

UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS SYNDICATE  
Joint Examination for the School Certificate  
and General Certificate of Education Ordinary Level

**COMMERCIAL STUDIES**

**7101/1**

PAPER 1 Elements of Commerce

**OCTOBER/NOVEMBER SESSION 2001**

2 hours

Additional materials:  
Answer paper

**TIME** 2 hours

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer paper/ answer booklet.

Answer **three** questions from Section A and **both** questions in Section B.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

**INFORMATION FOR CANDIDATES**

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

The businesses mentioned in the questions are entirely fictitious.

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This question paper consists of 8 printed pages.

## Section A

Answer **three** questions from this section.

- 1** Commerce includes trade and aids to trade.
- (a) What is trade? [2]
- (b) A typical chain of distribution is:  
 Manufacturer → Wholesaler → Retailer → Consumer  
 Explain **one** advantage and **one** disadvantage of leaving out:  
 (i) the wholesaler [4]  
 (ii) the retailer [4]  
 from this chain of distribution.
- (c) Communication is an important aid to trade.  
 (i) Describe **two** methods by which letters can be sent through the postal services. [6]  
 (ii) Explain what is meant by e-mail. [4]
- 2** Modern Electrics Ltd is a company manufacturing domestic electrical goods (dishwashers, washing machines, microwave ovens, hairdryers etc.) The company sells its goods at home and abroad and is looking to improve its methods of transporting goods to its customers.
- (a) Describe **four** factors the company must consider before choosing a method of transport. [8]
- (b) In what circumstances might the electrical goods be transported by air? [4]
- (c) Explain the advantages of road transport over rail transport. [8]
- 3** Wilmer Rizzi is a sole trader who owns a dry-cleaning business. His turnover has increased steadily over the past year and he is considering expanding his business.
- (a) What is meant by turnover? [2]
- (b) Explain how turnover is related to net profit. [2]
- (c) In order to help him expand his business, Wilmer is considering asking the bank for a loan or taking on a partner.  
 (i) How does a bank loan differ from an overdraft? [4]  
 (ii) Briefly describe **two** advantages and **two** disadvantages to Wilmer's business of becoming a partnership. [8]
- (d) (i) What is the name of the legal document drawn up for a partnership? [2]  
 (ii) State **two** items of information this document would contain. [2]

- 4 (a) In connection with international trade, what are:
- (i) imports
  - (ii) exports
  - (iii) customs duties?
- [6]
- (b) One of the most important documents in international trade is the bill of lading.
- (i) Explain **two** functions of this document. [4]
  - (ii) Name **two** items of information contained in this document. [2]
- (c) Documents used in home trade include the invoice and the statement of account. Describe the functions of:
- (i) invoice [2]
  - (ii) statement of account. [2]
- (d) What is a credit note and when is it used? [4]
- 5 Margaret Leong and Leona Kin Ching plan to open a small restaurant. They wish to advertise their business and take out insurance.
- (a) State **two** methods by which they could advertise their business. Give reasons for your answer. [6]
- (b) What are the differences between informative and persuasive advertising? [4]
- (c) Name **two** risks against which Margaret and Leona should insure. [2]
- (d) Explain why they cannot insure against loss of profits. [2]
- (e) In connection with insurance, explain the principles:
- (i) utmost good faith
  - (ii) insurable interest.
- [6]

## Section B

Answer **both** questions in this section.

- 6 Look at Fig. 1 and Fig. 2 and then answer the questions opposite.



