



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

CANDIDATE  
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**COMMERCIAL STUDIES**

**7101/01**

Paper 1 Elements of Commerce

**October/November 2010**

**2 hours**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in.  
Write in dark blue or black pen.  
Do not use staples, paper clips, highlighters, glue or correction fluid.  
**DO NOT WRITE IN ANY BARCODES.**

**Section A**

Answer **three** questions.

**Section B**

Answer **all** the questions.

The businesses described in this Question Paper are entirely fictitious.

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.

For Examiner's Use	
<b>Section A</b>	
<b>Section B</b>	
<b>6</b>	
<b>7</b>	
<b>Total</b>	

This document consists of **17** printed pages and **3** blank pages.



Section A

Answer **three** questions from this section.

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1 Fig. 1 shows a chain of production for cakes.

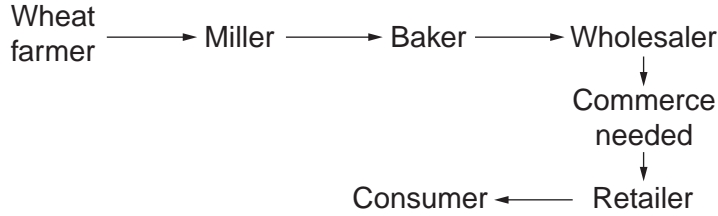


Fig. 1

Use Fig. 1 to help you to answer some of the following questions.

(a) (i) What is meant by the term *commerce*?

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..... [2]

(ii) Explain **three** ways in which 'commerce is needed' between the wholesaler and the retailer.

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(b) State **two** services provided for the baker by the wholesaler.

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(c) What difficulties would there be for wheat farmers if banking services did not exist?

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(d) Explain why advertising is important to trade.

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2 A limited company makes a net profit of \$100 000 in a year.

(a) (i) If the company retains 50% of the net profit within the company, calculate how much it would distribute to its shareholders in dividends. Show your working.

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..... [2]

(ii) Give **two** reasons why the company might have decided to retain 50% of the profits within the company.

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(iii) The company has issued 500 000 shares, each having a nominal value of \$1.00. Calculate the dividend, in cents, each share will receive. Show your working.

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As a type of business organisation, private limited companies are much more common than partnerships.

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**(b)** Explain **three** differences between private limited companies and partnerships.

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**(c)** State **two** types of work carried out by **each** of the following departments in a company:

**(i)** finance  
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..... [2]

**(ii)** marketing  
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..... [2]

**(iii)** personnel (human resources)  
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..... [2]

**(iv)** purchasing.  
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3 A company used to send most of its goods by rail but now uses road transport. The company continues to send some goods by sea.

(a) (i) Explain why the company now sends goods by road transport rather than by rail.

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(ii) Explain when it would be better to use sea rather than road for the transport of goods.

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(b) Name and describe a transport document that would be used when goods are sent by **each** of the following:

(i) a road haulier

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..... [3]

(ii) a container ship.

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(c) State and explain **two** Post Office services that the company could use to communicate with its customers.

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4 The diagram below shows a purpose of insurance.

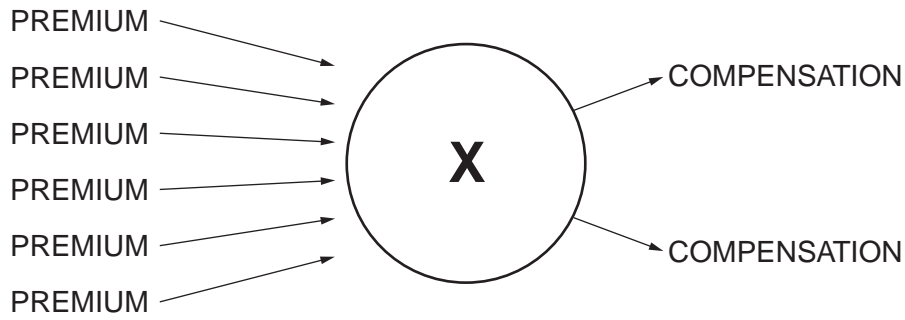


Fig. 2

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

(a) (i) Identify X in Fig. 2.

..... [1]

(ii) Define the term *compensation*.

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..... [2]

(iii) What is meant by a premium?

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(b) Identify **three** of the factors an insurance company will take into account when setting a premium.

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(c) Giving an example, explain why some risks are non-insurable.

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(d) Show how the following insurance principles will apply when an insurance claim is made:

(i) insurable interest

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..... [4]

(ii) utmost good faith.

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5 A company uses the following methods of communication.

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LETTER	FAX	EMAIL	TELEPHONE	VIDEO-CONFERENCING
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(a) Which is the best communication method for the company to use in the following situations? Give a reason for **each** of your answers.

(i) Sending a copy of an urgent document from Brunei to South Africa.

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..... [2]

(ii) Confirming the appointment of a new Chief Executive.

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..... [2]

(iii) Holding a weekly face-to-face meeting between managers based in different countries.

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..... [2]

(iv) Having a conversation about a missing order.

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**(b) (i)** State **two** advantages of using email rather than the telephone.

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..... [2]

**(ii)** State **two** advantages of using the telephone rather than email.

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**(c)** Explain the advantages to one of the company's sales representatives of using a mobile phone (cellphone).

