

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCIAL STUDIES

7101/01

Paper 1 Elements of Commerce

October/November 2006

Additional Materials: Answer Booklet/Paper

2 hours

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.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **three** questions from **Section A** and **both** questions in **Section B**.
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 **5** printed pages and **3** blank pages.



Section A

Answer **three** questions from this section.

- 1 (a) Explain what is meant by:
- (i) commerce;
 - (ii) home trade. [4]
- (b) Explain why international trade is necessary to the commercial life of a country. [6]
- (c) Why are customs duties important on certain types of goods? [2]
- (d) Name **two** documents used in international trade. State a purpose for each. [4]
- (e) In connection with the transporting of goods from one firm to another, explain the uses of each of the following:
- (i) advice note;
 - (ii) delivery note. [4]
- 2 (a) Briefly describe the main characteristics of each of the following retailers:
- (i) department stores;
 - (ii) multiple stores;
 - (iii) supermarkets. [6]
- (b) Why are different kinds of shops found in shopping centres? [4]
- (c) Explain why some retailers no longer deal with wholesalers. [4]
- (d) (i) Explain **one** disadvantage to a retailer of offering Internet shopping as an additional method of retailing. [2]
- (ii) Explain why some customers do not use Internet shopping. [4]
- 3 Mrs Ntombi Sobuza makes use of a bank and a post office to pay her bills and for other services.
- (a) (i) Why might Mrs Sobuza use cheques instead of cash to pay her bills? [4]
- (ii) Give an example of a special crossing on a cheque and explain how it is used. [2]
- (iii) Give **two** reasons why a bank may refuse to honour a cheque. [2]
- (b) Explain the differences between each of the following:
- (i) current accounts and deposit accounts;
 - (ii) bank loans and bank overdrafts. [8]
- (c) Apart from paying bills, why would Mrs Sobuza use the post office instead of the bank? [4]

- 4 Elphus Nxumalo owns a transport business.
- (a) Name **three** insurance risks against which he should insure. [3]
- (b) Explain the meaning of each of the following terms used in insurance:
- (i) insurable interest;
- (ii) utmost good faith;
- (iii) cover note. [6]
- (c) What does it mean if Elphus is under-insured and explain the effect it might have on any claims he might make? [3]
- (d) Name **two** kinds of road transport. [2]
- (e) Explain **three general** factors which a transport firm needs to consider when transporting a consignment of goods. [6]
- 5 (a) State **one** advantage and **one** disadvantage of advertising goods to each of the following:
- (i) the consumer;
- (ii) the producer. [4]
- (b) For each of the following, suggest the most suitable method of advertising and give a reason for each method chosen.
- (i) a local shopkeeper advertising a sale;
- (ii) a new type of farm tractor;
- (iii) a new brand of washing powder;
- (iv) a dance at the local school. [8]
- (c) Large businesses use organisation charts.
- (i) What are the functions of organisation charts? [3]
- (ii) Apart from advertising, state **two** functions of a sales department. [2]
- (iii) The following list shows employees in the finance department.
- | | |
|-----------------------------|-------------------------|
| Accountant | Ledger Clerk |
| Trainee Ledger Clerk | Chief Accountant |
| Financial Director | |
- Rearrange the list of staff in the correct order of authority. [3]

Section B

Answer **both** questions in this section.

