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## Question 1

In a carpentry workshop of three employees, one is responsible for cutting the wood, another for fixing and a third for polishing and praying the furniture.

- a. Identify the term that described the production process the workshop uses.
- b. (i) State five advantages of the production process identified in 1 (a). to the workshop.
- (ii) State four disadvantages of the production process identified in 1 (a). to the workshop.

## Observation

Most candidates who attempted this question performed brilliantly.  
The expected responses are.

(a) The term used to describe the production process is division of labour.

### (b) i. Advantages of Division of Labour

1. The workers would be highly productive as a result of specialized tools, machinery and equipment being used. / Increase in production.
2. There would be greater efficiency as a result of individual and collective responsibility in the production process. / Better Production technology.
3. The period of training workers would be reduced thereby making staff replacement easy.
4. There would be economy in the use of tools as workers do not have to move from one process to another.
5. There will be efficiency in terms of time spent in production.
6. Large scale production would result due to specialization. / Economies of large scale.
7. The process will lead to the development of sophisticated equipment would reduce the stress of staff.
8. There would be an increase in skills and mobility of labour within the work place.

9. There would be reduction in cost of production leading to lowering of the selling price to attract more customers.

## ii. Disadvantages of Division of Labour

1. Work becomes repetitive and workers will lose interest in the work being done. (Monotony).
2. Absence of one worker could delay the work being done which reduces productivity.
3. The start-up cost will be high as initial cost necessary to buy specialist machinery may lead to a higher break-even point.
4. The workers may not feel responsible for the result of the process in which they contribute.
5. There is the danger of one unit over producing than the other unit if not well monitored.  
Inefficiency of one worker would affect the production process.

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## Question 2

ABC Limited, a textile company and XYZ Limited, a cotton processing company agreed to merge.

- (a) Identify and explain the type of merger to be formed by the companies.
- (b) State four reasons that would have necessitated the formation of the merger.
- (c) List and explain three sources of finance available to the company formed.

---

## Observation

Many candidates were able to attempt the (a) and (b) parts of the question. However, most candidate listed the (c) part of question without explanation as required.

The expected responses are.

- (a) The type of merger is **vertical merger**.  
It is a merger where companies in the same line of business and at different levels of production come together to form a new company. / This is when a company producing raw materials merges with the one using the raw materials
- (b) **Reasons that would have necessitated the formation of the merger.**
  - i. The decision to merge could have resulted from the need to achieve economies of scale.
  - ii. There could be the desire by the firms to maintain stable prices.
  - iii. The desire to have regular supply of raw materials could have led to the merger.
  - iv. The merger could also arise due to the need to reduce the cost of production and increase profit.

- v. The firms could also merge because of the need to check competition and remove its undesirable consequences. / Achieve large share of the market.
- vi. Reduction of overhead cost as a result of removal of duplicated staff could have necessitated the merger.
- vii. The merger could have resulted from the need to introduction of additional capital to avoid liquidation.

(c) **Sources of finance available to the company.**

- i. Issue of new shares: This is where a newly formed company calls for subscriptions to shares.
- ii. Issue of debentures: A debenture is a document conferring a long-term loan to a company. The holder becomes a creditor to the company and he is entitled to a fixed rate of interest whether or not the company makes profit.
- iii. Bank loan: Banks advance loans to companies that satisfy the conditions for the loan. A loan is payable with interest at regular intervals.
- iv. Leasing: An equipment or property could be rented for use by the new company for a specific number of years.
- v. Hire purchase: This facility is extended to companies to enable them own properties by making a down payment and the balance settled through installments.
- vi. Debt factoring: This is a situation where a company sells off its debts to institutions specialized in collection of debts.
- vii. Overdraft: The new company can arrange with the bank to withdraw more than what it has in the account.

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## Question 3

- a. Differentiate between a trade association and a chamber of commerce.
- b. State four functions of a chamber of commerce.
- c. State four functions of an employers association.

## Observation

Most candidates who attempted this question did well in part (a). However, some candidates could not differentiate between the two terms. Some candidates stated the functions of chamber of commerce in part (b) while in part (c), most candidate could not state the functions of employer's association. They stated the functions of labour unions.

The expected responses are.

### (a) **Differences between a trade association and a chamber of commerce**

A trade association is an organization formed by people who engage in the similar trade, vocation or profession to protect members' interest **while** a chamber of commerce is an organization formed by businesses engaged in commerce, manufacturing and agriculture in the same geographical area.

### (b) **Functions of a chamber of commerce**

- i. It regulates the entry into a trade, profession or vocation.
- ii. It ensures that the quality of services rendered by members is of acceptable standards.
- iii. It draws and imposes codes and ethics on members and sanction defaulters.
- iv. It provides advisory services to members.
- v. It educates and informs members about latest developments in the trade, vocation or profession.
- vi. It settles disputes among members.
- vii. It serves as guarantors/referees to members.
- viii. It organizes trade fairs and exhibitions and encourage members to attend.

