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**COMMERCIAL STUDIES**

**7101/11**

Paper 1 Elements of Commerce

**October/November 2017**

**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.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, 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.

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

**SECTION A**

Answer **three** questions from this section.

**1** Businesses use postal, telephone and email services to communicate with each other.

**(a)** Name **two other** methods of communication.

1 .....

.....

2 .....

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[2]

**(b)** State which postal service should be used to send each of the following:

**(i)** An invoice for goods despatched

..... [1]

**(ii)** A packet containing valuable jewellery

..... [1]

**(iii)** An envelope containing your birth certificate

..... [1]

**(iv)** Replies from the public in response to an advertisement at no cost to the sender

..... [1]

**(c)** Explain **two** differences between postal and telephone services.

1 .....

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2 .....

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[4]

(d) Explain why the use of email has increased.

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[6]

(e) Explain **two** reasons why postal services are still needed despite the use of email.

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[4]

2 Supermarkets and multiple chain stores are two types of retailer that sell branded goods.

(a) State **two** characteristics of:

(i) supermarkets

1 .....

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2 .....

.....

[2]

(ii) multiple chain stores

1 .....

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2 .....

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[2]

(b) Explain **two** advantages to supermarkets of selling branded goods.

1 .....

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2 .....

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[4]

(c) Explain **one** disadvantage to a multiple chain store of accepting credit cards.

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[2]

**(d)** Explain why many types of retailer are often located in shopping centres.

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**(e)** Explain why wholesalers are **not** located in shopping centres.

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..... [4]

3 Batesons Ltd needs premises insurance for a new office building.

(a) Explain **two** reasons why businesses need insurance.

1 .....

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[4]

(b) State **two** risks covered by premises insurance.

1 .....

2 .....

[2]

(c) Explain **two** differences between the role of the insurance broker and the role of the insurance company in providing premises insurance.

1 .....

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[4]

(d) Explain why insurance cover will be given **only** if Batesons Ltd has insurable interest.

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..... [6]

(e) The building is valued at \$2 million but the company wishes to insure it for \$2.5 million.

(i) Give **one** reason why Batesons Ltd might want to do this.

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..... [1]

(ii) Explain why is it **not** advisable for Batesons Ltd to do this.

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..... [3]

4 Banks provide many means of payment for businesses.

(a) (i) State **two** reasons why cheques may be used instead of cash when paying a debt.

1 .....

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2 .....

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[2]

(ii) The box below shows a cheque.

The diagram shows a rectangular box representing a cheque. At the top left, a circle with the number 1 is positioned above the top-left corner. At the top right, a circle with the number 2 is positioned above the top-right corner. In the middle left, the word 'Pay:' is followed by a horizontal line, with a circle containing the number 3 positioned above this line. Below this line are two more horizontal lines. To the right of these lines is a rectangular box containing a dollar sign '\$' followed by a horizontal line. Below this box, the name 'Mrs J C Bloggs' is written. At the bottom right, a circle with the number 4 is positioned above a horizontal line. At the bottom left, the alphanumeric string '00001234 5678 0012' is printed.

Identify the parts numbered 1–4.

1 .....

2 .....

3 .....

4 .....

[4]

(b) Explain **two** advantages of using credit transfer rather than using a cheque.

1 .....

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2 .....

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[4]



(c) Explain why credit cards are being used more than cheques.

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..... [6]

(d) Explain **two** reasons why banks often use national newspapers to advertise new deposit accounts.

1 .....

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2 .....

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..... [4]

5 Multinational companies often have warehouses at seaports.

(a) State **two** features of a multinational company.

1 .....

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2 .....

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[2]

(b) Explain **two** reasons why a multinational company might benefit from warehousing at a seaport.

1 .....

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2 .....

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[4]

(c) Suggest the type of sea transport most likely to be used for transporting the following goods to the United Kingdom. For **each** type of transport, give a reason for your choice.

