → Consumer

Route 3

Producer → Consumer

These three can be represented diagrammatically as below:

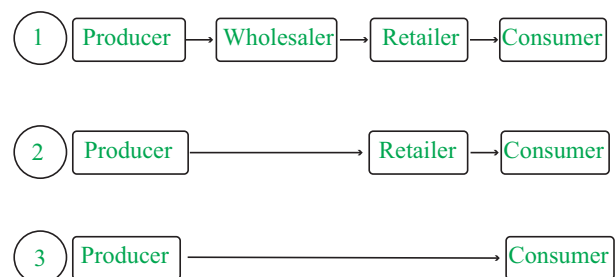


Figure 1.8 Routes of distributing finished goods

Factors to be considered when choosing a chain of distribution

The nature of the product

- Perishable goods quickly go bad, hence, they need to reach the consumer quickly.

- Fragile goods also need special handling.
- Technical goods also require manufacturers to give instructions to the consumer directly.

The nature of the market

- When dealing with a small niche market direct route is the best.
- A company can select channels on the basis of customer wants depending on how, where and under what circumstances the customer wants the goods.
- The number of buyers of the product affects the choice of a channel of distribution.

Cost involved

Some channels involve lower costs such as the route 1.

The size or weight of goods

Bulky and heavy products need to be distributed directly to users.

Competition

- Marketers closely watch the channels used by rivals.
- Many a time, similar channels may be desirable to bring about distribution of a company's products.
- Sometimes, marketers deliberately avoid channels used by competitors.
- For example, a company may bypass retail store channel (used by rivals) and adopt door-to-door sales (where there is no competition).

Value addition and beneficiation

Beneficiation

- It is a process of preparing natural resources mainly mineral ores into a state that is suitable for the next stage of production.
- Minerals are mined with a lot of impurities from the ground.
- Beneficiation allows the removal of these impurities to make them ready for processing. Examples include smelting and grinding.

Value addition

- It refers to the process of increasing or improving the value of a product.
- It involves various processes that allows a product to fetch a higher price.
- Such processes as drying, boiling, manufacturing, bottling and packaging.
- It changes the state of a product into a better state that has a higher economic value.
- Examples: Instead of selling raw vegetables, the producer can bottle them for future use or pack them and sell them at a higher price as shown below.



Figure 1.9 Pickled fruits



Figure 1.10 Value addition concept for different vegetables

Advantages of value addition and beneficiation

- It may increase the life span of a product.
- The product will have a better and improved appearance.
- The product fetches a higher price.
- Increases profit margins.
- Consumer satisfaction is increased.
- Increase foreign currency into the country due to increased exports.
- Reduces trade deficit due to reduced imports and increased exports.
- It allows firms to create brand loyalty with customers.
- It results in employment creation.
- Leads to development of related industries.
- The import bill is reduced as the local products can now meet the expectations of the local customers.

Disadvantages of value addition and beneficiation

- It increases costs of production since huge amounts of capital may be required.
- Many producers lack knowledge on how to add value.
- The product becomes more expensive for some consumers.
- It requires the use of machines which is costly to many producers.

Exploitation of resources

- The act of making full use of resources and derive benefit from it.
- Making use of natural resources to build a city is an example of the exploitation of those resources.

Benefits of exploitation of resources

- It brings foreign currency to the country.
- Creation of employment.
- Improves living standards.
- May raise government revenue through taxation.
- May lead to infrastructure development.

Disadvantages of exploitation of resources

- Land degradation.
- It leads to deforestation.
- Leads to depletion of non-renewable resources.
- Mining may create hazards to communities.
- There is usually pollution of the environmental elements.

Business environment

- It refers to the factors that influence or affect the business as it carries out its operation.
- The factors can either be internal or external.

Classes of the business environment

- Internal business environment.
- External business environment.

Internal business environment

- It is also known as micro environment.
- These are factors that influence the business activities and the business has control over them such as:

- (a) Employees.
- (b) Owners.
- (c) Managers.
- (d) Customers.
- (e) Suppliers.

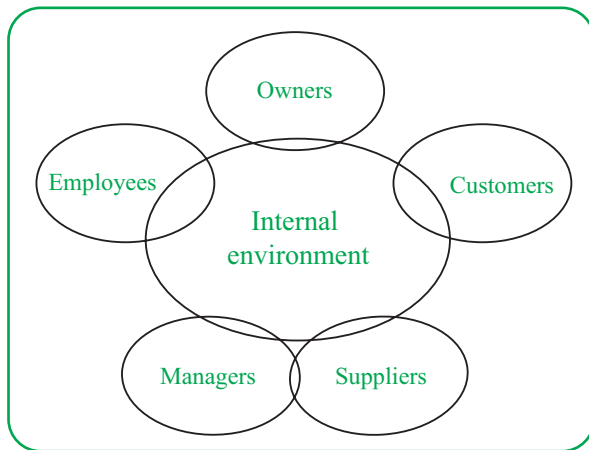


Figure 1.10 Internal business environment

(a) Employees

1. They provide manual and other labour services to the business.
2. They ensure that goods and services are provided to consumers.
3. Employees can be skilled, semi-skilled or unskilled.
4. A good workforce impacts positively on business operations.
5. A weak workforce impacts negatively on business operations.
6. They expect wages and salaries.

(b) Owners

1. They are individuals who provide capital to the business.
2. They will get profits and dividends at the end of the year.
3. They identify business opportunities and invest their money.

(c) Managers

1. These are senior employees within an organisation.

2. They are hired by owners or directors to run the business.
3. They are responsible for planning, controlling, coordinating and organising.
4. A good and visionary manager has a positive effect on the business.

(d) Customers

1. They are individuals and organisations which buy goods and services from the business.
2. They provide revenue to the business from sales.
3. They allow the business to function and expand.
4. A business should maintain a good relationship with customers to gain loyalty.
5. Customer loyalty is good for the growth and profitability of the business.

(e) Suppliers

1. Provide or supply goods and services to the business.
2. Enable the business to offer products and services to customers.
3. Reliable suppliers have a positive impact on the business while unreliable suppliers have a negative impact on the business.

External business environment

- These are also called macro environment.
- These affect the business operations either positively or negatively and the business has no control over them.
- They include the following:
 - (a) Political environment.
 - (b) Economic environment.
 - (c) Social environment.
 - (d) Technological environment.
 - (e) Legal environment.
 - (f) Physical environment.

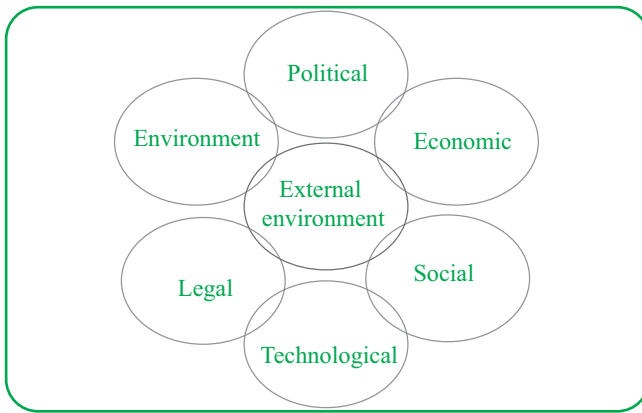


Figure 1.10 External business environment

(a) Political factors

- Consists of the policies and laws put in place by the ruling government.
- These laws and policies affect the business negatively or positively.
- Favourable business laws and policies help businesses to prosper.
- Unfavourable policies affect the businesses negatively.
- It also involves the political status of a country, whether there is stability or instability.
- Political instabilities bring about a lot of disturbances to local businesses.
- A stable political environment is good for businesses.

(b) Economic factors

- It involves the economic status of all economic factors such as employment, inflation, exchange rates, interest rates and wealth.
- Some economic factors are favourable to the business while others are unfavourable.

(c) Inflation

- High levels of inflation affect the business negatively as cost of production rises frequently.

- During times of inflation, consumers fail to buy many products, hence, businesses are affected negatively.
- Low levels of inflation are good for businesses as prices are kept stable within the reach of many consumers.

(d) Interest rates

- Interest refers to the cost of borrowing money.
- High interest rates render borrowing expensive to business; hence, businesses will be affected negatively.
- Businesses will be affected financially by lack of working capital.
- Low interest rates are good for businesses as they encourage them to borrow more money to use.

(e) Social factors

- These involve items such as demographics, attitudes and beliefs.
- Lifestyle, opinions, values, behaviours and interests of consumers.
- These directly impact the business operations in various ways.
- For example, the beliefs of a society may affect the type of goods a business has to sell.

(f) Technological factors

- Refer to the constant change that takes place in the technological world.
- Technology is the application of science and engineering skills and knowledge to solve production and organisational problems.
- As technology continues to advance, companies can benefit from these breakthroughs or face challenges in competing with them.

