



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

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**COMMERCIAL STUDIES**

**7101/01**

Paper 1 Elements of Commerce

**October/November 2008**

**2 hours**

Additional Materials: Answer Booklet/Paper

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**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.

**Section A**

Answer **three** questions.

**Section B**

Answer **all** 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.



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This document consists of **5** printed pages and **3** blank pages.



**Section A**

Answer **three** questions from this section.

- 1 'Trade is one of the activities that makes up commerce so as to satisfy human wants.'
- (a) (i) What is meant by 'trade'? [2]  
(ii) Identify the **two** divisions of home trade. [2]  
(iii) Using an example, explain the phrase 'to satisfy human wants'. [2]
- (b) Explain the importance of warehousing to trade. [6]
- (c) One of the functions of commerce is to provide a link between the producer and the consumer.  
Describe the various stages, apart from warehousing, in the processing of tea from the producer to the consumer. [8]
- 2 Street stalls in open-air markets continue to be popular despite the development of shopping centres.
- (a) State and explain **two** reasons why customers still like to buy goods from street stalls in open-air markets. [4]
- (b) Explain **two** advantages that street stall owners have over businesses operating in shopping centres. [4]
- (c) Why do street stall owners usually require customers to pay in cash? [4]
- (d) Identify **four** features of a shopping centre. [4]
- (e) Explain **two** disadvantages that a shopping centre might have for consumers. [4]

3 The following table shows the trading figures for a country:

**International Trading Figures**

	2007 \$m	2008 \$m
Visible trade: Exports	6428	7148
Imports	6639	7428
Visible Balance	-211	<b>X</b>
Invisible Balance	-49	+150
Current Balance	-260	<b>Y</b>

- (a) (i) Calculate the Visible Balance for 2008 labelled **X**. [1]  
(ii) Calculate the Current Balance for 2008 labelled **Y**. [1]  
(iii) Give **one** example of visible trade and **one** example of invisible trade. [2]
- (b) Why is international trade so important to a country? [6]
- (c) Explain **two** difficulties experienced by exporters. [4]
- (d) (i) Describe the functions of customs authorities. [4]  
(ii) What effect will customs duties have on imported goods? [2]
- 4 (a) What benefits do **consumers** gain from advertisements? [4]  
(b) State **two** advantages and **two** disadvantages of advertising goods on the Internet. [4]  
(c) Companies often use email, face-to-face meetings and the mobile phone (cellphone) to communicate with customers.  
Give **one** advantage and **one** disadvantage of using **each** of these three methods. [6]  
(d) State and explain **three** postal services provided by the Post Office in your country. [6]
- 5 Moses Ramafole has bought a bakery outside the town centre. He wishes to deliver goods by van to customers who live in the town. He needs to insure his business.
- (a) (i) Name **four** business risks against which he should insure. [4]  
(ii) Name the document that Moses will complete when applying for insurance. [1]
- (b) Why should Moses obtain different quotations from different insurance companies? [4]
- (c) The bakery is next to a hardware store owned by Khari.  
Explain why Moses is not able to insure Khari's hardware store. [4]
- (d) State **three** factors Moses should have taken into account before deciding to deliver his goods using a van rather than a bicycle. [3]
- (e) Explain **two** problems that Moses might have when using a van to deliver goods to customers in the town centre. [4]

## Section B

Answer **both** questions in this section.