Fig. 1

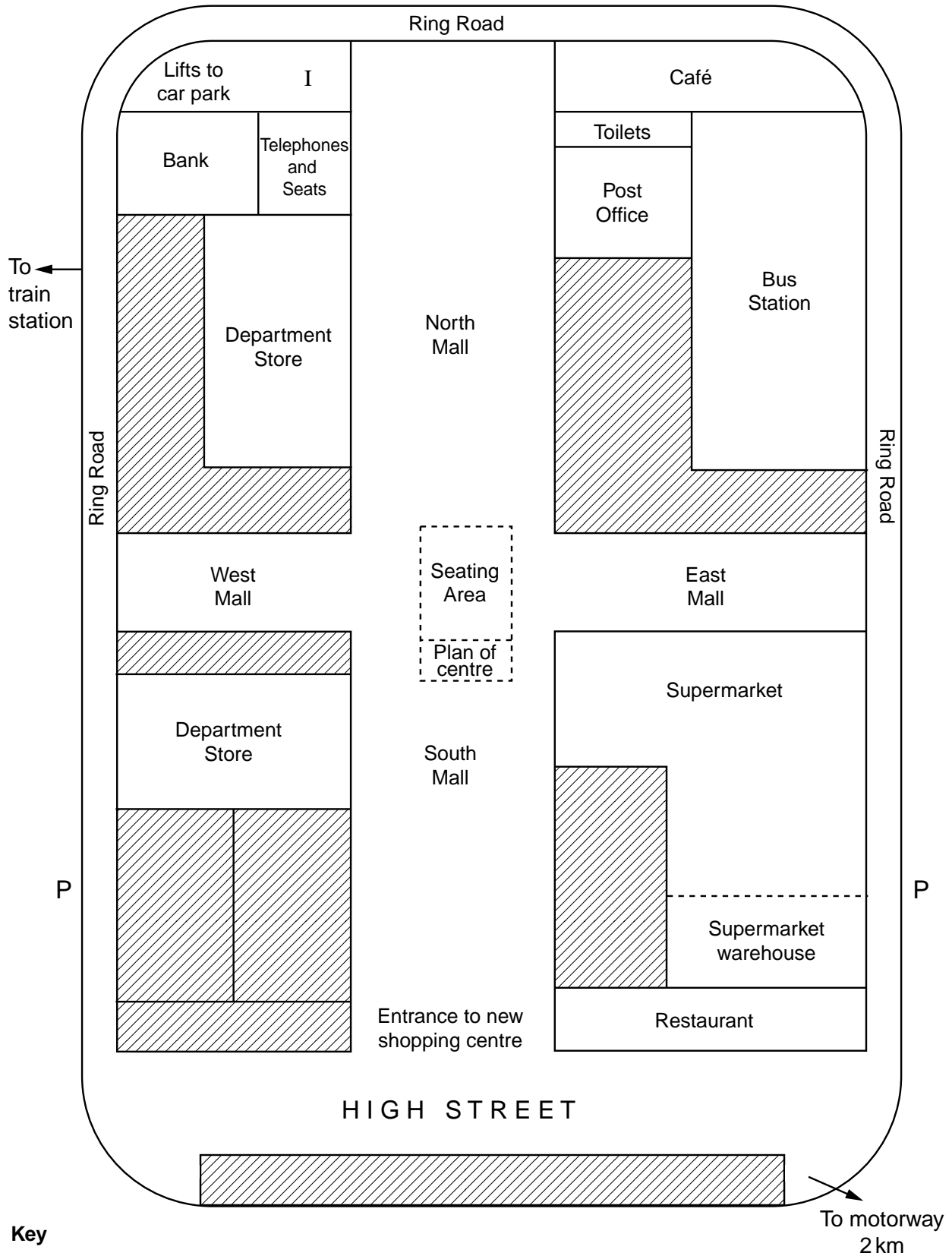
ORION BANK		STATEMENT OF ACCOUNT		
MRS EDNA SMART 80 HIGH STREET ST ANDREWS KY16 1RT		Branch Code 86-06-68 Account No 00565257 Date 18 AUG 01		
Date	Description	Withdrawals	Pay-ins	Balance (DR = Overdrawn)
2001	BALANCE			904.41
4 AUG	034563	14.00		890.41
6 AUG	INSURANCE (SO)	20.21		870.20
9 AUG	GAS (DD)	130.80		739.40
15 AUG	SALARY		1432.65	2172.05
18 AUG	TOP SHOES	45.99		2126.06

Fig. 2

- (a) Fig. 1 shows a night safe.
- (i) Where is this likely to be found? [2]
  - (ii) Give **one** example of **when** it would be used. [1]
  - (iii) Describe **how** the night safe is used. [5]
- (b) Fig. 2 shows part of a customer's current account transactions.
- (i) The payment on 6th August has (SO) against it. Briefly explain this method of payment. [2]
  - (ii) Explain **one** advantage of using direct debit to pay the gas bill of \$130.80. [2]
  - (iii) What are the differences between a current account and a deposit account? [4]
- (c) What is meant by:
- (i) telephone banking [2]
  - (ii) Internet banking? [2]

7 Fig. 3 shows the layout of a new shopping centre.

Study Fig. 3 and then use it to help you answer the questions opposite.



- Key**
- P = Car park
  - I = Information centre
  - ▨ = Small shops and multiples

**Fig. 3**

- (a) Name **two** means of transport by which customers are likely to arrive at the shopping centre. [2]
- (b) Name **two** facilities (not retail outlets) offered in the centre which would help to make shopping there a relaxed and enjoyable experience. [2]
- (c) Briefly describe the features of:
- (i) a department store [3]
  - (ii) a supermarket. [3]
- (d) Describe **two** disadvantages to the customer of shopping at a supermarket. [4]
- (e) The shopping centre is encircled by a road network, part of which is the High Street, the original shopping area.  
Explain the advantages and disadvantages to shops in the High Street when the new shopping centre was built. Give reasons for your answer. [6]

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