- New equipment and software that improve productivity and reduce costs can be among a company's most valuable assets needed in the organisation.
- Changes in technology may bring opportunities to the business if it is able to quickly adapt to the changes.
- Technological changes may also bring threats to the business thereby affecting it negatively.
- The ability of the business to maintain and build wealth depends on its speed and effectiveness with which they use technology.
- The business must be able to invent and adapt more efficient equipment to improve manufacturing productivity, to develop new products and to process information and make it instantly available across the organisation, to suppliers and customers.

(g) Legal factors

- These are factors that involve matters of the law and legislation of a country.
- Every business should follow the country's laws in its operations so that it runs smoothly.

Physical environmental factors

- These are factors that involve the surrounding environment of the business' location.
- The factors include climate, weather, geographical location and natural resources.
- The business operations may be affected negatively or positively by these factors.

Business stakeholders

- Refers to individuals or organisations which have some interest in the business.
- Stakeholders can either be internal or external.

Internal stakeholders

- They are found inside the organisation.
- They influence and are directly influenced by what is happening in the business.
- Each stakeholder has certain interests or expectations from the business.

Below is a table with a list of internal stakeholders, their roles and interests in the business.

Table 1.1 Roles and interests of internal stakeholders

Stakeholder	Role(s)	Interests or expectations
Workers/ Employees	– Produce goods and services	– Fair regular wages and salaries – Job security – Good working conditions and promotions – Retrenchment or retiring package
Managers	– Running and controlling the business	– High salary – Growth of business – Freedom to control the business
Shareholders	– Invest capital	– High profits – Regular and high dividends

External stakeholders

- They are found outside the business organisations.
- They are indirectly affected by the business organisation.

Below is the list of external stakeholders, their roles and interests.

Table 1.2 Roles and interests of external stakeholders

Stakeholder	Role(s)	Interests or expectations
Customers	– Buys goods from the business	– Good quality products – Timely delivery of products bought – Fair prices – Good customer care

Suppliers	– Supplies raw materials or goods to the business	– Continuous orders – Quick payments on goods supplied
Government	– Create business friendly environment	– Law abiding business – Payment of tax
Competitors	– Keeping the business on its toes	– Fair competitions
Community/society	– Supporting the business	– Job creation – Infrastructure development – Safe products – Safe production methods that do not harm the environment

Topic objectives

By the end of the topic, you should be able to:

- *explain the need for trade.*
- *explain forms and branches of trade.*
- *explain the services of wholesalers.*
- *describe the different types of wholesalers.*
- *identify marketing boards.*
- *explain the functions of retailers.*
- *describe the characteristics and organisation of the different types of retailers.*
- *discuss the various trends in retailing.*
- *discuss the reasons for the survival of the small-scale retailer.*
- *identify the documents used in home trade.*
- *explain the importance of documents used in home trade.*
- *list the contents of each document used in home trade.*
- *justify the interdependence of countries within the global market.*
- *explain free trade and protectionism.*
- *identify methods of restricting trade.*
- *list documents used in foreign trade.*
- *identify intermediaries in foreign trade.*
- *distinguish between visible and invisible trade.*
- *calculate balance of trade, invisible trade and balance of payments.*
- *outline the ways of correcting balance of payments deficit.*

Trade

- Refers to the buying and selling of goods and services.
- There are two forms of trade, that is, barter trade and monetary trade.
- There are two branches of trade, that is, home trade and foreign trade.

Forms of trade

Barter trade

- Refers to the buying and selling of goods and services without using money.
- It involves the exchange of goods for goods or services.
- It was commonly practiced long ago before the invention of money.
- As time went on this form of trade became less popular because it caused a lot of challenges.

Problems or challenges of barter trade

Indivisibility of some goods

The nature of some goods such as livestock make them impossible to divide and give change to the customer.

Double coincidence of wants

It occurs when a person faces difficulties in finding another person with the exact item they want in exchange of what they are offering.

For example, a person who has a book and wants to exchange it with a pen may find someone with a pen who does not want a book but a ruler instead.

- The seller and the buyer make an informal agreement.
- The customer is allowed to pay for the goods at a future date.
- A verbal agreement is acceptable.
- It is a contract of sale based on trust.
- The buyer owns and uses the goods as soon as the agreement is made.
- The seller cannot repossess the goods if the buyer defaults.
- The instalments are spread over a few months.
- The customer can sell the goods during the contract.
- Interest is charged at a low rate.
- The seller can sue the customer for the outstanding amount.
- It is financed by the trader.
- No deposit is required.
- It is suitable for non-durable goods, such as clothes, food stuffs and stationary.

Differences between hire purchase and credit sale

Hire purchase	Credit sale or deferred payment
It is suitable for durable goods such as cars and machines.	It is suitable for non-durable goods, such as clothes, food stuffs and stationary.
It is formal.	It is informal
A written agreement is required.	A verbal agreement is acceptable.
The contract is not based on trust.	It is a contract of sale based on trust.
Ownership remains with the seller until the last instalment has been paid.	The buyer owns and uses the goods as soon as the agreement is made.

The seller can repossess the goods if the buyer defaults.	The seller cannot repossess the goods if the buyer defaults.
The buyer is not allowed to sell the goods during the hire purchase period.	The customer can sell the goods during the contract.
Interest is charged at high rate.	Interest is charged at a low rate.
The instalments are spread over a long period, for example, 36 months.	The instalments are spread over a few months, for example, 3 months.
An initial deposit has to be paid.	No deposit is required.
It is financed by a finance house.	It is financed by the trader.

Discounts

- A discount is a deduction made from the original price of a good.
- It is given to the buyer by the seller for different reasons.
- The two main reasons for discounts are bulk buying and prompt payment.
- Therefore, there are two types of discounts, namely:
 - (i) trade discount.
 - (ii) cash discount.

Trade discount

- It is the total deduction from the total of an invoice.
- It is given by one trader to another.
- It is given for bulk buying.
- It enables another trader to sell at a profit.
- It usually has a high rate such as 30%.
- It is not recorded in the books of accounts.

Example 1

Total value of goods exported \$100 million

Total value of goods imported \$80 million

Balance of trade (BOT) = \$100 million – 80 million = \$20 million

Invisible trade

Involves trade of intangible items, that is, trade in services such as banking, insurance, tourism, transport and many more.

Invisible balance

It calculates the difference between invisible exports and invisible imports.

Invisible balance = Invisible exports - Invisible imports

Example 2

Insurance services provided to Zimbabwean firms by foreigners \$50 million.

Tourists to Zimbabwe from South Africa \$75 million.

Banking services provided by Zimbabwean banks to foreigners \$35 million.

Transport services provided to Zimbabwean firms in Zambia \$80 million.

Required:

Calculate invisible balance for Zimbabwe. First of all find the total value of exported services and total value of imported services if not given.

Solution:

Invisible balance = Invisible exports - Invisible imports

$$\begin{aligned} &= (\$75 \text{ million} + \$35 \text{ million}) - \\ &\quad (\$50 \text{ million} + \$80 \text{ million}) \\ &= \$110 \text{ million} - \$130 \text{ million} \\ &= -\$20 \text{ million} \end{aligned}$$

Balance of Payments (BOP)

- It is a country's record of transaction with its trading partners or countries within a given period of time usually a year.
- It shows how much is being spent by individuals and firms and government on imported goods and how much has been exported from the country.
- It is used to calculate the difference between exports and imports.
- It is the difference between total exports and total imports.
- It takes into account both visible and invisible trade.

Balance of payment = Total exports – Total imports

Example 3

Value of exported goods \$120 million

Value on imported goods \$100 million

Value of imported services \$150 million

Value of exported services \$90 million

Find the balance of payments?

Solution:

$$\begin{aligned} \text{B.O.P} &= \text{Total exports} - \text{Total imports} \\ &= (\$120 \text{ million} + \$90 \text{ million}) - \\ &\quad (100 \text{ million} + 150 \text{ million}) \\ &= \$210 \text{ million} - \$240 \text{ million} \\ &= -\$30 \text{ million} \end{aligned}$$

- The balance of payments can either be positive or negative.
- A positive B.O.P shows a **surplus** and is **favourable**.
- A negative B.O.P is called a **Deficit** and is unfavourable.

- A positive B.O.P (surplus) is favourable because it shows that a country has exported more than it has imported, hence, it has surplus foreign currency.
- A negative B.O.P (deficit) is unfavourable because it means that a country has imported more than it has exported, hence, it has used more foreign currency.

Methods or ways of correcting balance of payments deficit

- Because a deficit is unfavourable any country that has a balance of payments deficit takes various measures to correct or cure or curb it.
- It should focus on items that reduce or suppress imports.
- It should focus on items that increase exports.

