

**Commerce 421. May/ June 2005.**  
**QUESTIONS AND MODELS ANSWERS.**

**QUESTIONS**

- 1a. Give reasons why firms spend a lot of money on advertising.
- b. State the reasons why a business man may choose each of the following media for advertising his goods.
- (i) News paper (ii) Television (iii) Radio.

**ANSWER**

- a. The following are some of the reasons why firms spend money on advertising
- (1) It projects good image of the firm to external world.
  - (2) It educates the public on the uses of the goods
  - (3) It leads to increase in sales
  - (4) It is used to let the public know of the introduction of new products
  - (5) It helps to enlighten the public of the availability of goods
  - (6) It may give rise to higher revenue
  - (7) It may lead to increased in production
  - (8) It creates employment
- b. (i) The reasons why a business man uses news paper for advertising his goods are;
- (a) Circulates throughout the country
  - (b) Can be printed in many languages
  - (c) It can be preserved for future use
  - (d) Circulates daily.
  - (e) It can be presented in various colours
- (ii) Business man uses television as a means of advertising because of the following;
- (a) It combines sight and sound
  - (b) It uses colour
  - (c) It covers wide range of goods
  - (d) It is suitable for target audience
  - (e) It has instant effect through pictorial demonstration
  - (f) It appeals to different classes of people who watches it
- (iii) Radio is used as a means of advertising by business man because of the following
- (a) Nearly all homes possess radio set.
  - (b) Covers all nook and corners
  - (c) Various languages could be used to reach the people
  - (d) Slogans or catchy words are often used

**2. QUESTIONS:**

- (a) Define commerce
- (b) Explain the different functions of commerce in your country.

#### ANSWER:

- (a) Commerce can be defined as the process of buying, selling, exchange and distribution of goods and services. Commerce can also be defined as trades and aids to trade.
- (b) The function of commerce in any given country is as follows;
  - (1) Provide employment opportunities for citizens of the country. This can be seen from people who engages either in retail, wholesale or a big conglomerate trading.
  - (2) Storage of goods is made possible through commerce. Ware housing as one of aids to trade ensures the storage of goods till they are wanted. In most cases, big traders, like wholesalers and big retailers, usually acquire large quantities of goods for sale. They need ware housing facilities to store the goods before they are sold.
  - (3) It increases the standard of living of the people by making it possible for scarce commodities to arrive into the country from other countries through international trade
  - (4) It facilitates international cooperation. Many countries engage in different types of productive occupations due to improvement in technology, these countries produce more than they need for themselves. They export the surplus of what they produce to other countries that needs these things. In turn they import from other countries some other things they are not able to produce themselves. This interdependence of people and countries fosters friendship and cooperation.
  - (5) Infrastructural development. Commerce brings about the development of the infrastructural facilities of a country. Many developing countries depend on the services of the advanced countries for the provision and building of their infrastructural facilities.
  - (6) Through banking and finance, the fund needed for commerce is made possible
  - (7) Through commerce, exchange of goods and services is made possible.

#### QUESTIONS

- 3a. State the ways through which transport aids trade
- b. Explain the factors which a business man may consider before choosing means of transport for his goods

#### ANSWER

- a. The ways through which transport aids trade are;
  - 1. Facilitates the movements of goods and passengers from place to place.
  - 2. It aids specialization by moving the factors of production from one place to the other.
  - 3. Greater choice of goods is made available to the consumers.
  - 4. Helps in stabilization of prices of manufactured and agricultural goods.
  - 5. It creates interdependent world. No country can now exist without the others.
- b. The factors which a business man may consider before choosing means of transport for his goods are;
  - 1. Distance/Location: The location where the goods are needed will help to determine the choice of transport. Where the place is far, air may be chosen.
  - 2. Unit volume of the goods: valuable goods like minerals need to be carried as quickly as possible to avoid pilfering.
  - 3. Destination: There are such places that have no other means of transport than by road.

4. Available means: The means of transport available where the goods are located is what will be used.
5. The nature of the goods: perishable items need to be carried quickly to minimize spoilage while bulky goods are carried by rail or road.
6. The weight of goods is equally considered
7. Customer's preference: The choice of the customer will also influence the choice of transport.
8. Safety of the goods: A means of transport that will ensure safety movement of goods is also a factor to consider
9. Volume or quantity of goods also determine the choice of transport for a given commodity
10. Cost of transport is also considered because a trader will prefer a cheaper means of transport
11. Timeliness of goods: Fast means of transport is needed to convey goods needed urgently

#### QUESTIONS

- 4a. Outline the disadvantages of partnership
- b. Explain the condition for dissolving a partnership.

