

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/01

Paper 1

May/June 2004

Additional Materials: Answer Booklet/Paper

2 hours 30 minutes

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **five** questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

The businesses described in this question paper are entirely fictitious.

This document consists of **5** printed pages and **3** blank pages.



- 1 A trader is involved in both trade and commerce.
- (a) Explain the differences between trade and commerce. [6]
- (b) The trader is paid by cheque or by bank draft.
- (i) State **two** features of a cheque. [2]
- (ii) State **two** features of a bank draft. [2]
- (iii) Why might the trader be more willing to accept a bank draft rather than a cheque in payment for a debt? [4]
- (c) Why might the trader use:
- (i) a forwarding agent [3]
- (ii) an export agent [3]
- when selling in other countries?
- 2 Pricebuy is a well-known supermarket chain operating in many parts of a country.
- (a) Explain briefly what is meant by a supermarket chain. [4]
- (b) Explain what is meant by each of the following and show how they might contribute to the commercial success of Pricebuy:
- (i) bar coding [4]
- (ii) Pricebuy's website on the Internet [4]
- (iii) point-of-sale advertising [4]
- (iv) regional distribution centres. [4]
- 3 (a) Name **four** services a wholesaler might provide for a retailer but **not** for a manufacturer. [4]
- (b) Explain why retailers charge higher prices than wholesalers. [4]
- (c) Explain the trends that have contributed to the decline of the wholesaler. [6]
- (d) In what circumstances is a wholesaler still likely to be used by retailers? [6]
- 4 (a) Giving examples, explain the differences between insurable risks and non-insurable risks. [8]
- (b) In connection with insurance, explain the following terms:
- (i) contribution [3]
- (ii) cover note [3]
- (iii) the average clause [3]
- (iv) utmost good faith. [3]

- 5 The map given in Fig. 1 shows two countries, two ports and two cities.

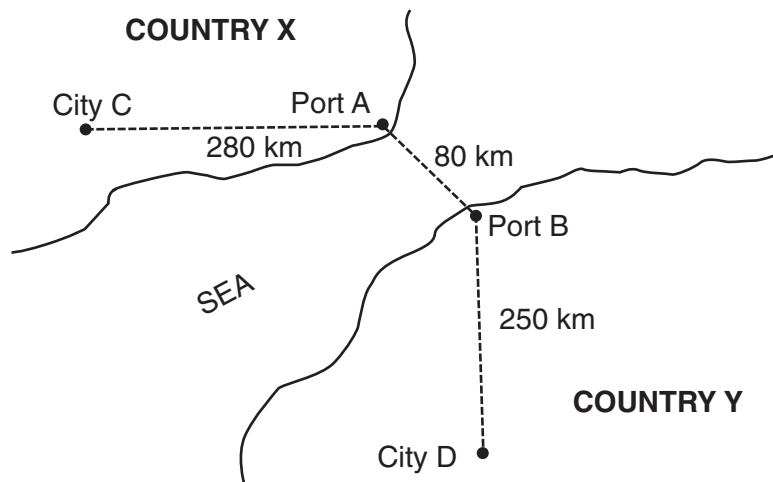


Fig. 1

Use the map given in Fig. 1 to help you to answer the following questions.

- (a) Country X and Country Y trade with one another.

- (i) Suggest **two** reasons why Country X and Country Y should trade with one another. [4]
 (ii) How does international trade benefit the governments of both countries? [4]

- (b) A trader in City C wishes to send a consignment of shoes to a trader in City D.

- (i) Advise the trader on **two** methods of transport he might use. Give reasons for your answer. [8]
 (ii) How does the port authority in Port B assist the trader? [4]

- 6 Solomon Ltd has developed a new brand of soap.