Ways to reduce imports or outflow of foreign currency

- Rationing or reducing foreign currency allocation to importers.
- Substituting imports or replacing them with locally produced goods.
- Charging (high) customs duties, which make imports more expensive, discouraging the consumption of imported goods.
- Controlling new import licences and refusing to renew expired licences, which reduce the number of importers and consequently reduces imports.
- Devaluing the local currency, which make imports more expensive.
- Enforcing quotas, which limits the quantities of goods that may be imported.
- Enforcing trade embargoes to reduce imports from certain countries to zero.

Ways to increase exports and inflow of foreign currency

- Devaluation of the local currency, to make exporting cheaper.
- Negotiating debt cancellation with its creditors (the International Monetary Fund, World Bank and African Development Bank) to reduce the outflow of foreign currency.
- Subsidising exports to make local goods cheaper on foreign markets.
- Establishing export promotion programmes, such as the Zimbabwe Export Promotion Programme (ZEPP), to assist exporters to take part in trade fairs by advertising locally produced goods.
- Giving tax concessions to exporters, which reduces export costs for the exporter; this increases exports by making exporting cheaper.
- Utilising the gold reserves, such as selling gold reserves in order to raise foreign currency.
- In Zimbabwe, gold is reserved at the Reserve Bank of Zimbabwe.

Exchange rates

It is the rate at which one currency can be exchanged for another. It is the value of one country's currency in terms of another country's currency, for example, the value of Zimbabwean dollar in terms of American dollar. The exchange rate:

- (a) Tells you what a dollar is worth in relation to other foreign currencies.
- (b) Determines how much of one currency you can exchange for another.

Topic objectives

By the end of the topic, you should be able to:

- *identify areas where consumers need protection.*
- *identify ways in which consumers can be exploited.*
- *explain consumer rights.*
- *list and explain consumer responsibilities.*
- *identify consumer protection boards and explain functions of each.*
- *describe methods of protecting the consumer.*
- *explain the role of government in protecting consumers.*
- *identify how consumers can protect themselves.*

Consumer protection

Involves laws, regulations and practices put in place by the government and other organisation in order to protect consumers.

Consumers need protection from the following malpractices by traders:

- False cutting of prices, for example, lying to consumers that a product was \$10 and now its \$6 yet it was originally \$6.
- Wrong or incorrect weights and measurements of goods.
- Conditional buying of goods, whereby consumers are forced to buy a certain item in order to be able to buy something on demand.
- Misleading advertisements that make false claims.
- Indecent or immoral advertisements that undermine social standards, for example, using a picture of naked women in a bath to promote a brand of soap.
- Incorrect labelling of goods, for example, writing white sugar on a packet of salt.
- Being overcharged for goods and services.
- The unfair and unlawful repossession of goods bought on hire purchase.
- The selling of harmful or dangerous goods such as drugs without notifying the consumers about the dangers.
- The sale of goods which are not fit for human consumption.
- Refusal by some manufacturers to honour guarantees when the product has a problem during the guarantee period.
- The use of disclaimer clauses, for example, at supermarket parcel counters there are often signs saying parcels are left at the owner's risk.
- Hoarding goods by traders to create an artificial shortage of the goods so that they hike prices.
- Selling poor quality goods.
- Bad production methods that pollutes the environment.

Consumer rights

Right to be heard

- Consumers are allowed to express themselves in matters of their concern.
- They must also be allowed to lodge complaints whenever they are not satisfied.

Right to safety

- Consumers must be protected against harmful goods and services.
- They should be protected from dangerous production methods.
- Methods that are dangerous to their health.

Right to basic human needs

- Consumers must have access to basic goods and services.
- For example, clothing, food, shelter, water and health care.
- Traders should provide basic needs at affordable prices and in good quality.

Right to be informed

- Consumers must be provided with all the necessary information.
- Information about a product such as price, weight, colour and many more.

Right to choose

- This right protects consumers against monopolistic tendencies by traders.
- They must be provided with a variety of goods and services.
- To allow them to choose what they want exactly.

Right to consumer education

Consumers must be taught and be aware of their rights.

Right to redress

- To redress means consumers have a way to make things right again.
- Consumers must be compensated fairly when they make claims against suppliers.

Right to a healthy environment

- Consumers must be protected against harmful environmental practices.
- To keep their environment safe.

Consumer responsibilities

Social responsibility:

- Consumers have to control their actions (consumption) habits.
- They should not affect others in the society.
- They should not abuse public goods.

Personal awareness:

- They need to be careful when shopping.
- They have a responsibility to understand the safety requirements.

Caring for the environment:

- They should take care of their environment.
- Avoiding things such as deforestation, river banks cultivation and many more.

Consumer solidarity:

- They should unite to have group bargaining power.
- Big numbers make a difference when fighting for rights.
- Folding hands will not help them instead they will be exploited more.

Topic objectives

By the end of the topic, you should be able to:

- *justify the importance of business organisations.*
- *describe private and public sectors.*
- *identify business units under private and public sectors.*
- *explain the features of unincorporated businesses.*
- *examine advantages and disadvantages of unincorporated business units.*
- *distinguish between sole proprietorship and partnership.*
- *state the types of incorporated business units and give characteristics of each.*
- *describe the formation, ownership and control of incorporated business units.*
- *outline advantages and disadvantages of incorporated business units.*
- *distinguish between private limited companies and public limited companies.*
- *explain the features, advantages and disadvantages of multinational corporations.*
- *give reasons for the formation of public enterprises.*
- *state the functions of public enterprises.*
- *outline the merits and demerits of public sector enterprises.*
- *identify traders associations and explain their functions.*

- *describe the features of Small to Medium Enterprises (SMEs).*
- *explain the importance of SMEs.*
- *outline the challenges faced by Small to Medium Enterprises (SMEs).*
- *explain the reasons for and against commercialisation, privatisation and nationalisation.*

Business organisations

- A business organisation involves an individual or group who undertake an activity towards the attainment of a common objective.
- There are various organisations with various objectives.
- Examples are profit making, services provision or charity.

Importance of business organisations

- They provide goods and services to various types of consumers.
- They create employment in the areas they are situated.
- They contribute to economic growth.
- They improve people's living standards by availing variety.
- They help by bringing technology into the country.
- They generate foreign currency through the sale of goods and services to foreign countries.
- They provide training in skills and further education to their employees.
- They help in reducing social problems such as crimes by keeping many people busy.

The reasons why a cheque may be dishonoured by the bank

- The amount in figures is different from the amount in words, for example, thirty thousand dollars and in figures as \$300 000.
- There is insufficient balance in the drawer's account.
- Wrong signature, that is, the one which is different from the specimen signature in the bank.
- There is no date to show when the cheque was written.
- Cheque is torn or dirty.
- When the cheque is expired.
- When the cheque is not signed.
- When alterations are not signed for by the drawer.
- Drawer's account is closed.
- When the cheque is post-dated, presented before the actual date.
- When the cheque was stopped by the drawer for payment.
- When the drawer is dead or mad.
- When the drawer has declared bankruptcy.

Clearing of Cheques

- This refers to the process of transferring funds from the drawer's account to the payee's account.
- A cheque may be cleared under any of the three conditions these include:

(a) When the drawer and payee use the same bank and branch

- The payee deposits the cheque in his or her bank account.
- The account of payee is credited.
- The account of the drawer is debited (reduced).

Example 6.1

T. Chikuni, a trader, paid a cheque of \$15 000 to Levite a supplier of rice. Both the trader and the supplier use CBZ as their bank and both use Kwekwe as their bank branch.

Required

Describe the process on how a cheque paid to Levite is cleared by the bank.

Suggested answers

- *Levite (payee) deposits a cheque of \$15 000 in his bank account.*
- *The CBZ (drawee) will credit Levite's account with \$15 000.*
- *The CBZ also debits \$15 000 in T Chikuni's account.*
- *In short, Levite's account increased with \$15 000 and T Chikuni's account is reduced by \$15 000.*
- *All these transactions are done at branch level since both use the same bank and branch.*

(b) When the drawer and the payee use the same bank but with different branches

- Payee deposits the cheque in his or her account.
- The payee's account is credited by the payee's branch.
- The payee's branch will send the cheque to its headquarters.
- The headquarters will arrange the cheques received according to their branches.
- The headquarters will send the cheque to the drawer's branch.
- The drawer's branch then debits the drawer's account.

Example 6.2

Mudzimba, a trader, paid \$35 000 by cheque to Nxumalo, a supplier of potatoes. Both Mudzimba and Nxumalo use the same bank, CBZ. Mudzimba's bank branch is Gweru and Nxumalo's bank branch is Bulawayo.

Required

Explain the process on how the cheque will be cleared by the bank.

