

CAMBRIDGE INTERNATIONAL EXAMINATIONS
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 2002

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.

This question paper consists of 6 printed pages and 2 blank pages.



Section A

Answer **three** questions from this section.

- 1 (a)** Briefly describe each of the following:
- (i)** private limited company;
 - (ii)** public limited company;
 - (iii)** multinational organisation. [9]
- (b)** All businesses, large or small, require capital. What is meant by capital? [3]
- (c)** Most businesses make a profit. Explain how profits are distributed in the following:
- (i)** partnerships; [2]
 - (ii)** limited companies. [3]
- (d)** What is meant by limited liability? [3]
- 2 (a)** Explain what is meant by:
- (i)** home trade; [2]
 - (ii)** international trade. [2]
- (b)** Name **two** documents used in international trade. [2]
- (c)** In connection with imports, explain what is meant by customs duties and give **two** reasons why they are charged. [6]
- To complete a transaction in home trade, several documents may be used.
- (d)** List the following documents in your answer booklet in the order in which they would be used when supplying goods on credit.
- invoice, statement of account, delivery note, order.** [4]
- (e)** Explain the differences between an invoice and a statement of account. [4]

3 During the last few years there has been a decline in the number of small retail shops and an increase in the number of large shopping centres.

(a) Describe **two** methods by which people can buy goods without going to a shop. [4]

(b) Explain **two** advantages to the customer of using small retail shops. [4]

A shopping centre usually has at least one **hypermarket** or **supermarket** and one **department store**.

(c) State **three** features of each of the following:

(i) hypermarket;

(ii) supermarket;

(iii) department store. [9]

(d) Explain **one** disadvantage for the customer of using large shopping centres. [3]

4 David Chen has recently started a business repairing bicycles. He has opened a current account with a local commercial bank.

(a) State **two** ways in which the bank could have helped David **before** he began trading. [2]

(b) Describe the following ways by which David could pay his debts through his current account. In each case, give an example of the kind of debt he might settle by the method described.

(i) cheque;

(ii) standing order;

(iii) direct debit. [12]

(c) If David needs extra funds to run his business, he may ask the bank for an overdraft.

(i) What is an overdraft? [2]

(ii) How does a loan differ from an overdraft? [2]

(d) State **two** ways by which David could pay money into his current account. [2]

5 Insurance is an aid to trade.

(a) Apart from insurance, state **three** other aids to trade. [3]

(b) In connection with insurance, explain what is meant by 'pooling of risk'. [4]

(c) Factory premises worth \$25,000 were insured for \$20,000. If they were totally destroyed by fire, how much compensation would the owners receive from the insurers? Give reasons for your answer. [5]

(d) Describe the steps to be followed when taking out an insurance policy. [8]

Section B

Answer **both** questions in this section.