6 Fig. 1 shows an extract from a bank statement for Lisha Okan for October 2008.

## Orion Bank

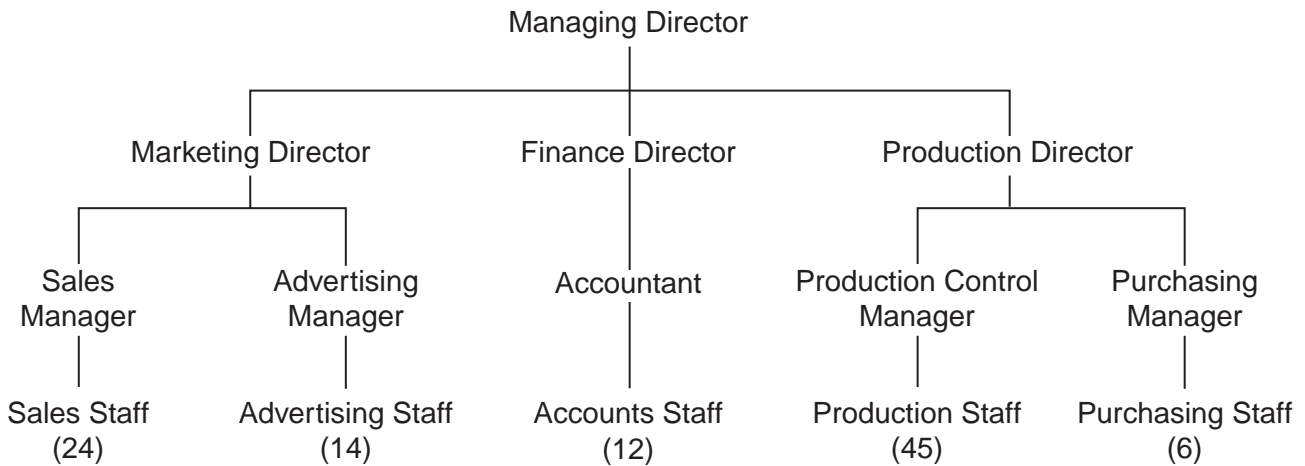
Date	Particulars	Receipts	Payments	Balance
1 Oct	Balance			\$900
2 Oct	Cheque		\$300	\$600
10 Oct	Deposit	\$130		\$730
11 Oct	DD		\$400	\$330
17 Oct	Cash Dispenser/ATM		\$350	\$20 O/D
18 Oct	Dividend	\$200		\$180
24 Oct	Cheque		\$110	\$70
31 Oct	Credit transfer	\$800		\$870

Fig. 1

Use the bank statement (Fig. 1) to help you to answer the following questions:

- (a) (i) Who is the sender of the bank statement? [1]  
(ii) What is the date of the direct debit payment? [1]  
(iii) When did the account become overdrawn? [1]  
(iv) What is the balance of the current account on the 31 October 2008? [1]
- (b) State **two** items required by Lisha to use the cash dispenser/ATM machine. [2]
- (c) (i) What is meant by the credit transfer service? [2]  
(ii) Explain **two** benefits to Lisha's employer of using the credit transfer service. [4]
- (d) Explain the differences between the following banking services:
- (i) Loan and overdraft. [4]  
(ii) Current account and deposit account. [4]

7 Part of the organisation chart for Kojo Ltd is shown in Fig. 2. Kojo Ltd makes and sells radios.



**Fig. 2**

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

- (a) (i) Who is the head of this organisation? [1]  
 (ii) To whom does the Advertising Manager report if there is a problem? [1]  
 (iii) How many staff are within the authority of the Finance Director? [1]  
 (iv) Name **one** other department which the company might have but which is left out of this chart. [1]
- (b) Give **two** functions of the Production Department. [2]
- (c) The shareholders of Kojo Ltd have limited liability. What does this mean, and why is it important to the shareholders? [3]
- (d) Kojo Ltd offers cash and trade discounts to its customers.
- (i) What is meant by cash discount and trade discount? [2]  
 (ii) What are the benefits of **each** of these discounts to:  
 1. Kojo Ltd; [2]  
 2. Kojo's customers? [2]
- (iii) Kojo Ltd invoices a customer for \$20 000 for a consignment of radios on 13 October 2008. A trade discount of 20% is deducted, and a cash discount of 5% for payment within seven days is offered. If the customer settles the invoice on 18 October 2008, calculate how much the customer will pay. Show your working. [5]





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