Suggested answer

- *Nxumalo deposits the cheque in CBZ branch of Bulawayo.*
- *CBZ Bulawayo branch will credit Nxumalo's account with \$35 000.*
- *CBZ Bulawayo will send the cheque to its headquarters.*
- *Headquarters will arrange cheques received according to their branches.*
- *The cheque is then send to the branch of Mudzimba by the headquarters.*
- *CBZ Gweru branch will then debit Mudzimba's account with \$35 000.*

(c) When the drawer and the payee use different banks

- The payee deposits the cheque into his or her account.
- The account of payee is credited by his or her bank branch.
- The payee's branch send the cheque to its headquarters.
- At the headquarters, the cheques are sorted according to banks.
- The cheques sorted by the headquarters are then send to the clearing house (Central Bank).
- Representatives of the drawer's bank will take the cheques to their bank.
- The headquarters of the drawer will sort the cheques according to their branches.

- The cheque is then send to the drawer's branch by the headquarters.
- The drawer's branch will then debit the drawer's account.

Example 6.3

Chirambwi, a trader, paid \$50 000 by cheque to Duri, a supplier of tomatoes. Chirambwi uses Barclays and his Branch is Masvingo and Duri uses CBZ and his Branch is Mutare.

Required

Explain the process of clearing the cheque from Duri to Chirambwi.

Suggested answer

- *Duri deposits the cheque of \$50 000 to CBZ at Mutare Branch.*
- *CBZ will then credit the account of Duri with \$50 000.*
- *CBZ Mutare Branch will take the cheque to its headquarters.*
- *The headquarters will arrange all cheques received from its branches according to their banks.*
- *Chirambwi's cheque is then send to the Reserve Bank of Zimbabwe for cleararnce.*
- *At the Reserve Bank of Zimbabwe, the representatives of Barclays collect the cheques to its headquarters.*
- *The headquarters of Barclays will sort cheques according to their branches.*
- *Chirambwi's cheque is then send to Barclays Masvingo Branch.*
- *The account of Chirambwi will be debited by Barclays Masvingo branch.*

Advantages of using a cheque

- It is faster to write a cheque than to count notes and coins.
- It is safe to use if crossed.

- Reducing the debtors collection period.
- Delaying to pay suppliers.
- Leasing idle and inefficient assets.
- Dispose inefficient and old assets.

Turnover

- Is the sales figure after deduction of the goods returned by credit customers.
- Also known as net sales.
- Is calculated as follows:

Turnover = Sales – Returns inwards (Sales returns).

Gross profit

- Is the excess of turnover over the cost of sales.
- Is the profit before any other income and operating expenses.
- It is determined as follows:

Gross profit = Turnover – Cost of sales.

Cost of sales

- Is the value which represents the cost of goods sold during the year.
- It is calculated as follows:
Cost of sales = Opening inventory + purchases – Closing inventory.

Net profit

- Is the excess of gross profit over expenses.
- Is the difference between gross profit and expenses.
- It is calculated as follows;

Net profit = Gross profit – Expenses.

Rate of inventory turnover

- Is a measurement of the number of times inventory is sold in a given period.
- It is calculated as follows;

Rate of inventory turnover = $\frac{\text{Cost of sales}}{\text{Average inventory}}$

But, $\text{Average inventory} = \frac{\text{Opening} + \text{Closing inventory}}{2}$

Margin

- Is when gross profit is expressed as a percentage of turnover.
- Helps to measure the company's performance.
- It is calculated as follows;

Margin = $\frac{\text{Gross profit}}{\text{Turnover}} \times 100\%$.

Mark-up

- Is when gross profit is expressed as a percentage of cost of sales.
- It is calculated using the following formula:

Mark – up = $\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100\%$.

Example 6.5

Ncube is a trader and has provided you the following information for the year 2022

	\$
Inventory, 1 January 2022	17 000
Inventory, 31 December 2022	13 000
Purchases	86 000
Sales	99 000
Sales returns	2 000

Calculate

- Turnover
- Cost of sales
- Gross profit
- Rate of inventory turnover
- Margin
- Mark-up

Suggested solution

(a) $\text{Turnover} = \text{Sales} - \text{Sales returns}$
 $= \$ (99\,000 - 2\,000)$
 $= \$97\,000.$

(b) $\text{Cost of sales} = \text{Opening inventory} +$
 $\text{Purchases} - \text{Closing inventory}$

$$= \$ (17\,000 + 86\,000 - 13\,000)$$

$$= \$90\,000.$$

(c) $\text{Gross profit} = \text{Turnover} - \text{Cost of sales}$

$$= \$ (97\,000 - 90\,000)$$

$$= \$7\,000.$$

(d) $\text{Rate of inventory turnover} =$

$$\frac{\text{Cost of sales}}{\text{Average inventory}}$$

$$= \frac{\$90\,000}{\$15\,000}$$

$$= 6 \text{ times.}$$

Average inventory

$$= \frac{\text{Opening inventory} + \text{Closing inventory}}{2}$$

$$= \frac{\$(17\,000 + 13\,000)}{2}$$

$$= \$15\,000$$

(e) $\text{Margin} = \frac{\text{Gross profit}}{\text{Turnover}} \times 100\%$

$$= \frac{\$7\,000}{\$97\,000} \times 100\%$$

$$= \$97\,000$$

$$= 7.22\%.$$

(f) $\text{Mark-up} = \frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$

$$= \frac{7\,000}{\$90\,000} \times 100$$

$$= 7.78\%$$

Return on capital employed

- Is when net profit is expressed as a percentage of capital employed.
- Capital employed is the difference between assets and liabilities.

It is calculated as follows;

$$\text{Return on capital employed} = \frac{\text{Net profit}}{\text{Capital employed}}$$

The Zimbabwe Stock Exchange (ZSE)

- This is a market for buying and issuing of shares, stocks and bonds and other second hand securities.

- The ZSE is a market for second hand shares.
- Shares sold at the stock exchange are those which have already been issued by the firms and investors are changing hands on ownership.
- Members of the public who are interested to invest in shares buy their shares on the stock exchange where they are listed.
- Different companies list the shares they are issuing on the stock exchange.
- The nominal or the issuing price per each share is indicated at the Zimbabwe Stock Exchange.

Functions of the Zimbabwe Stock Exchange

- Acts as a market that puts together those willing to buy and issue second hand shares.
- Controls admission of new members.
- Regulates admission of new members.
- Lists and delists some companies after examining and assessing their performance.
- Acts as a barometer of the well-being of the economy of Zimbabwe.
- Establishes prices of shares depending on the supply and demand.
- Quotes and publishes prices of shares.
- Educates members of the public on investment of shares through the outreach programmes.
- Sets a code of conduct for dealers to protect investors against unfair dealings.
- Provides investors with names of reputable companies.
- Compensates investors who may be defrauded by dealers.
- Prepares reports and information on companies dealing on the stock exchange.

Topic objectives

By the end of the topic, you should be able to:

- *explain the term communication.*
- *outline the importance of communication.*
- *state advantages and disadvantages of various telecommunication and postal services.*
- *outline factors to consider in choosing the mode of communication.*
- *distinguish between formal and informal business communication.*
- *identify advantages and disadvantages of formal and informal business communication.*
- *explain the importance of effective communication.*
- *identify enhancers of effective communication.*
- *outline barriers to effective communication.*
- *suggest ways of overcoming barriers to effective communication.*
- *identify trends in communication.*
- *assess the impact of these technological developments in communication.*

Communication

- Is the passing of message from one place or person to another.
- Is the process of sharing of messages, facts, opinions, ideas and emotions between a receiver and sender.
- Is the process of conveying information from a sender to a receiver using a medium of transmission.

- It deals with the transmission of information from one person or business to another.
- The sender pass the information and the receiver receives the information and gives feedback through a reply.
- The information send by the sender may be oral, printed, electronic, boldly and diagrammatic or images.

Importance of communication

- Helps the business to send orders to its customers.
- Helps the business to receive enquiries from its customers and suppliers.
- Enables the business to receive documents from different stakeholders.
- Helps the business to settle queries between the business and its customers and suppliers.
- Helps to cut the distance barrier between the business and its suppliers and customers.
- Helps the business to receive complains from its customers and suppliers.
- Helps the business to arrange contracts with customers, suppliers and employees.
- Helps the business to place orders to its suppliers.
- Helps the business to make payments to its suppliers, employees and service providers.
- Helps the business to receive payments from its customers.

Topic objectives

By the end of the topic, you should be able to:

- *describe warehousing.*
- *identify indigenous storage systems.*
- *discuss importance of warehousing.*
- *identify types of warehouses.*
- *explain the functions of warehouses.*
- *select an appropriate site for a warehouse.*

Warehousing

- Is the process of storing physical goods before they are further distributed.
- It is the holding and protection of goods until they are dispatched to the consumers.
- It is the storing of goods that are to be distributed later.
- It is the process of physically storing goods until they are sold or distributed to another location.
- It is the aid to trade which facilitates the storage of goods.