(c) **Functions of an employer's association**

- i. It acts as a medium of communication between members and government as well as groups.
- ii. It cooperates with other organizations for the regulation of relations among employers.
- iii. It helps in harmonizing relations between employers and employees at the request of members.
- iv. It provides advisory services to members.
- v. It obtains statistics and other data and provide such data to members when required.
- vi. It protects members from unfavorable government policies and legislation. / Serves as pressure group.
- vii. It takes active part in collective bargaining.

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## Question 4

Diagrams of various computer devices were provided labeled A-I.

- a. Name any eight of the computer devices labeled A-I.
- b. State one use of any six input devices named in 4(a).

---

## Observation

Some candidates could not identify the devices. Others could not differentiate between input and output devices as such could not answer the (b) part of the question well.

The expected responses are.

### (a) Names of computer devices labelled A - I

- A. Speaker
- B. Microphone
- C. Web camera/webcam
- D. Flash drive
- E. Monitor
- F. Printer
- G. Keyboard
- H. Optical pen
- I. Joy stick

### (b) Uses of the following computer devices:

- i. Microphone: It is a device used to capture voice into the system unit for voice recognition software.
- ii. Web camera: It is a device that captures images for use in the system.
- iii. Flash drive: It is an external storage device that could be used to copy files from one system for use in another system.

- iv. Keyboard: It has a typewriter face with letters, numbers and symbols used to input characters and commands into the system unit.
- v. Optical pen: It is a pen that has sensitive eyes that can read characters printed in special colours into the system unit.
- vi. Joystick: It is a pad designed for playing computer games. Like the mouse, it allows the user to move the cursor from one end to another.

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## Question 5

- (a) List four sources of credit available to a sole trader.
- (b) Explain the following credit instruments:
- (i) acceptance credit;
  - (ii) luncheon voucher;
  - (iii) bill of exchange.
- (c) State two advantages and three disadvantages of hire purchase to seller.

---

## Observation

Most candidates who attempted this question performed poorly. They could not list the sources of credit available to a sole trader. They could not explain acceptance credit as they did for luncheon voucher and bill of exchange. They could not state the advantages of hire purchase to sellers.

The expected responses are.

- (a) **Sources of credit available to a sole trader**
1. Overdraft
  2. Loans
  3. Leasing of equipment
  4. Hire purchase
  5. Credit card
  6. Revolving credit
  7. Trade credit

- (b) **Explanation of the following credit instruments:**

1. Acceptance credit: This is a method of borrowing where the company draws a cheque for its banks to accept so that the company will discount the cheque on the money market.
2. Luncheon voucher: These are vouchers purchased at a discount by companies to be given to staff to cover lunch allowance as motivation.
3. Bill of exchange: It is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to pay a sum certain in money to the order of the specified person or bearer at a fixed or determinable future time.

**(c) Advantages of hire purchase to the seller:**

- i. The seller retains ownership of goods until full payment is made.
- ii. Profit will increase as a result of increase in sales.
- iii. It increases the rate of turnover.
- iv. Goods could be reprocessed if payment fails.
- v. There would be increase in cash flow for the seller if the hire purchase is externally financed.

**Disadvantages of hire purchase to the seller**

- i. It leads to tying down huge capital.
- ii. It may lead to litigation.
- iii. The buyer may abscond with the goods.
- iv. If customers fail to pay their debts, it turns to be bad debts.
- v. Goods repossessed may be difficult to be resold.
- vi. There could be high cost of recovering of the debt.
- vii. Continuous disagreement during recovery of debt could create a bad image for the company.

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## Question 6

- (a) Explain three means of payment in international trade and two means of payment in home trade.
- (b) Explain five reasons countries engage in international trade.

## Observation

Some candidates missed up the answers in (a) part of the question. In some cases they wrote same answer for both means of payment in both internal trade and in international trade. Candidates performed well in (b) part of the question.

The expected responses are.

### (a) Means of payment in international trade

1. Bills of exchange: It is an instrument drawn through the banking system to pay an over sea seller for goods bought by an importer from another country.
2. Travellers cheques: These are special cheques issued by banks to its customers to enable them make payment while outside the country.
3. Debit cards: These are issued by banks to their customers to enable them pay for goods and services online, provided they have money in their accounts.
4. International bank draft: It is a cheque issued by a local bank, payable overseas on its own agent and handover to the buyer.
5. Credit transfer: It is an arrangement by which funds are transferred from one local person's account to another in a foreign country by a bank.