- (a) (i) Explain what is meant by a brand. [2]
 (ii) Explain **two** reasons why companies brand their products. [4]
 (b) (i) Why would Solomon Ltd need to advertise its new brand of soap? [6]
 (ii) What are the benefits of television advertising for Solomon Ltd? [4]
 (c) Explain why advertising the new brand of soap may lead to lower prices for the consumer. [4]

- 7 Mosman Enterprises is a large multinational boat-building business. It was started by Jim Mosman working as a sole trader. It has developed as shown in Fig. 2 below.

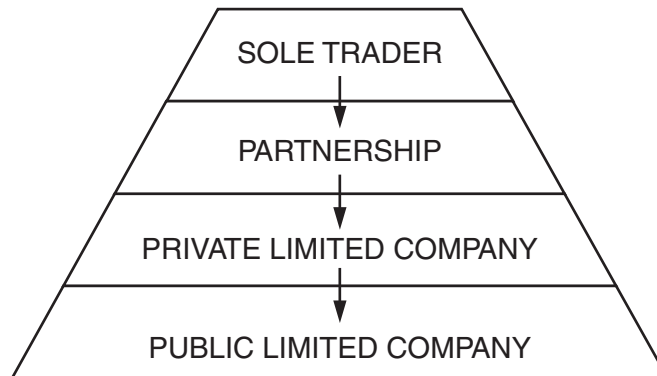


Fig. 2

Use Fig. 2 to help you to answer the following questions.

- (a) Identify **one** characteristic of each of the four types of business organisation shown in Fig. 2. [4]
- (b) Explain the advantages of making the changes from
- (i) sole trader to partnership
 - (ii) partnership to private limited company
 - (iii) private limited company to public limited company. [6]
- (c) What are the benefits to Mosman Enterprises of being a multinational boat-building business? [4]
- (d) Jim Mosman owns 800 000 ordinary shares in Mosman Enterprises.
- (i) State **two** features of ordinary shares. [2]

Information on shares in Mosman Enterprises is given in Fig. 3 below.

Nominal value \$2 per share
Current share price \$8 per share
Dividend paid this year 30c per share

Fig. 3

Use the information given in Fig. 3 to help you to answer the following questions.

- (ii) How much is Jim Mosman's shareholding worth today? Show your working. [2]
- (iii) Calculate how much dividend Jim Mosman received this year. Show your working. [2]

- 8 Mrs Sibanda is a retailer who owns two small shops.
- (a) Explain why it is necessary for her to take out insurance for her shops. [4]
 - (b) Why may she purchase her supplies on credit? [4]
 - (c) Why are the goods packaged before they are sold? [5]
 - (d) Why may Mrs Sibanda need the following services from a bank:
 - (i) a current account [4]
 - (ii) a night safe? [3]
- 9
- (a) What are the main characteristics of a bank loan? [6]
 - (b) In what circumstances would a building company make use of a bank loan rather than a bank overdraft? [4]
 - (c) The building company wishes to obtain a loan of \$600 000.
 - (i) Imagine that you are a bank manager. What information would you require from the building company before you decide whether or not to offer a bank loan? [5]
 - (ii) Interest rates are 6% per year. Calculate how much interest the building company will pay each year if it obtains the \$600 000 loan. Show your working. [2]
 - (d) Explain why the building company might use its retained profits to finance a project. [3]
- 10 Soyo Logistics Ltd is a transport company based in a port in the UK. It specialises in moving bulk cargoes all over the world. It owns several ships, hires other ships and also has a fleet of lorries for transporting goods within the UK.
- (a) Explain the functions of each of the following documents and give the circumstances when Soyo Logistics Ltd might use each of them:
 - (i) bill of lading [4]
 - (ii) charter party [4]
 - (iii) delivery note. [4]
 - (b) Explain **two** advantages to Soyo Logistics Ltd of owning and operating its own fleet of lorries. [4]
 - (c) Soyo Logistics Ltd needs to have speedy communication with all parts of its business.
Name **one** method of communication Soyo Logistics Ltd might use and explain how this method of communication benefits the business. [4]