Warehouse

- Is a large building used to store goods.
- It is a building reserved for storage of goods.
- It is the premise used to store goods before they are sold, used or sent to consumers.

The importance of warehouses

- Help to protect goods against weather conditions.
- Help to reduce theft of goods.
- Help to reduce damage of goods.
- Help to avoid shortage of goods at the market.
- Help to minimise price fluctuations.
- Facilitate international trade.
- Enable the government to collect customs duty.
- Help to keep seasonal goods.
- Provide place for displaying goods.
- Store raw materials needed for future production.
- Even out supply.
- Enable goods to be available at the market all the time.
- Help to clear lines of production.
- Enables goods to mature, such as wine.
- Facilitate branding, packing, blending, bottling and so on.
- Help to store raw materials, equipment and spare parts.
- Help to store excess or surplus of goods.

Indigenous storage systems

- Is the storage system usually used in communal or rural areas.
- The facility helps to keep harvested crops at the end of the farming season.
- The indigenous storage warehouse is known as dura or isiphala.

- They are ventilated and dry places.
- They are usually built on raised ground to prevent moisture getting into the crops.
- Grass thatching is used for more ventilation.
- Usually splitted into three or more to accommodate different types of crops to be kept.
- The security feature is a lock in which a key is kept by the father or mother.
- Enable farmers to keep farming equipment.
- Help to keep the harvested crops for use throughout the season.
- Used to measure the status quo of the farmer in rural areas.

Types of warehouses

There are several types of warehouses.

(a) Bonded warehouses

- Is a warehouse that stores dutiable goods.
- They secure space for goods before the payment of duty.
- Allow goods to be graded.
- Enable imported goods to be tested.
- Help the government to raise revenue.
- Are owned by both the government and private firms.
- If owned by private firms, they have to be given a licence by the government.
- Goods are not manufactured in bonded warehouses.
- Enable goods to be inspected by the revenue authorities.
- Bonded storage ensures that duty is paid before goods are released.

(b) Manufacturers warehouse

- Is owned by manufacturers.
- Used to store finished goods, raw materials and work in progress.
- Usually located in manufacturers production houses.
- Also used to store spare parts of the manufacturing plant.

(c) Retail warehouse

- Is the warehouse owned by retailers.
- Stores goods bought in bulk from wholesalers.
- Retailers have the capacity to pack, blend and brand goods while in warehouse.
- Helps the retailer to store seasonal goods.
- Reduces theft risks.
- Evens out supply.

(d) Wholesale warehouse

- Is owned by wholesalers.
- Goods are kept in bulk from different manufacturers.
- Helps wholesalers to stock goods ahead of demand.
- Helps wholesalers to brand, blend, pack and bottle goods.

(e) Cold storage warehouse

- Is a warehouse used to store perishable goods such as meat.
- It has a refrigerator.
- Temperatures can be adjusted.
- Needs electrical power in order to operate.

(f) Public warehouses

- Are owned by governmental bodies.
- Store goods that belong to the government.
- Private sectors can rent places to store their goods.
- Used to store public goods.
- Usually used by small firms which cannot construct their own warehouses.

(g) Co-operative warehouse

- Is owned by a co-operative.
- It is managed by a management committee.
- Members can store their goods.
- Has no middlemen.
- Non-members can store their goods at lower costs.

(h) Transporter warehouse

- Owned by transporters.
- Helps to store goods in transit.
- Goods kept are those waiting for delivery.
- Provides safety for goods in transit.

Factors considered when choosing the site of a warehouse

- The safety of the goods.
- The availability of the security.
- The availability of the electrical power.
- Convenient to suppliers and customers.
- The cost of buying land to construct a warehouse.
- The cost of renting a warehouse if the company does not afford to construct a warehouse.
- Regulations and rules of the local authority.
- The availability of the transport network.
- The availability of the communication network.
- Available technology.
- The environmental condition of the site.
- The size of the warehouse.

Topic objectives

By the end of the topic, you should be able to:

- *justify the need for marketing.*
- *explain different marketing concepts.*
- *assess the implications of various marketing concepts to the business.*
- *identify types of markets.*
- *explain types of markets.*
- *discuss the advantages of physical and virtual markets.*
- *describe features of physical and virtual markets.*
- *explain market segmentation.*
- *identify bases of market segmentation.*
- *outline reasons for market segmentation.*
- *explain mass and niche marketing.*
- *identify marketing mix variables.*
- *explain marketing mix variables.*
- *analyse impact of marketing mix variables.*

Marketing

- Is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.
- There are activities the business conduct to promote the buying and selling of a product or service.
- It is a process of getting potential customer or interested customers in the business' product or service.

The need for marketing

- To educate customers about the company's product.
- Helps to satisfy the customer's needs.
- Helps to gain information about consumers.
- To establish revenue.
- To promote product awareness to the public.
- Helps to anticipate changes in the customer's needs.
- Helps to identify the customers' needs.
- To keep pace with changes on customer's preferences, tastes, fashion and so on.
- To increase revenue.
- To ensure that revenue is obtained on a long run.
- To build the reputation of the company.
- To enable customers to get the best products and services at the market.
- To develop the economy of the country.
- To create employment through marketing managers, sales personnel and advertising agents.

Marketing concepts

- Are all efforts aimed at satisfying consumers with the aim to get profit.
- It is preoccupied with the idea of satisfying the needs of the customer by means of the product as a solution to the customer's needs.
- It is the strategy that firms implement to satisfy the customers' needs.

- It aims at increasing sales, maximising profits and fighting competition.
- The marketing concepts include:

(a) Production concept

- Operates on mass production.
- It assumes that its customers value price.
- It focuses on lowering its production costs in order to meet prices which customers can afford.
- Assumes that the product will be sold as long as it has low production costs which makes it cheap at the market.
- Enables the business to enjoy economies of scale and promotes efficiency on production.

(b) Product concept

- Is concerned on company's products and refining them to be superior at the market.
- It is centred on the quality of the product.
- The firms produce what they think are quality goods in their point of view.
- They assume that consumers do not know what is good until they see something which has been designed.

(c) Selling concept

- It does not prioritise its customers.
- It focuses on the business to sell more products and building on its profit margin.
- The firm produce whatever they can and then try to sell them to customers.
- The firm undertakes a large-scale of retailing and promotional effort.

(d) Marketing concept

- The firm begins with the customers and their needs.

- Aims to identify and understand customer needs.
- So that the product will be self-selling at the market.

(e) Social marketing concept

- Focuses on the impact that the organisation and products have on societies.
- The firm do not only produce what the customer needs.
- It produces what is good for the customer.

Types of markets

- A market is a place or process where buyers and sellers meet or interact to exchange goods and services for profit.
- It is the total of all buyers and sellers within considerable area or region.
- There are several types of markets.

(a) Physical markets

- Is a set up where buyers and sellers can physically meet.
- The buyers will purchase the desired merchandise from sellers in exchange for money.
- There is face to face interactions between buyers and sellers.
- There is physical location.
- Goods are displayed at the market.
- Can be quickly recognised by the public.
- There is immediate delivery of goods and services.

Advantages of physical markets

- Buyers and sellers physically meet at the market.
- Buyers and sellers can negotiate since there is face to face interaction.

- Customers have capacity to view the quality of the product.
- Physical outlets assists customers in making decision.
- There are no shopping costs on physical markets.

Disadvantages of physical markets

- Goods are sold on cash basis only.
- Congestion at the market may cause the environment to be unhygienic.
- Have limited operating time unlike virtual market.

(b) Virtual markets

- Customers purchase goods online.
- They use computers or smartphones connected to the internet.
- Transactions can be conducted at anytime.
- Remove the distance barrier.
- Have wide coverage as compared to physical market.
- There is no need for travelling.
- Variety of goods can be accessed.

Advantages of virtual markets

- Goods can be purchased at anytime.
- No travelling costs.
- Have wide coverage.
- Remove distance barrier.
- Customers have access to get images of the product they want to acquire.

Disadvantages of virtual markets

- There is a lot of scams on virtual market.
- Goods are expensive due to postage costs.
- There is high advertising costs.
- Pictures may not portray the real quality of goods.

(c) Auction market

- Is the market where buyers compete with each other to buy stocks through bidding.
- The sellers state the price and bidders (buyers) will compete.
- The seller will increase the price of item to allow buyers to compete.
- The buyer who will buy stock is the one who is willing to pay the highest price.
- The price is determined by the highest bid.
- It has a physical location where buyers and sellers meet.