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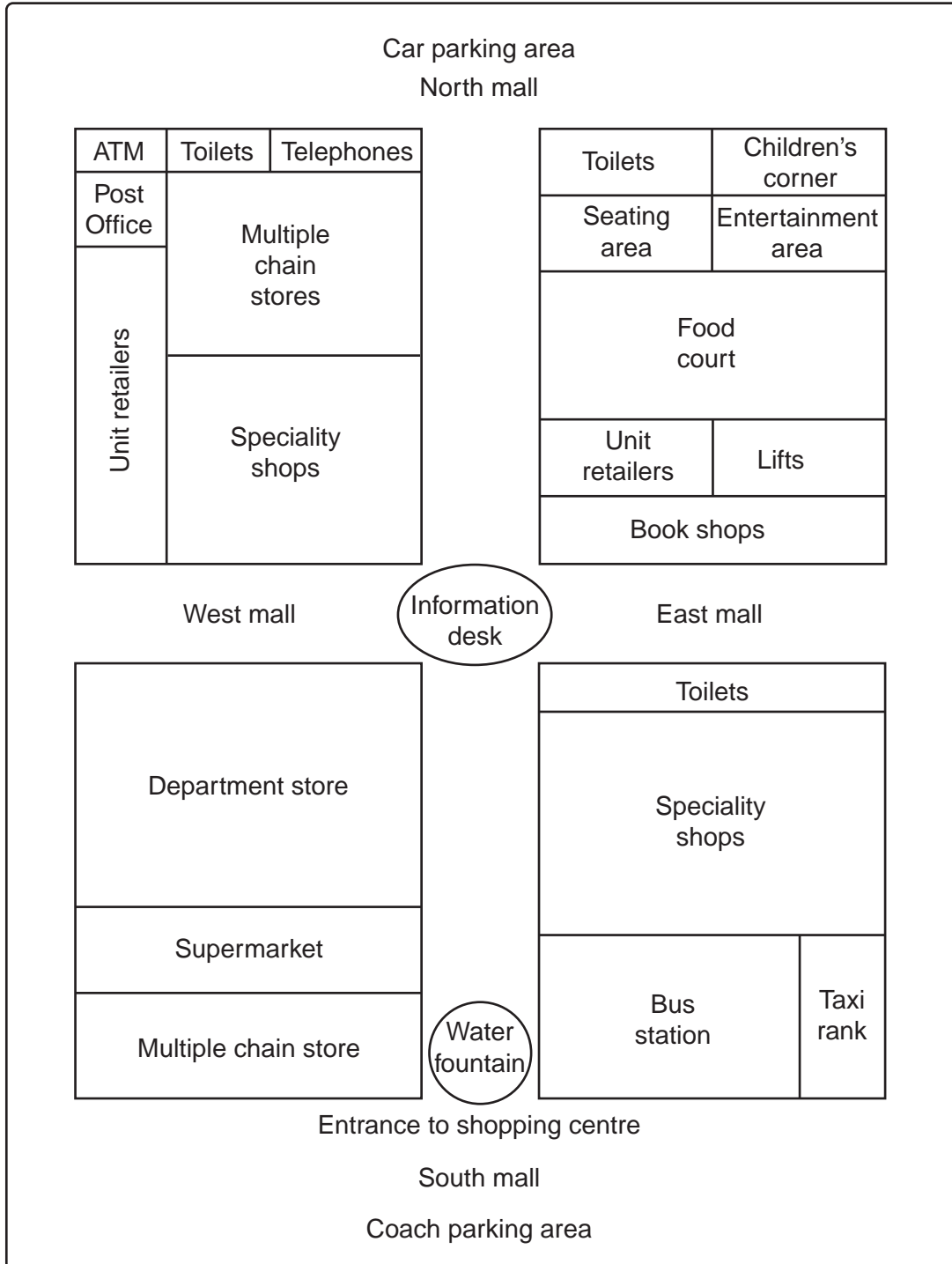
**(d)** Why is email an important method of communication in many companies?

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**Section B**

Answer **both** questions in this section.

6 The diagram shows a shopping centre.



**Fig. 3**

Use Fig. 3 to help you answer some of the following questions.

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- (a) (i) Name **two** types of road transport that customers may use when visiting the shopping centre shown in Fig. 3.

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..... [2]

- (ii) Identify **two** features in Fig. 3 that would help to make the visit a relaxed and enjoyable experience in this shopping centre.

.....  
..... [2]

- (iii) Explain **one** disadvantage to customers of using a large shopping centre.

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..... [2]

- (b) Identify **three** features of **each** of the following types of retailer:

- (i) speciality shops

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..... [3]

- (ii) department stores.

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(c) Explain why supermarket shopping has become popular with many customers.

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(d) Why do banks provide cash dispensers (ATMs) in shopping centres?

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[4]

7 The table shows a country's trade with the rest of the world.

Trade 2009	Exports (\$m)	Imports (\$m)
Food	12	14
Raw materials	6.25	9.5
Fuels	4.6	8.9
Semi-manufactured goods	24.3	13.4
Manufactured goods	41.7	16.2
Other goods	2.75	10.25
Services	8.4	27.75

**Fig. 4**

Use Fig. 4 to help you answer some of the following questions.

**(a)** Calculate the total value of **each** of the following:

**(i)** visible exports (show your working)

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 .....  
 .....  
 ..... [2]

**(ii)** invisible imports (show your working).

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**(b)** What conclusions can be made from Fig. 4 about the commercial activities of this country?

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**(c) (i)** Explain why a country exports goods.

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**(ii)** Explain why a country imports goods.

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**(d) (i)** What are the differences between excise duties and customs duties?

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**(ii)** Identify an effect that quotas have on imported goods.

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