

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCIAL STUDIES

7101/01

Paper 1 Elements of Commerce

October/November 2004

2 hours

Additional Materials: Answer Booklet/Paper

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 **three** questions from Section A and **both** questions in Section B.
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.

Section A

Answer **three** questions from this section.

- 1 Division of labour and specialisation take place in the manufacture of cars.
- (a) What is meant by division of labour? [4]
- (b) Explain **one** advantage and **one** disadvantage of specialisation to each of the following:
- (i) the car manufacturer
 - (ii) the employees
 - (iii) the consumers. [12]
- (c) Manufacturing is part of the secondary sector of production.
- Explain, using an example for each, what is meant by:
- (i) primary sector of production
 - (ii) tertiary sector of production. [4]
- 2 Tom Parker is a wholesaler supplying many small retailers within 100 km of his warehouse.
- (a) Explain **four** reasons why small retailers find it better to trade with a wholesaler rather than direct with manufacturers. [8]
- (b) What types of business insurance should Tom Parker take out? Give reasons for your answer. [6]
- (c) Tom Parker delivers food supplies to the retailers by road.
- What are the advantages of Tom owning and running his own fleet of delivery vans? [6]
- 3 Shopping malls (shopping centres) are likely to be situated on the outskirts of towns. This has affected the trade of small retailers in the towns.
- (a) Explain the advantages and disadvantages of shopping malls being situated on the outskirts of towns. [6]
- (b) (i) What effects has the development of shopping malls had on small retailers in towns? [4]
- (ii) How can small retailers continue to survive despite the growth of shopping malls? [4]
- (c) Many people now shop using the Internet.
- (i) What is meant by Internet shopping? [2]
 - (ii) Explain **one** advantage and **one** disadvantage of Internet shopping. [4]

- 4 Twenty years ago Country A had no natural resources and imported most of its fuel. Oil was discovered in the sea close to Country A. This discovery is expected to affect the balance of trade.

- (a) What is meant by balance of trade? [1]
- (b) Why will Country A's balance of trade be affected by the discovery of oil? [2]
- (c) How is the oil produced by Country A likely to be moved:
- (i) from the sea to the oil refinery on the coast [4]
- (ii) from the oil refinery to local petrol stations? [4]

Give reasons for your answers.

- (d) A multinational company has recently located in Country A.
- (i) What is a multinational company? [2]
- (ii) Explain the advantages and disadvantages to Country A of the arrival of this company. [6]

- 5 Pamela Khumalo owns 100 ordinary shares in Compuflex Ltd which she bought for \$2 each. Last year she received a good dividend on her investment but this year the company warns of falling profits.

- (a) What is meant by:
- (i) ordinary shares [2]
- (ii) dividend? [2]
- (b) How is a limited company different from a partnership? [6]
- (c) (i) What is the difference between gross profit and net profit? [4]
- (ii) Explain why profits may be falling. [4]

- (d) Pamela decided to sell all her shares for \$1.50 each.

Calculate the loss Pamela made on this sale. Show your working. [2]

Section B

Answer **both** questions in this section.

- 6 Figs 1 and 2 show two methods of payment offered by banks.

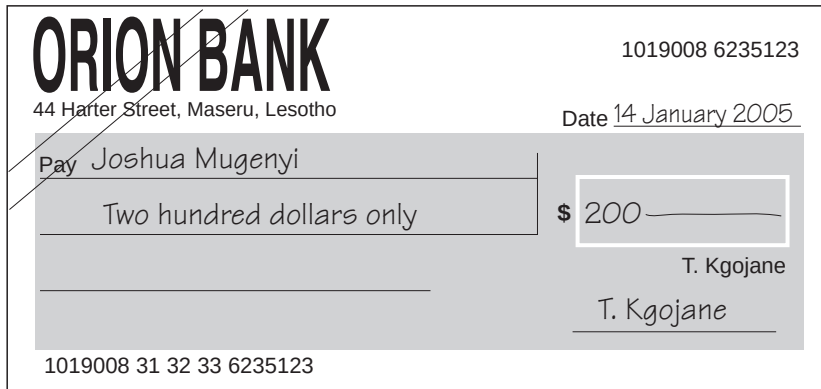


Fig. 1



Fig. 2

Use Figs 1 and 2 to help you to answer the following questions.

- (a) Give an example of when each of the methods of payment shown in Figs 1 and 2 could be used. [2]
- (b) Fig. 1 shows a crossed cheque.
- (i) Why are crossed cheques used? [3]
 - (ii) Give an example of another type of crossing on a cheque and explain how it differs from the one shown in Fig. 1. [3]
 - (iii) The cheque shown in Fig. 1 is post-dated. What does this mean? [2]
 - (iv) Name the payee on the cheque shown in Fig. 1. [1]
 - (v) Name the drawer on the cheque shown in Fig. 1. [1]
- (c) Look at the credit card shown in Fig. 2.
- (i) What is the number of the credit card? [1]
 - (ii) When does the credit card expire? [1]
 - (iii) Explain the advantages and disadvantages of using a credit card rather than paying for goods with cash. [6]

7 Figs 3 and 4 show two documents used in buying and selling on credit.

QUOTATION		
WHITEMAN PLC Whitby Industrial Park Derby D4 9TY		
		14 January 2004
Fortuna Enterprises Ltd Rockley Park DORCHESTER D4 8BK		
We thank you for your enquiry and have pleasure in quoting you as follows:		
Qty	Description	Unit Price
100 reams	A4 Copy Paper 80 gsm	\$5.00
100 reams	A3 Bond Paper	\$7.00
2	Cartridges for Fax Machine	\$13.00
10% Trade Discount Terms: 5% 7 days, 3% 30 days Delivery: Free – 2 days by road in our own van		
Peter Patterson Sales Department		

Fig. 3

ORDER		No 223
FORTUNA ENTERPRISES LTD Rockley Park DORCHESTER D4 8BK		
		22 January 2004
Whiteman plc Whitby Industrial Park Derby D4 9TY		
Please supply the following:		
Qty	Description	Unit Price
100 reams	A4 Copy Paper 80 gsm	\$5.00
100 reams	A3 Bond Paper	\$7.00
2	Cartridges for Fax Machine	\$13.00

Fig. 4

Use Figs 3 and 4 to help you to answer the following questions.

- (a) (i) Which **one** of these documents will be sent by the seller to the buyer? [1]
- (ii) Calculate the total cost of the order shown in Fig. 4 before the deduction of any discount. [4]
- (iii) Explain what is meant by “terms: 5% 7 days, 3% 30 days” as shown in Fig. 3. [3]
- (iv) What is meant by trade discount? [2]
- (b) Why does Whiteman plc need motor insurance? [4]