(d) Black market

- Refers to illegal trade that takes place in secret.
- Goods and services are illegally exchanged between buyers and sellers.
- It takes place outside government sanctioned channels.
- It is physical or sometimes virtual.
- It is usually caused by scarcity of goods.
- For example, people buying and selling foreign currency using their own exchange rates, ignoring the official bank rate pegged by the government.

Market segmentation

- Is the process of dividing up the market of potential customers into their own unique groups.
- Is the process of classifying consumers into groups based on geographic, demographic, psychographic and behaviour difference.
- It is the practice of dividing target market into approachable groups.

Methods of segmenting a market

(a) Geographic segmentation

- The market is divided by locations.
- It is based on the belief that consumers who live in the same region share some common human needs and wants.
- The reason behind is that, consumer tastes may vary between geographical areas and it is appropriate to offer different products in different geographical areas.

(b) Demographical segmentation

- Is a market segmentation technique where an organisation's target market is segmented based on demographical factors such as age, gender, education and income.
- This refers to the categorisation of consumers into segment based on their characteristics.

(c) Psychographic segmentation

- This refers to the breakdown of the customer groups into segments that influence the buying behaviour.
- The buying behaviour include beliefs, occupation, values, life style, social status, opinions and activities.

(d) Behavioural segmentation

- Divides people into groups who share common behavioural patterns.
- It is based on lifestyle, purchasing power, customer loyalty, customer satisfaction, customer benefits and reasons for purchase.

Reasons for market segmentation

- To identify competitors at the market.
- To enable the firm to conduct effective advertising.

- To enable the firm to conduct different promotional activities.
- For the business to concentrate on producing high quality goods.
- Helps the firm to target its potential customers.

Mass marketing

Is the selling of one product to the whole market with no attempt to target groups within it.

Features of mass marketing

- Serves a large market as compared to niche market.
- There is mass production in order to satisfy the large market it serves.
- There is low production costs due to mass marketing.
- Ignores the segments.
- It is suitable for large firms.
- Goods are sold at low prices due to low costs of production.
- The firm has the capacity to dominate the market.
- Has high sales volume.
- There is mass distribution of product.
- It assumes that all customers need the same product.
- Promotes one product to all customers.
- Use advertising media with high coverage.
- Takes place when the product life cycle is at maturity phase.
- It ignores the existence of segments and offers a single mix to the heterogeneous market.

Advantages of mass marketing

- Enables the firms to maximise profits.
- Mainly concerned with low costs and high sales volume.
- Reduces the production cost per unit due to mass production.

EXAMINATION PRACTICE 1

PAPER 1

Time 1 hour 15 minutes

Answer **all** questions

1. Raw materials turned into finished goods at which stage of production?
 A. Extractive B. Primary C. Secondary D. Tertiary
2. Production of goods on a large scale is known as
 A. direct production. B. commerce.
 C. standardisation. D. mass production.
3. Which of the following is an indirect service?
 A. Teaching B. Nursing
 C. Advertising D. Singing for fans
4. Identify an external stakeholder from the following.
 A. Worker B. Manager C. Customer D. Owner
5. Which of the following is **not** an advantage of value addition?
 A. Increased costs B. Increased value
 C. Better appearance D. Increased life span
6. An indent is used when
 A. paying for goods. B. requesting for goods.
 C. delivering goods. D. collecting goods.
7. Which is a characteristic of a supermarket?
 A. Deliver goods to customers B. Offer credit
 C. Offer personal service D. Wide aisles
8. Identify the function of a wholesaler to the manufacturer.
 A. Offering credit
 B. Advising on display technique
 C. Clearing production line
 D. Evening out supply of goods
9. Small-scale retailers survive competition from large scale retailers because
 A. small-scale retailers can afford expensive advertising.
 B. small-scale retailers have easy access to credit finance.
 C. small-scale retailers offer a wide variety of goods.
 D. small-scale retailers put emphasis on personal service.

10. What can be done to correct an unfavourable balance of payment?

A. Import more goods	B. Reduce customs duty
C. Reduce foreign currency allocation	D. Remove import quotas
11. Which is not a trend in retailing?

A. Grading	B. Branding
C. Pre-packaging	D. Barcoding
12. The excess of total exports over total imports is called

A. deficit.	B. surplus.	C. dividend.	D. shortage.
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13. Zimbabwean manufactures are members of the

A. Chamber of Mines.	B. Zimbabwe National Chamber of Commerce.
C. Confederation of Zimbabwe Industries.	D. Bakers Association of Zimbabwe.
14. Identify an unincorporated business unit from the following.

A. Private limited company	B. Public limited company
C. Public corporation	D. Partnership
15. Beloved bought goods from Blessed on 8 January 2015 costing \$1000, she got a 30% trade discount and 5% cash discount on 2 February 2015, how much did she pay?

A. \$650	B. \$665	C. \$700	D. \$950
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16. Which of the following document is printed in red?

A. Pro-forma invoice	B. Catalogue	C. Credit note	D. Invoice
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17. Marketing boards are established to

A. control production.	B. reduce production.
C. maximise profits.	D. compete in production.
18. Which set contains legal tender?

A. Bearer cheques and notes	B. Bank notes and coins
C. Voucher and money order	D. Coupons and cheques
19. Inflation caused by a rise in the price of an input in production is called

A. demand pull inflation.	B. creeping inflation.
C. cost push inflation.	D. galloping inflation.
20. When returns inwards are subtracted from sales, we get

A. net profit.	B. net loss.	C. turnover.	D. sales returns.
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21. Who works in the insurance business?

A. Broker	B. Factor	C. Merchant	D. Speculator
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22. Which policy covers customers injured within the shop?
 - A. Comprehensive
 - B. Employers liability
 - C. Fidelity guarantee
 - D. Public liability
23. Which telecommunication sends exact copies of diagram?
 - A. Data post
 - B. Facsimile
 - C. Radio paging
 - D. Telex
24. Radio paging is best for calling
 - A. shareholders for an annual general meeting.
 - B. police to attend an accident scene.
 - C. an ambulance to collect a sick person.
 - D. a till operator to the manager's office.
25. Which factor is **not** considered when choosing a communication service?
 - A. Distance
 - B. Cost of service
 - C. Urgency of message
 - D. Status of sender
26. In containerisation, the term "groupage" means
 - A. storing containers in one warehouse.
 - B. transporting a number of containers in one ship.
 - C. transporting consignments to different destinations.
 - D. using one container for a number of consignments.
27. Which is an advantage of sea transport over air transport?
 - A. Speed of delivery
 - B. Cheap
 - C. Flexibility
 - D. No accidents
28. A _____ is a ship meant for hire.
 - A. cargo liner
 - B. oil bulky oil
 - C. tramp
 - D. roll on roll off
29. Which product would be stored for a long time in a warehouse?
 - A. Bread
 - B. Eggs
 - C. Soap
 - D. Tomatoes
30. Which is a false statement about warehousing?
 - A. It reduces price fluctuations.
 - B. It evens out supply.
 - C. It produces capital goods.
 - D. It prevents shortages.
31. Silos are meant to store which product range?
 - A. Furniture
 - B. Vegetables and fruits
 - C. Grain
 - D. Clothing
32. What is an advantage to the consumer of competition between manufacturers of similar products?
 - A. Buying goods on impulse
 - B. Creating employment in the advertising business
 - C. Increasing the sales of new products
 - D. Obtaining high quality goods at lower prices

33. What does a code of advertising practice guard against?
- | | |
|----------------------------|---------------------------|
| A. Competitive advertising | B. Direct advertising |
| C. Dishonest advertising | D. Persuasive advertising |

34. Identify a disadvantage of advertising in a newspaper.

- | |
|--|
| A. Can only reach the literate |
| B. Adverts can be spread using different languages |
| C. Can be in colour for greater impact |
| D. Information can be passed on for readership |

Use the following information to answer question 35 and 36.

A trader provides the following information.

Sales	\$12 000
Current assets	\$ 7000
Non-current assets	\$15 000
Cost of goods sold	\$ 8 000
Current liabilities	\$ 5 000

35. What is the gross profit of this business?
- | | | | |
|-------------|------------|------------|-------------|
| A. \$20 000 | B. \$4 000 | C. \$8 000 | D. \$22 000 |
|-------------|------------|------------|-------------|
36. The working capital is
- | | | | |
|--------------|--------------|-------------|-------------|
| A. \$17 000. | B. \$10 000. | C. \$2 000. | D. \$3 000. |
|--------------|--------------|-------------|-------------|
37. What does consequential loss insurance cover?
- | |
|---|
| A. A loss resulting from another loss |
| B. Expenses while a business is closed for repairs after a fire |
| C. Money stolen by a dishonest employee |
| D. The life of an important employee |
38. What is the function of the Reserve Bank of Zimbabwe?
- | |
|--|
| A. Giving financial advice to traders |
| B. Issuing shares to the public |
| C. Providing a clearing house to bankers |
| D. Running individual bank accounts for the public |
39. Direct debit facility is used to make payments when
- | | |
|-----------------------|-----------------------------|
| A. amounts are fixed. | B. payment is regular. |
| C. amount varies. | D. making numerous payment. |
40. Which document accompanies goods being transported by ship?
- | |
|---------------------|
| A. Consignment note |
| B. Shipping note |
| C. Bill of lading |
| D. Bill of exchange |

EXAMINATION PRACTICE 1**PAPER 2****Time:** 2 hours**SECTION A [40 Marks]**Answer **all** questions in this section.