6 Fig. 1 shows two different methods of transport.

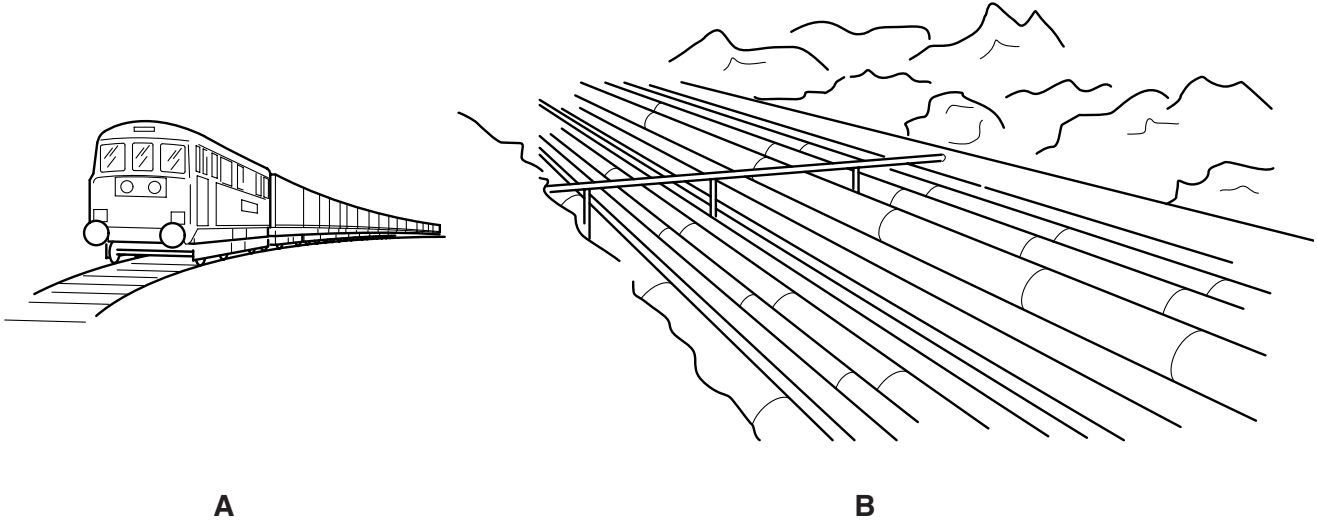


Fig. 1

Use these pictures to help you answer the following questions.

- (a) (i) Describe the advantages of these methods of transport. [8]
- (ii) Give an example of the cargo carried by each. [2]

Fig. 2 shows a container ship being loaded at a port.

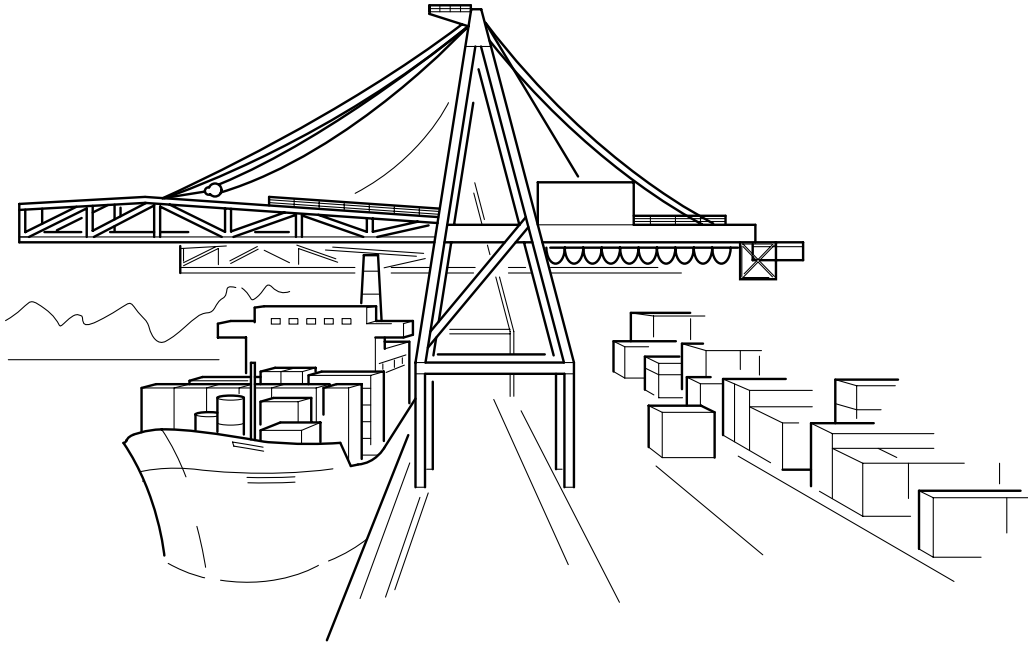


Fig. 2

Look at Fig. 2 and use it to help you answer the question which follows.

- (b) Describe the advantages of using containers for sending goods overseas. [6]
- (c) Explain **two** functions of the Customs Authorities in relation to importing goods. [4]

7 Fig. 3 shows an advertisement which appeared in a colour magazine.

**Stylish sofas at
low prices**



was \$420 now \$300
Free delivery
21 days home trial

For a copy of our **FREE** colour brochure
☎ 123456

Sofa Sales Ltd

Fig. 3

Study this advertisement and use it to help you answer the following questions.

- (a) (i) Calculate how much a buyer would save if she ordered one sofa from this advertisement. (Show your working.) [2]
- (ii) What is the charge for delivery of the goods? [2]
- (iii) What is meant by 21 days home trial? [2]
- (b) (i) Explain **two** functions of advertising. [4]
- (ii) Explain **three** factors to consider before choosing the medium by which to advertise. [6]
- (iii) Why do you think Sofa Sales Ltd chose to advertise in a colour magazine? [4]