6 Fig.1 shows a commercial area.

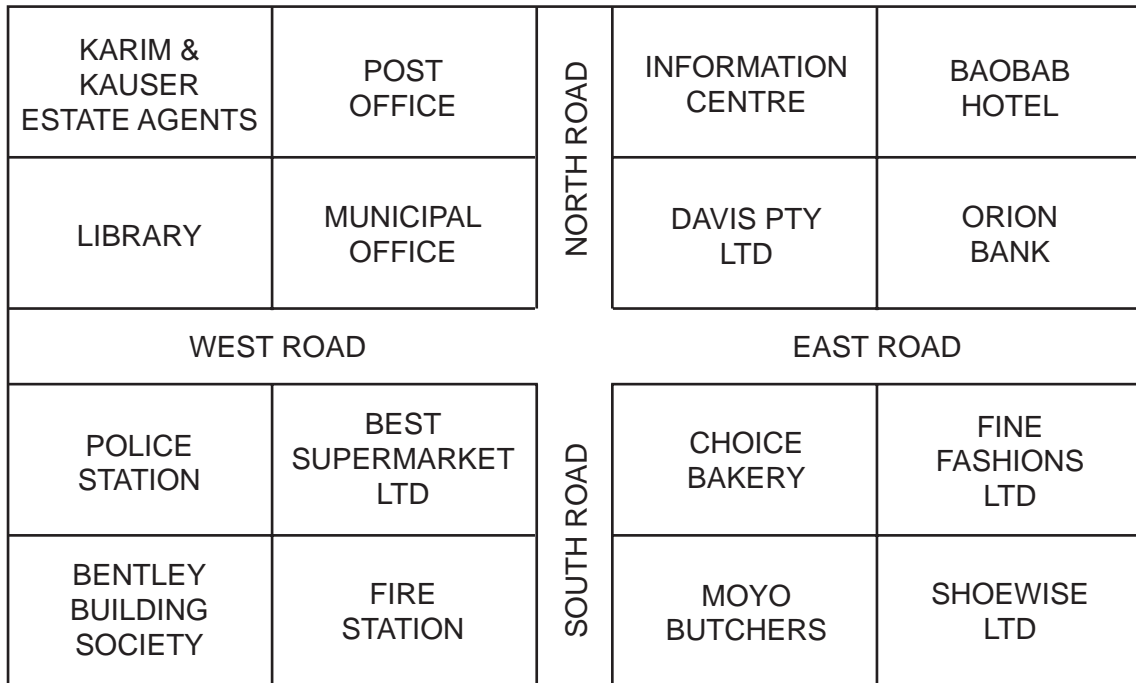


Fig. 1

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

- (a) (i) What is the name of a sole trader? [3]
(ii) What is the name of the partnership? [3]
(iii) What is the name of the private limited company? [3]
- (b) Sole traders have unlimited liability. What does unlimited liability mean? [3]
- (c) Sole traders can expand their businesses by taking partners.
Outline **two** advantages and **two** disadvantages which might occur from such expansion. [4]
- (d) Explain why it might be better for the owners of the business to operate as a private limited company rather than as a partnership? [4]
- (e) (i) Orion Bank is a multinational organisation. What is meant by a multinational? [2]
(ii) State and explain **one** benefit and **one** disadvantage of a multinational setting up in a country. [4]

7 Fig. 2 shows different methods of communication.

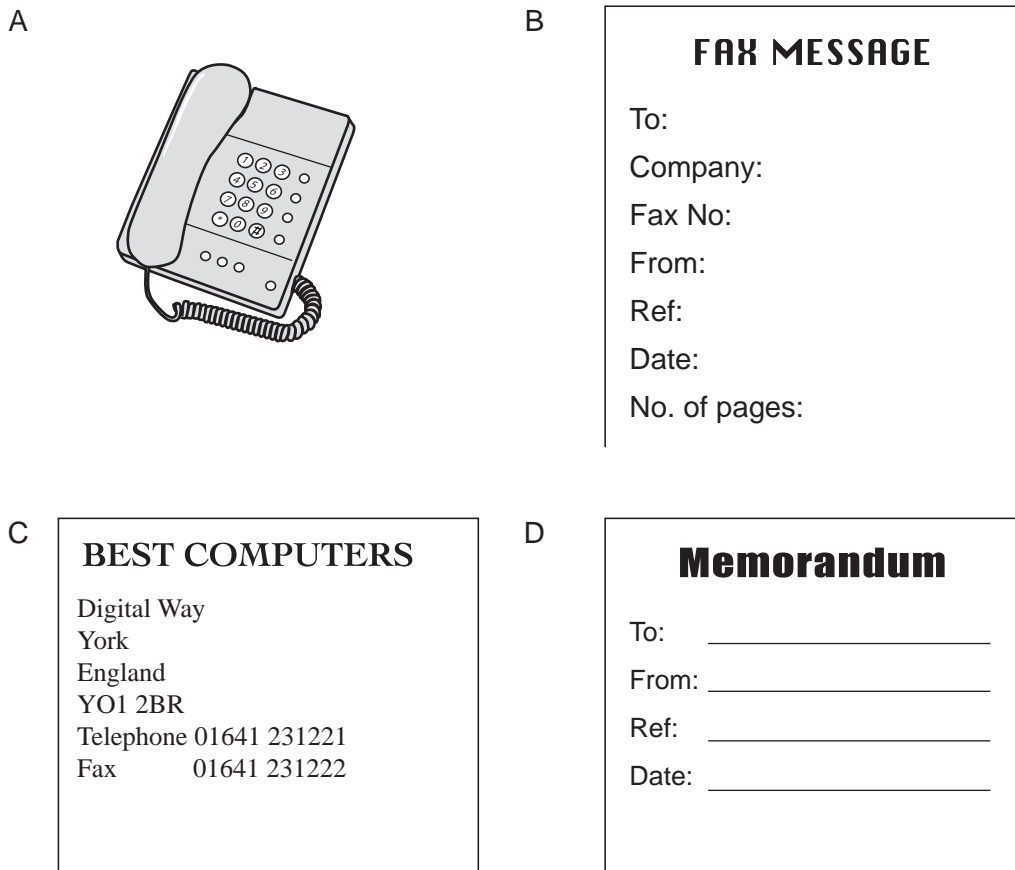


Fig. 2

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

- (a) Match the methods of communication in Fig. 2, labelled A, B, C and D, to the following situations:
- (i) sending a copy of an urgent document from China to Lesotho;
 - (ii) advising all staff of the regular monthly staff meeting;
 - (iii) discussing a business problem with a colleague;
 - (iv) confirming a non-urgent telephone order. [4]
- (b) As a sales representative, explain **two** advantages of using a mobile phone (cellphone). [4]
- (c) Explain **three general** factors which you need to consider when choosing which method of communication to use. [6]
- (d) How does the use of the computer assist the business? [6]

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