(i) crude oil from Africa

Transport .....

Reason .....

.....

[2]

(ii) a large quantity of shoes from Asia

Transport .....

Reason .....

.....

[2]



**SECTION B**

Answer **both** questions in this section.

6 Fig. 1 shows the balance of payments on current account for two countries.

<u>Balance of Payments (\$ billion)</u>		
	<b>Country A</b>	<b>Country B</b>
	<b>\$ billion</b>	<b>\$ billion</b>
Visible exports	95	70
Visible imports	110	65
Balance of <b>(i)</b>	-15	<b>(ii)</b>
Invisible exports	64	30
Invisible imports	31	14
Balance of invisibles	<b>(iii)</b>	16
Balance of Payments on current account	18	<b>(iv)</b>

**Fig. 1**

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

**(a)** In the spaces below, write the information missing from Fig. 1, **(i–iv)**:

- (i)** ..... [1]
- (ii)** ..... [1]
- (iii)** ..... [1]
- (iv)** ..... [1]

**(b)** Giving an example, explain the term *invisible imports*.

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

(c) (i) Name **two** trade restrictions that a country might introduce to restrict imports.

1 .....

2 .....

[2]

(ii) Explain **one** way in which a Customs Authority might be involved in restricting imports.

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..... [2]

(d) Identify **four** stages involved when making a purchase of goods using a letter of credit.

1 .....

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2 .....

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3 .....

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4 .....

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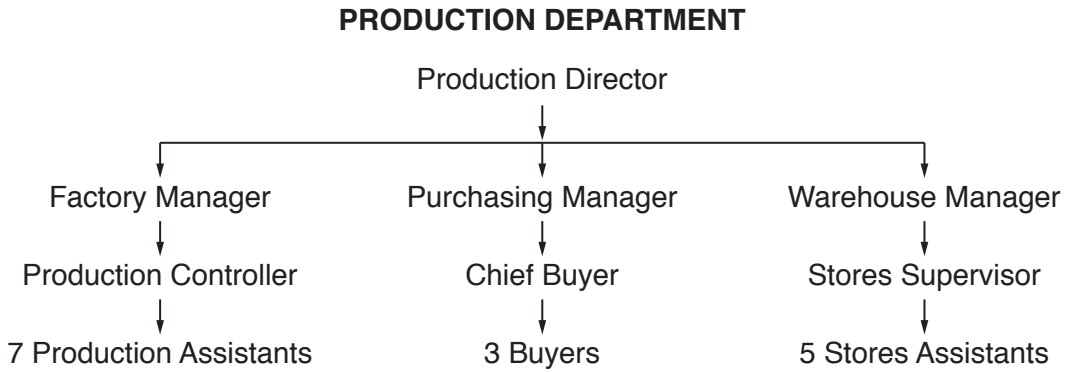
[4]

(e) Explain the importance of international trade to a country.

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..... [6]

**Turn to page 16 for Question 7.**

7 Fig. 2 shows the organisation chart of the Production Department of a limited company.



**Fig. 2**

Identify from Fig. 2 the following:

- (a) (i) who is in charge of the Production Department  
..... [1]
  - (ii) how many levels are shown on the organisation chart  
..... [1]
  - (iii) who the Chief Buyer reports to  
..... [1]
  - (iv) how many employees are within the authority of the Warehouse Manager  
..... [1]
- (b) Identify and explain the purpose of **two** departments that this company might have, **other** than the Production Department.
- Department .....
- Purpose .....
- .....
- Department .....
- Purpose .....
- ..... [4]



(c) Explain **two** benefits of displaying an organisation chart for **employees** on the main noticeboard.

1 .....

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2 .....

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[4]

(d) (i) State **two** similarities between private and public limited companies.

1 .....

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2 .....

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[2]

(ii) Explain how the ownership and control of private limited companies and public limited companies differ.

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[6]





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