

CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/01**

Paper 1

May/June 2003

Additional Materials: Answer Booklet/Paper

**2 hours 30 minutes**

**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 on both sides of the paper.  
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **five** questions.

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.

The businesses described in this question paper are entirely fictitious.

- 1 (a) 'Aids to trade assist both primary and secondary industries.'
- (i) Using examples, distinguish between primary and secondary industry.
  - (ii) Explain how **two** aids to trade may assist both primary and secondary industry. [6]
- (b) Explain the advantages of specialisation for a manufacturer of shoes. [6]
- 2 Many department stores, supermarkets, multiple chains and unit retailers are located in city shopping centres.
- (a) State **two** characteristics of:
- (i) department stores [2]
  - (ii) unit retailers. [2]
- (b) Explain why retailers are often located in shopping centres. [6]
- (c) Why do many multiple chain stores buy direct from manufacturers? [4]
- (d) Why do many consumers prefer to buy food from supermarkets rather than from unit retailers? [6]
- 3 (a) State and explain **three** services offered by wholesalers to retailers. [6]
- (b) Explain how retailers assist wholesalers. [3]
- (c) Explain why few wholesalers operate retailing businesses. [3]
- (d) Describe the changes in the wholesale trade brought about by the decline in importance of the independent wholesaler. [8]

- 4 Fig.1 shows the pooling of risk in insurance.

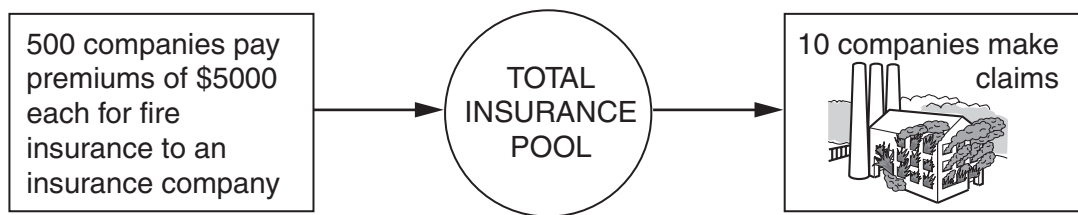


Fig. 1

Use the diagram shown in Fig. 1 to help you answer the following questions.

- (a) Explain the benefits of the pooling of risk to the 500 companies. [3]
- (b) (i) Calculate the total premiums paid to the insurance company for fire insurance. Show your working. [2]  
(ii) Apart from paying claims, state **two** other uses for the insurance premiums. [2]
- (c) Explain how the principle of insurable interest applies to each of the 500 companies. [4]
- (d) (i) Name **three** other business risks against which the 500 companies might insure. [3]  
(ii) Explain why it is important that the companies insure against these risks. [6]
- 5 Tinashe and Dambudzo are in partnership selling computers. They are considering changing their business into a private limited company.
- (a) State **four** features of a partnership. [4]
- (b) What are the advantages to Tinashe and Dambudzo of changing their partnership into a private limited company? [6]
- (c) Many of their clients are small businesses. Explain how a small business may benefit from using computers. [10]
- 6 Mrs Chiri wishes to advertise her new clothing shop.
- (a) State and explain **three general** factors Mrs Chiri will need to consider when choosing suitable media to advertise her shop. [6]
- (b) (i) Mrs Chiri hopes to use persuasive advertising and informative advertising. Explain how Mrs Chiri might use these kinds of advertising for her clothes shop. [6]  
(ii) Explain what is meant by collective advertising and give possible reasons why Mrs Chiri will not use this kind of advertising. [4]
- (c) Name **two** media suitable for advertising the new clothing shop. Give a reason for each of your choices. [4]

- 7 (a) Giving examples, explain what is meant by legal tender. [1]
- (b) You have the following methods of payment available:

BANK DRAFT

BANK GIRO

CHEQUE

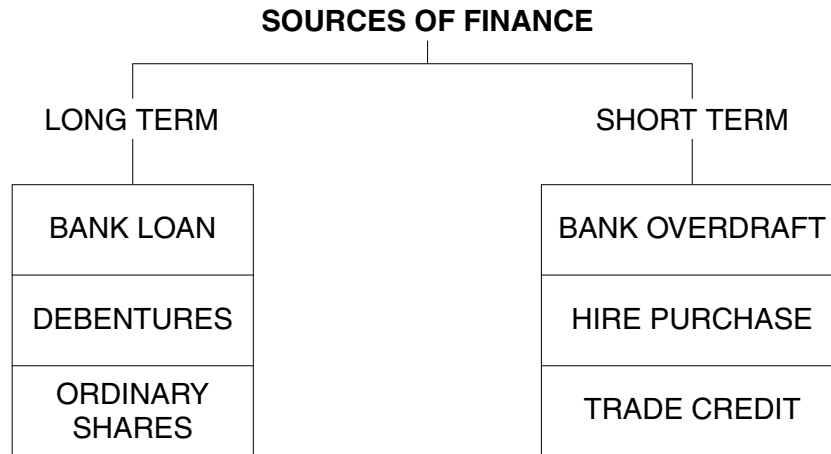
ELECTRONIC/CABLE TRANSFER

Which method would you choose to make the following payments? Give **two** reasons for each of your choices.

(NB Do not choose the same method of payment twice.)

- (i) buying a new computer
  - (ii) moving US\$10 000 from USA to Australia
  - (iii) paying the workers of your company [9]
- (c) (i) In what circumstances would you choose to pay a debt by direct debit rather than by standing order? [4]
- (ii) Why do many creditors prefer to be paid by direct debit rather than by cheque? [3]
- 8 A country is importing large quantities of goods and making use of imported services. It has an unfavourable balance of payments.
- (a) Explain what is meant by an unfavourable balance of payments. [2]
  - (b) Explain why imported goods and services are important to a country. [6]
  - (c) (i) State and explain **two** ways in which a country might reduce its imports. [4]
  - (ii) Explain **two** ways in which a country might increase its exports. [4]
  - (d) In connection with international trade, explain the terms:
    - (i) entrepôt trade [2]
    - (ii) freeport. [2]

- 9 Fig. 2 shows several sources of finance.



**Fig. 2**

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

- (a) Distinguish between long term and short term sources of finance. [4]
- (b) Name **one** other source of long term finance not shown in the diagram. [1]
- (c) Explain **three** differences between a bank loan and a bank overdraft. [6]
- (d) Giving reasons for each of your choices, recommend a source of finance given in Fig. 2 that a limited company might use to:
- (i) purchase a new factory [3]
  - (ii) pay for computer software [3]
  - (iii) make repairs to its office building. [3]

- 10 Airports offer many facilities both for air cargo and for passengers.

- (a) (i) Name **two** services provided at airports for passengers. [2]
- (ii) List **three** facilities provided at airports for the handling of cargo. [3]
- (b) Explain **three** factors which have encouraged firms to use air transport for their freight. [9]
- (c) Many new airports are built at some distance from the cities they serve.

Name and describe how **two** methods of transport might be used between a city and its airport. [6]