1. (a) State the **two** forms of production. [2]
 (b) Give the reward for the following factors of production:
 (i) Capital. [1]
 (ii) Enterprise. [1]
 (c) List any two types of wholesalers. [2]
 (d) Identify any two contents of a Partnership Deed. [2]
2. (a) State the characteristics of road side traders. [2]
 (b) Outline the importance of a bill of exchange. [3]
 (c) Describe a post office box. [3]
3. A trader provides the following balances

Sales	\$4 500
Cost of goods sold	\$2 500
Expenses	\$800

 (a) Calculate
 (i) Gross profit. [1]
 (ii) Net profit. [2]
 (b) What are the advantages of a tramp over a liner? [3]
 (c) Explain any two benefits of e-insurance. [2]
4. (a) State any two trends in communication. [2]
 (b) Outline disadvantages of advertising. [4]
 (c) Give any two functions of merchant banks. [2]
5. (a) Explain why firms have their own systems of transport to move their goods. [3]
 (b) List any two types of storage facilities. [2]
 (c) Outline the importance of a bonded warehouse. [3]

SECTION B [60 Marks]

Answer any **three** questions from this section.

6. (a) Differentiate between home trade and foreign trade. [14]
(b) Why do businesses need efficient communication? [6]
7. (a) Outline features of a supermarket. [12]
(b) What factors should a firm consider when choosing a mode of transport? [8]
8. (a) State and explain any five trade tariffs. [10]
(b) How does the government of Zimbabwe protect consumers from being exploited? [10]
9. (a) Outline the functions of a commercial bank. [8]
(b) Why is insurance important to a manufacturing firm? [6]
(c) Why are marketing boards of great importance? [6]
10. (a) Discuss the negative effects of inflation to a country. [10]
(b) Use the following information to prepare a trading account. [10]

	\$
Sales	50 600
Purchases	22 000
Returns inwards	600
Returns outwards	2 000
Opening inventory	3 000
Carriage inwards	1 500
Closing inventory	3 500

11. (a) Outline ways in which government assists small firms. [8]
(b) Give functions of customs and exercise authorities. [8]
(c) What are the disadvantages of partnership? [4]
12. (a) Explain the advantages of niche marketing. [6]
(b) Discuss the impact of multinational companies to the host country. [14]
13. (a) Explain the importance of advertising to a manufacturer. [10]
(b) What role does a forwarding agent play in international trade? [10]

EXAMINATION PRACTICE 7**PAPER 1****Time** 1 hour 15 minutesAnswer **all** questions

1. At which stage of production is more value added to flour?

A. Direct production	B. Primary production
C. Secondary production	D. Subsistence production
2. Which of the following is concerned with the secondary stage of production?

A. A cotton farmer	B. A fisherman	C. A gold panner	D. A stone carver
--------------------	----------------	------------------	-------------------
3. Why is bread distributed as quickly as possible to consumers?

A. It has a short life	B. It is bulky
C. It is in great demand	D. It is very cheap
4. Which is a disadvantage of specialisation?

A. Full utilisation of equipment	B. Increases productivity rate
C. Absence of a worker interrupts the whole production	D. Promotes division of labour
5. The advantage of standardisation of goods is that,

A. it improves the quality of the goods.	B. it improves the standard of living.
C. it makes goods identical to each other.	D. it splits work into simpler terms.
6. The self-selection method of selling is used by

A. independent stores.	B. mail order firms.
C. departmental stores.	D. mobile shops.
7. Which is a feature of a general wholesaler?

A. Offers credit facilities and delivery services	B. Sell goods on cash and carry basis
C. Sell goods on credit basis without providing delivery services	D. Sell goods on credit basis but do not offer delivery services
8. Which of the following helps the till operator to scan the price of the product?

A. Logo	B. Barcode
C. Brand name	D. Seal of approval

Use the information below to answers 16 and 17.

	\$
Sales	108 000
Sales returns	8 000
Cost of sales	58 000
Net profit	11 000

18. What is the gross profit of the business?
 A. \$42 000 B. \$50 000 C. \$47 000 D. \$64 000
19. What is the value of the operating expenses of the business?
 A. \$47 000 B. \$31 000 C. \$39 000 D. \$42 000
20. Which is the function of the Reserve Bank of Zimbabwe?
 A. Issuing coins and notes
 B. Offering loans for construction of buildings
 C. Issuing trading certificates to traders
 D. Collecting customs duty for imported goods
21. A bank cheque drawn by a bank on itself is known as the
 A. bill of exchange. B. documentary credit.
 C. cable transfer. D. bank draft.
22. Which mode of communication is used by banks to transmit foreign exchange rates?
 A. Data post B. Datel C. Email D. Free post
23. Which of the following is an informal communication in business communication?
 A. Email B. Memo C. Grapevine D. Letter
24. The advantage of Expedited Mail Service (EMS) is that
 A. important letters are compensated if lost.
 B. it provides the proof of posting.
 C. urgent letters are delivered quickly.
 D. letters can be posted without paying postage.
25. Which statement is a disclaimer clause?
 A. Beware of dogs B. Buy where your money buys more
 C. Parcels left at the counter at your own risk D. Smoking is hazardous to health
26. The function of the Standard Association of Zimbabwe is to
 A. test the products and stamp a seal of approval.
 B. pass legislation laws which protect consumers.
 C. inspect the measurements and weights of goods.
 D. inspect the prices of the basic commodities.

35. Which of the following risks cannot be insured by insurance companies?
- A. Bad management
 - B. Accidents
 - C. Consequential losses
 - D. Fire outbreak
36. Trust insured his car valued at \$40 000 with company A for \$40 000 and with company B for \$40 000.
- How much would Trust receive from B when his car is declared a write off after the accident?
- A. \$40 000
 - B. \$20 000
 - C. \$80 000
 - D. \$120 000
37. A company insured goods in the warehouse against fire. A strong wind blew the warehouse down and goods were stolen.
- Which principle prevents the insurance company from paying the goods stolen?
- A. Indemnity
 - B. Insurable interest
 - C. Proximate cause
 - D. Utmost good faith
38. The life assurance which the insured can use as an investment to buy long-term assets is the
- A. funeral assistance.
 - B. health insurance policy.
 - C. endowment policy.
 - D. whole life policies.
39. Which is an intellectual property of a business?
- A. Copyrights
 - B. Rentals
 - C. Shares
 - D. Retained profit
40. Which is not a feature of an entrepreneur?
- A. Is a famous person in community
 - B. Is innovative
 - C. Is a risk taker
 - D. Is a hustler

EXAMINATION PRACTICE 7**PAPER 2****Time:** 2 hours**SECTION A [40 Marks]**Answer **all** questions in this section.

1. (a) Define beneficiation. [1]
 (b) State any three examples of secondary production. [3]
 (c) Describe the concept of import trade. [2]
2. (a) State one interest of an employee in an organisation. [1]
 (b) Identify any three features of small-scale retailers. [2]
 (c) List any three business ethical considerations. [3]
3. (a) Define inflation. [1]
 (b) State any three purposes of forming a trading block. [3]
 (c) Explain what is meant by the balance of payments (B.O.P). [3]
4. (a) State any three factors considered when fixing premiums. [3]
 (b) Explain the features of a bank draft. [4]
5. (a) State any three features of private bags. [3]
 (b) Explain the features of niche marketing. [4]
6. (a) State any two types of warehouses. [2]
 (b) List any two disadvantages of radio in advertising. [2]
 (c) Briefly explain what is meant by containerisation. [3]

SECTION B [60 Marks]

Answer any **three** questions from this section.

