



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCIAL STUDIES

7101/01

Paper 1 Elements of Commerce

October/November 2007

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.
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.

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



Section A

Answer **three** questions from this section.

1 Production means the creation of useful objects to satisfy human wants.

(a) Explain, using examples, what is meant by:

- (i) primary production;
- (ii) secondary production;
- (iii) tertiary production;
- (iv) human wants.

[8]

(b) Explain the differences between goods and services.

[4]

(c) Why is the export of goods and services important to a country?

[4]

(d) Explain why some countries import goods, such as cars, from other countries when they can produce their own.

[4]

2 Samuel Mosala owns a self-service grocery store.

(a) (i) What is meant by self-service?

[1]

(ii) Identify advantages and disadvantages to the **retailer** of selling through self-service.

[3]

(b) Why do small grocery stores continue to exist in towns where there are supermarkets?

[4]

(c) State and explain **three** advantages of large-scale retailing to supermarkets.

[6]

Samuel wishes to expand by forming either a partnership or a private limited company.

(d) Explain the differences between a partnership and a private limited company relating to:

- (i) ownership;
- (ii) liability;
- (iii) distribution of profits.

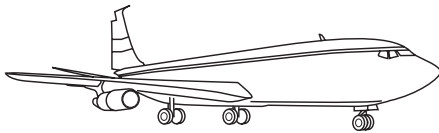
[6]

- 3 Wholesalers are 'middlemen' who provide warehousing.
- (a) How does a factor differ from a broker in the wholesale trade? [8]
 - (b) Why do wholesalers offer discounts? [4]
 - (c) Explain the importance of warehousing to an exporter. [8]
 - (d) (i) State and explain **two** functions of customs authorities. [4]
 - (ii) Explain what is meant by excise duty. [2]
- 4 Celina Lebotsa has just opened a business selling and repairing computers.
- (a) Name and describe a bank service that Celina should use in each of the following situations: (Do **not** use the same bank service more than once.)
 - (i) raising money to buy new computer equipment; [8]
 - (ii) depositing cash when the bank is closed; [2]
 - (iii) obtaining cash when the bank is closed; [4]
 - (iv) paying regular insurance premiums. [4]
 - (b) Why might Celina use Internet banking for her business? [2]
 - (c) (i) Explain why Celina does not pay bills by cash. [4]
 - (ii) Why is Celina willing to accept cheques from customers when they produce cheque cards? [2]
 - (iii) State and explain **two** ways in which a credit card differs from a cheque card. [4]
- 5 (a) Tom Phiri owns a bicycle shop. Under what circumstances would he use the following methods of communication:
- (i) telephone; [6]
 - (ii) face-to-face; [4]
 - (iii) letter post. [4]
- (b) Explain how the increased use of computers has changed communication in business. [4]
- (c) Explain why Tom Phiri needs to advertise. [4]
- (d) Give **one** advantage and **one** disadvantage of using each of the following media to advertise bicycles:
- (i) local newspaper; [4]
 - (ii) window display; [4]
 - (iii) leaflets. [4]

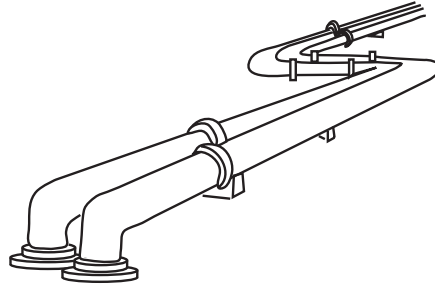
Section B

Answer **both** questions in this section

6 Fig. 1 shows three different methods of transport.



Picture A



Picture B



Picture C

Fig. 1

Use these pictures to help you to answer the following questions.

- (a) (i) State the **advantages** of the method of transport shown in Picture A. [4]
- (ii) State the **disadvantages** of the method of transport shown in Picture B. [4]
- (iii) Give an example of the cargo carried by each of the methods shown in Picture A and Picture B. [2]
- (b) (i) Explain why the vehicle shown in Picture C has information on the side of it. [2]
- (ii) What do the letters **www** stand for in the phrase 'www.movewithus.com' on the side of the lorry in Picture C? [2]
- (c) Explain the functions of the following documents used in transport:
- (i) delivery note; [2]
- (ii) air waybill; [2]
- (iii) bill of lading. [2]

- 7 Fig. 2 shows the cost of insuring a warehouse valued at \$200 000.

Insurance Company	Area	
	X	Y
A	\$2000	\$4000
B	\$2400	?

Fig. 2

Study Fig. 2 and use it to help you to answer the following questions.

- (a) (i) Calculate the cost of a premium in Area Y for insurance company B. [2]
(ii) Explain why the cost of the premium varies. [4]
- (b) Name the type of insurance that a shopkeeper would have to cover each of the following risks:
- (i) an employee being injured in the shop; [1]
(ii) a customer being injured in the shop; [1]
(iii) a shop assistant stealing money; [1]
(iv) a loss in profit because of fire. [1]
- (c) (i) State **one** business risk which is uninsurable. [1]
(ii) Explain why some business risks are uninsurable. [3]
- (d) What is meant by each of the following insurance terms?
- (i) utmost good faith; [3]
(ii) policy. [3]