### Means of payment in home trade

1. Cash: Local currency can be handed over to the seller as a means of payment.
2. Point of sales (POS): Payment can be made through point of sale terminals using credit or debit cards.
3. Bank app: Payment could be made direct by the buyer from their phones using bank applications (bank app).

4. Local bank draft: This is a cheque issued by a local bank payable within the country in the name of the seller.

(b) **Reasons countries engage in international trade**

1. Uneven distribution of natural resources: Some countries have abundance of certain natural resources for example oil while others do not. There is therefore need for trade to occur in order to obtain those resources.
2. Differences in technology: Differences in skills and technology necessitates trade as countries which do not have certain technology or skills in producing certain goods or services depend on others.
3. Access to wider market: The need to access a wider market for goods and services leads to international trade as surplus goods and services need to be exported.
4. Need to access wider varieties of goods: Countries engage in trade so as to obtain a variety of products so as to satisfy the different tastes of its consumers.
5. Seasonal products: Some products are seasonal in nature and countries would have to import them when they are no longer available.
6. Comparative advantage: Countries will prefer to buy products that are cheaply produced by other countries and use their surplus resources for other purposes.
7. To acquire capital asset that the country cannot produce.
8. Countries in a bid to create employment encourage producers to produce for foreign market.

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## Question 7

The marketing manager of a shoe factory was in a senior management meeting to convince the board to accept his proposal of using television to advertise the company's products.

- a. State four benefits the company would derive from using television to advertise its products.
- b. List and explain four other promotional means the company could adopt.

---

## Observation

Candidates could not state the benefits the company could derive using television as a means of advertising. For part (b) candidate listed other means of advertising instead of other promotional means required in the question.

The expected responses are.

### (a) Benefits the company would derive from using television in advertising

1. Television advertisements could be used to educate consumers on how to use the company's products.
2. Television advertisements combine sight, sound and colour which could entice customers to buy more of the company's products.
3. Television advertisements are effective for companies in capturing the attention of viewers their favourite programmes.
4. The company could choose to sponsor popular programmes and continue to flash its adverts instead of paying for slots at a higher cost.
5. The company could advertise effectively in indigenous languages on localized programmes.
6. Television has a wider coverage thereby raising awareness faster.

7. Viewers could be targeted as adverts could be directed to different classes of viewers who watch TV at various times.
8. The company could conveniently target different classes of viewers who watch TV at various times

(b) **Other promotional means the company could adopt**

1. Personal selling: This happens when a sales representative meets with a potential buyer for the purpose of making a sale. At their meeting, efforts are made to present the product to a would-be buyer in an effective way.
2. Direct marketing: This promotion involves selling products direct to the public by mail order or telephone selling. This could be through promotional letters, phones, text messaging and coupons.
3. Public relations: This involves the company managing a good relationship between it and its public by sponsoring programmes that will give the company image prominence.
4. Sales promotion: This is the process of persuading a potential consumer to buy the company's product in short term to boost sales.
5. Internet: The internet could be used to send messages on pages opened online to attract customers.

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## Question 8

The data below relates to J.K. Limited as at December 31, 2021.

|                               |                        |
|-------------------------------|------------------------|
| Inventory- 1st January 2021   | 80,000.00 <sup>D</sup> |
| Inventory- 31st December 2021 | 60,000.00              |
| Purchases                     | 180,000.00             |
| Operating expenses            | 40,000.00              |
| Discount received             | 20,000.00              |
| Other current assets          | 150,000.00             |
| Current liabilities           | 100,000.00             |

Calculate:

- i. Gross profit;
- ii. Net profit;
- iii. Gross profit margin;
- iv. Net profit margin;
- v. Working capital;
- vi. Rate of inventory turnover.

---

## Observation

Candidates did the (v) part of the question well. However, the (vi) part of the question was poorly done. Some candidates failed to use the correct currency symbol which

attracted a penalty. Some candidate could not outline the correct formula of rate of inventory turnover.

The expected responses are:

**Ignore i, ii, iii & iv**

(v) **Working capital** = Current assets – Current liabilities  
 (D150, 000 + D60, 000) – D100, 000  
 D210, 000 – D100, 000  
 = D110, 000

(vi) Rate of inventory turnover =  $\frac{\text{Cost of goods sold}}{\text{Average stock}}$

Cost of Goods sold = Opening inventory + purchases – closing inventory

= D 80,000 + D 180,000 - D 60,000 = D 200,000

Average inventory =  $\frac{\text{Opening inventory} + \text{closing inventory}}{2}$

=  $\frac{\text{D } 80,000 + \text{D } 60,000}{2}$  = D 70,000

Rate of inventory Turnover =  $\frac{\text{D } 200,000}{70,000}$  = 2.86 or 2.9 times

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