7. (a) Describe the importance of the bill of exchange. [10]
 (b) Outline the challenges faced by traders in international trade. [10]
8. (a) Explain the following terms in a limited company:
 (i) Annual General Meeting (AGM), [4]
 (ii) Prospectus. [6]
 (b) Outline the factors considered when selecting a retail outlet. [10]
9. (a) Describe the procedures taken when making a claim. [10]
 (b) Explain reasons why businesses are encouraged to insure on the following insurance policies:
 (i) Public liability, [5]
 (ii) Pluvius policy. [5]
10. (a) Explain the process included when clearing a cheque of the two different banks. [10]
 (b) Outline the ways of reducing inflation in a Zimbabwean economy. [10]
11. (a) Outline the importance of oral communication. [10]
 (b) Explain the importance of the following modes of communication:
 (i) Business reply, [5]
 (ii) Fax. [5]
12. (a) Outline the advantages of an entrepreneur in trading of goods and services. [10]
 (b) Describe factors considered when choosing an advertising media. [10]
13. (a) Outline the advantages of bonded warehouse to an importer. [10]
 (b) Explain the following types of ships:
 (i) Roll-on Roll-off (Ro-Ro) ships, [5]
 (ii) Oil-Bulk Ore (OBO) ships. [5]

EXAMINATION 1 PAPER 2 SOLUTIONS

SECTION A

1. (a) State the two forms of production. [2]

- Direct production
- Indirect production

(b) Give the reward for the following factors of production:

Factor	Reward
(i) Capital	Interest
(ii) Enterprise	Profit [2]

(c) List any two types of wholesalers. [2]

- cash and carry wholesalers.
- general wholesalers.
- specialist wholesalers.
- cooperative wholesale.

(d) Identify any two contents of a Partnership Deed. [2]

- The amount of capital to be contributed by each partner.
- Rate/percentage in which profit and losses will be shared.
- Management responsibilities of each partner.
- Maximum drawings of cash by each partner.
- Interest rate to be credited to partners' capital accounts.
- Terms under which the partnership will be terminated.
- Voting rights for partners.
- Procedure to be followed in resolving disputes.

2. (a) State the characteristics of road side traders. [2]

- They are located in busy roads where people pass by hence the name road side vendors.
- They normally sell fast moving goods such as sweets, vegetables and fruits.

- Their goods are displayed on movable tables and cardboard boxes.
- They make use of short term licences from local authorities.

(b) Outline the importance of a bill of exchange. [3]

- It is a method of settling debts used mainly in international trade.
- It forms part of a documentary credit.
- It can be discounted before it matures to enable the exporter to obtain early payment.
- It enables imported goods to be sold before the bill matures.
- It is evidence of a debt when accepted and signed by an importer.
- Discounting the bill prevents working capital being tied up in debt.
- It allows an importer period of credit before making payment.
- It enables trade to exist among Companies of different countries.

(c) Describe a Post Office box. [3]

- It is rented at the post office.
- It is found on the wall outside each post office.
- Each owner has a key.
- Letters are collected any time of the day.

3. A trader provides the following balances

Sales	\$4 500
Cost of goods sold	\$2 500
Expenses	\$800

(a) Calculate

(i) Gross profit. [1]

$$\begin{aligned}
 \text{Gross profit} &= \text{Sales} - \text{Cost of goods sold} \\
 &= \$4\,500 - \$2\,500 \\
 &= \$2\,000
 \end{aligned}$$

(ii) Net profit [2]

$$\begin{aligned}\text{Net profit} &= \text{Gross profit} - \\ &\quad \text{Expenses} \\ &= \$2\,000 - \$800 \\ &= \$1\,200\end{aligned}$$

- (b) What are the advantages of a tramp over a liner? [3]
- They have flexible timetables.
 - The freight charges may be negotiated.
 - They can be hired to any destination.
- (c) Explain any two benefits of e-insurance. [2]
- ICT has helped insurance companies to open up new local and regional markets.
 - Clients can now access current information from insurance websites.
 - Insurance companies are now selling their policies on internet.
 - Clients now can complete and submit documents online to the insurance companies.
 - Advertising and marketing costs incurred by insurance companies are now reduced.
 - The number of brokers and agents in insurance companies has reduced.
 - The commission paid to insurance brokers and agents have reduced.
 - There is reduction on the number of employees working in offices for insurance companies.
 - The paper work has reduced due to increase online transactions.
 - The use of email and other telecommunication methods has reduced Telephone bills.

4. (a) State any two trends in communication. [2]
- WhatsApp
 - Facebook
 - Skype
 - Twitter
- (b) Outline disadvantages of advertising.[4]
- It leads to impulse buying and overspending.
 - It increases prices of goods.
 - Might undermine social standards.
 - It misleads consumers.
- (c) Give any two functions of merchant banks. [2]
- They arrange for shares to be issued.
 - They assist limited companies to raise capital by arranging for shares to be issued.
 - They sell shares to the public on behalf of companies.
 - They provide financial advice.
 - They act as financial advisors to companies.
 - They can advise firms on investments and arrange mergers and acquisitions.
 - They act as underwriters; they buy all the unsold shares after a share issue.
 - They accept deposits from both individuals and companies for safekeeping.
 - They operate saving accounts and other types of accounts.
 - Merchant banks lend money. They offer loans to both government and private individuals or companies.
 - They finance exporters and importers by arranging letters on credit.

- The lines may be through top left hand of the cheque.
 - Parallel lines signifies that the cheque may be deposited directly into bank account.
 - The parallel lines increase its security.
 - The parallel lines indicates that the cheque cannot be cashed but must be paid into bank account.
 - Cash is paid after clearance of the cheque.
- (c) The advantages of using cheques as the method of payments. [10]
- It is faster to write a cheque than to count notes and coins.
 - It can be safe to use if crossed.
 - Saves time and travelling costs to the bank.
 - Can be drawn at any time by the drawer.
 - The use of cheque enables the client to receive a bank statement on a monthly basis.
 - It is safe to carry cheques than to carry hard cash.
 - The drawer has the capacity to stop the payment to be made by the bank.
 - It is convenient than carrying cash.
 - Provides a proof of payment or transaction made.
 - Can be endorsed in favour of a third person.
 - Can be traced if lost.
 - Can be cheaply posted than cash.
 - It may be post dated.

EXAMINATION 7 PAPER 2 SOLUTIONS

SECTION A

1. (a) Define beneficiation. [1]
- It is the transformation of a mineral to a higher value of product.
 - It is the value addition in the mining sector.
- (b) State any three examples of secondary production. [3]
- Processing
 - Assembling
 - Manufacturing
 - Construction
- (c) Describe the concept of import trade. [2]
- Is the buying of goods or services from other countries.
 - It results into outflow of foreign currency.
 - An example is buying fuel from South Africa.
2. (a) State one interest of an employee in an organisation. [1]
- Job security
 - Receiving of salaries and wages constantly
 - Training
 - Fringe benefits
- (b) State any three features of small-scale retailers. [2]
- Found in the private sector
 - Sell goods in smaller units to consumers
 - Operate from small premises
 - Are easy to start
 - Have very few legal formalities
 - Have less capital
 - Serve small markets
 - Usually are located close to their customers
 - Owned by individuals

- (c) List any three business ethical considerations. [3]
- Obeying business regulations
 - Be loyal to the company
 - Treat customers and suppliers honestly
 - Treat customers fairly
3. (a) Define inflation. [1]
Is the continuous increase in the price levels of the goods and services.
- (b) State any three purposes of forming a trading block. [3]
- To share ideas
 - To share technology
 - To promote trade between or among members
 - To increase investment opportunities in the region.
 - To promote peace in the region
 - To reduce trade barriers
 - To make it easier on clearance in international trade
- (c) Explain what is meant by the balance of payments (B.O.P). [3]
- It is the difference in the total value of exported and imported goods or services.
 - Excess exports of goods or services over imports of goods or services is favourable.
 - Is calculated as exports of goods or services minus imports of goods or services.
 - Can be deficit (unfavourable) if imports exceeds exports of goods or services.
4. (a) State any three factors considered when fixing premiums. [3]
- The nature of the risk
 - The number of people insuring against a certain risk
 - The value of the property
 - Size of loss to be covered against
 - The chances (probability) for occurring of risk
 - The profit made by the insurance company
- (b) Explain the features of a bank draft. [4]
- It is a cheque drawn by a bank on itself in favour of a customer.
 - It is used when large sums are involved.
 - It is the bank's own cheque.
 - Is commonly known as a counter cheque.
 - It is a secured method of payment because it cannot be dishonoured.
 - Payment is guaranteed.
 - Is also used when the debtor is not known to the creditor.
5. (a) State any three features of private bags. [3]
- Are used by people without street addresses.
 - Mails are sent and collected during working hours.
 - Use the canvas bag which is supplied by the Post Office.
- (b) Explain the features of niche marketing. [4]
- Is the marketing strategy for a particular segment usually neglected by the firm
 - There is no still competition
 - There is few sales
 - It caters for customers with similar needs
6. (a) State any two types of warehouses. [2]
- Public warehouses
 - Bonded warehouses
 - Wholesalers warehouses
 - Retailers' warehouses
- (b) List any two disadvantages of radio in advertising. [2]
- The advertisement has a short life.
 - No demonstrations are shown as compared to the TV.
 - Some areas do not have transmission.