#### ANSWERS:

- a. The disadvantages of partnership are;
  1. Unlimited liability: Each partner is jointly liable with the other partners for all the debts and obligations of the firm
  2. The formation of partnership requires a lot of formalities.
  3. Constant disagreement that may bring the business to end
  4. Death or retirement of member may result to the end of the partnership
  5. The pride of ownership in partnership business is always diminished
  6. In most cases, action of one partner binds the other whether favorable or not
  7. There is always delay in decisions making due to series of consultation.
  8. Partnership business always lack retained profit because of the business profit shared.
- b. The conditions for dissolving a partnership are;
  1. At the expiration of the fixed time for which the partnership was formed
  2. By court order to dissolve the association.
  3. When one partner give notice to the others of his intention to dissolve the firm
  4. At the death of partner or if he is declared bankrupt
  5. By the termination of the venture or undertaking for which the business was formed
  6. The happening of an event which causes the partnership to become illegal

#### QUESTIONS:

- 5a. List the measure which government may take to restrict import
- b. state the measures a government may take to promote export

#### ANSWERS

- a. The measure government may take to restrict import are;
  1. Import license: Government making it a rule for importers to obtain it before embarking on importation
  2. Devaluation of local currency: This will make the importation to be very costly

3. Stiff exchange control regulation: This makes it difficult for importers to obtain foreign exchange to pay for the commodities he might like to import.
  4. By encouraging the use of home made products.
  5. Imposition of import duties: Heavy tariff which will increase the prices of the goods thus people will desist from buying foreign goods.
  6. Quotas: This is discriminatory measure in that a limit is set to the quantity of some goods imported from certain countries.
  7. Tax exemption: The government may decide to give out right help to home manufacturers in terms of exempting them from taxes.
- b. The following are the measures government may take to promote export;
1. Subsidies: This is payment made by government to producers in order to reduce the cost of production and make their goods more competitive with foreign ones.
  2. Organizing local or international trade fairs where home made goods could be displayed to attract foreign marketers.
  3. Removal of excise duties on goods meant for export over a period of time.
  4. Giving encouragement to exporters to keep their foreign earning for use in the country.
  5. Granting of loans to exporters to aid them finance their export trade.
  6. Government should carve out industrial areas that are meant for producing goods that are for export.
  7. Making available statistical data as well as trading opportunities to those involved in export trade.
  8. Establishing export credits guarantee departments that will play the role insurance companies that take on such risk not covered by commercial insurance companies e.g. political and war risks.

#### QUESTIONS

- 6a. State the various mode of transportation in Nigeria
- b. Explain five factors that must be considered in selecting a mode of transportation

#### ANSWERS

- a. The various means of transportation are;
  1. Road
  2. Rail
  3. Air
  4. Sea or water
  5. Containerization
  6. Pipelines
  7. Beast of burden
  8. Porter age
  9. Parcel post
- b. The factors that must be considered in selecting mode of transportation are;
  1. Distance/Location: The location where the goods are needed will help to determine the choice of transport. Where the place is far, air may be chosen.
  2. Unit volume of the goods: Valuable goods like minerals need to be carried as quickly as possible to avoid pilfering.
  3. Destination: There are such places that have no other means of transport than by road.

4. Available means: The means of transport available where the goods are located is what will be used.
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#### QUESTIONS

- 7a. Explain consumer protection
- b. state four organization involved in consumer protection
- c. explain the functions of these organizations

#### ANSWERS

- a. Consumer protection consist of the process adopted by the government, its agent as well as private institutions to avoid the exploitation and cheating of the consumers as they purchase goods from producers
- b. The organizations involved in consumer protection are;
  1. Nigerian standard organization (NSO)
  2. Manufacturer/producer association
  3. Rent tribunals
  4. Price control board
  5. Professional board e.g. Nigerian medical association(NMA), Nigeria bar association e.t.c
  6. Environmental protection agencies e.g task force on environmental sanitation
  7. National Agencies for Food and Drug Administration Control(NAFDAC).
- c. The functions of these organizations are;
  1. To eliminate hoarding of the goods by producers and middle men.
  2. To stamp out profiteering by business men
  3. To prevent the dumping of substandard and unsafe goods on the consumers
  4. To protect the consumers from misleading or untruthful information
  5. To educate the consumers about right and obligations of the producers or sellers
  6. They help consumers to eliminate assessment of choice problems in the market.
  7. They ensure that producers honours warrantees or guarantees

#### 8. QUESTIONS:

- a. Who is a seller in the chain of distributions
- b. List and explain five function of the wholesaler to the;
  - (i) Supplier
  - (ii) Retailer.

#### ANSWERS

- a. In the chain of distribution, a wholesaler is a person that normally buy goods either raw materials or finished goods in large quantities from the producers and manufacturers and resell in small quantities to retailers
- b. (i) The functions of wholesalers to the supplier are;
  1. Information
  2. Storage/ware housing
  3. Preparing commodities.
  4. Advertising and promotion
  5. Financing
  6. Quantity and bulk buying

**EXPLANATIONS:**

**INFORMATION:** The wholesaler gives useful information to the supplier in respect of the state of the market, such as changes in demand, as a result of price, taste or fashion.

**STORAGE/WAREHOUSING:** The wholesaler provides facilities for storing goods and thereby relieves the supplier of storage expenses.

**PREPARING COMMODITIES:** The wholesalers helps to complete the process of production by labeling, packaging, branding and blending the goods he buys from the suppliers before selling them to the retailer

**ADVERTISING AND PROMOTION:** The wholesaler creates market for the supplier by means of various advertising methods such as trade, journals and catalogues

**FINANCING:** The wholesaler finances the supplier by paying for goods bought promptly or in advance.

**QUANTITY OR BULK BUYING:** The wholesaler buys in large quantity and thereby encourages the suppliers or producers to produce more and thus reap the advantages of large scale production

- ii. The functions of wholesalers to retailers are;

1. Break bulk
2. Regular supply/warehousing
3. Credit/financing
4. Delivery/transport facilities
5. Advice/information
6. Varieties of goods
7. Stabilization of prices

**EXPLANATIONS**

**BREAK BULK:** The wholesaler breaks bulk by selling in small quantities to the retailer, this enables the retailer to carry small amount of goods which he can afford to pay for.

**REGULAR SUPPLY/WAREHOUSING:** The wholesaler store large quantities of goods in his ware house and thereby ensure that retailer has a regular supply of goods.

**CREDIT/FINANCING:** The wholesaler finances the retailer by granting him credit that is by allowing the retailer to buy goods and to make payments for such goods later.

**DELIVERY/TRANSPORT FACILITIES:** The wholesaler sometimes delivers goods and provides transport facilities for the delivery of goods to the retailer's door.

**ADVICE/INFORMATION:** The wholesaler offers advice or information that keeps the retailer up to date with new trends concerning new goods and prices to be expected on the market.

**VARIETIES OF GOODS:** The wholesaler stores goods from different manufacturers and thus, avails the retailer of varieties of goods.

**STABILIZATION OF PRICES:** By storing goods in its ware houses and thus regulating supply, the wholesaler keeps prices fairly stable for the retailers.

#### QUESTION 9.

- a. What is marketing
- b. List the marketing mix and explain each of them

#### ANSWERS

- a. Marketing is business activities that direct flow of goods from the producer to the consumer at a profit or satisfying the goods of the organization.
- b. The marketing mix commonly called 4ps are;
  - (i) Price
  - (ii) Place
  - (iii) Product
  - (iv) Promotions

#### EXPLANATION

1. **PRICE:** This is the money consideration which the buyer provides in exchange for transfer of the property in the goods. The producer takes decisions on the right, profitable, reasonable and realistic price to sell the goods.
2. **PLACE:** This is the area where the action market takes place. It is an organized place where products are been offered for sale. It involves distribution of goods to consumer at the right place
3. **PRODUCT:** This is the goods that a producer wants to sell. It takes it to designated place where buyer will purchase the goods. It involves taking decisions on planning, packaging branding trade mark etc.
4. **PROMOTION:** This is a way to make people be aware of the goods and services through advertising, public relations, sales promotions etc.

#### 10. QUESTIONS

Write short notes on any five of the following;

- (a) Called up capital
- (b) Paid up capital
- (c) Issued capital
- (d) Poste restante
- (e) Capital employed

(f) Capital owned

ANSWERS

- a. Called up capital: This is the amount of money called up on the shares that have been subscribed
- b. Paid up capital: This is the actual amount of capital that share holders have paid to the company. At times, shares are paid in installments or when the share holders are called upon to make payment
- c. Issued capital: This is the amount of share capital which is actually issued for subscription to members of the public
- d. Poste restante: This service is intended for a person travelling out of normal residence. During the period he will be away, he arranges for mails to be addressed to the post office of a place he is going
- e. Capital employed: This is the total assets of the business, both fixed and current. This is the total value of the resources used in running the business.
- f. Capital Owned: This is the excess value of the assets of a business over the value of its liabilities, both long and short term.