



Cambridge International Examinations
Cambridge Ordinary Level

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COMMERCIAL STUDIES

7101/11

Paper 1 Elements of Commerce

October/November 2014

2 hours

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

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, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Section A

Answer **three** questions.

Section B

Answer **all** the 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 **18** printed pages and **2** blank pages.

SECTION A

Answer **three** questions from this section.

- 1** International trade is important to a country's commercial life.

- (a)** What is meant by *international trade*?

[2]

- (b)** Using examples, explain why international trade is important to a country.

[6]

(c) Explain **two** functions of customs authorities in international trade.

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.....[4]

(d) International traders and home traders use many documents when trading.

(i) State **two** purposes of the bill of lading.

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(ii) How would a letter of credit be used in international trade?

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(iii) How does an order differ from an invoice as a document of home trade?

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(a) State **two** features of a sole trader.

[2]

[6]

3 Fig. 1 shows a newspaper advertisement.



Fig. 1

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

(a) (i) Give **one** reason why 0% interest is being offered.

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[1]

(ii) Calculate the monthly payment if a customer pays by direct debit.

Show your working.

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[4]

(iii) How might the advertisement shown in Fig. 1 be made more persuasive?

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[2]

(b) Explain **two** advantages of using newspaper advertising.

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.....[4]

(c) Identify **one** example of a product that might be advertised using each of the following advertising media. Give a reason for **each** of your choices.

(i) digital billboards

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.....[2]

(ii) trade journals

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.....[2]

- (d) Explain why a consumer might prefer to use a bank loan rather than a bank overdraft to buy a television.

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.....[5]

- 4 Football clubs use a variety of spoken and written communications in their operations. Many of them are making increasing use of email and videoconferencing in order to make their communications more effective.

(a) Give **two** examples of spoken communication which might be used by a football club at a football match.

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.....[2]

(b) Why do football clubs provide letters to players when they sign a contract?

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(c) Why do football clubs, like other businesses, make increasing use of email to communicate?

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.....[6]

(d) Explain **two** benefits to a business of using videoconferencing.

[4]

(e) Explain why effective communication is important to a business.

[6]

- 5 One recent development in retailing has been the increase in the number of shopping centres (malls) being built. This has affected the trade of small-scale retailers in many countries.

(a) Identify **four** features of a shopping centre.

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.....[4]

(b) Discuss possible reasons for the growth of shopping centres in recent years.

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SECTION B

Answer **both** questions in this section.

- 6 Zoey Nathis has started running a small fruit farm. Her premises contain a warehouse for keeping tools and some equipment. She needs insurance cover and Fig. 2 shows the six stages she needs to follow to take out insurance.

SIX STAGES IN TAKING OUT INSURANCE

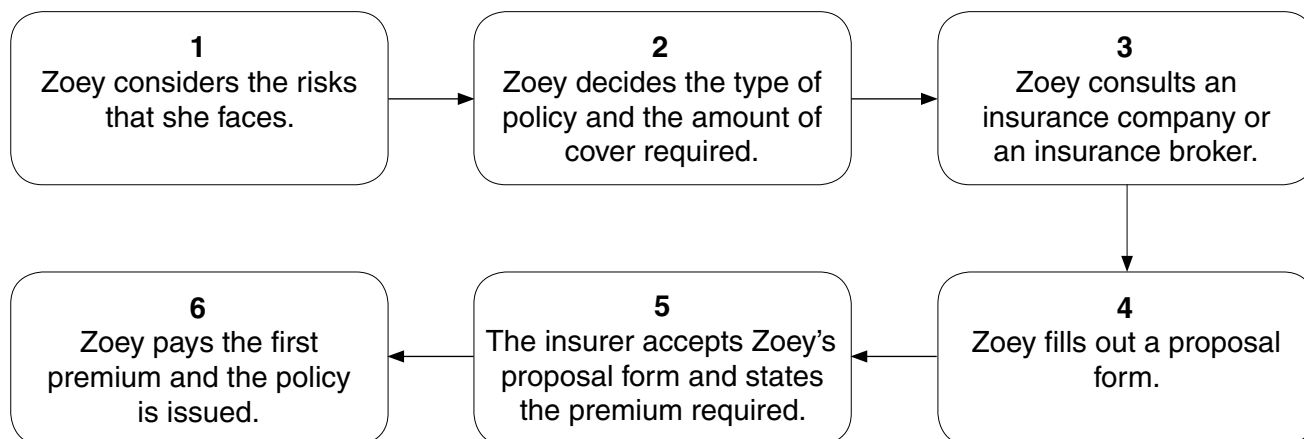


Fig. 2

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

- (a) (i) What is the difference between the terms the *insured* and the *insurer*?

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.....[2]

- (ii) At which stage would Zoey become insured?

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.....[1]

- (iii) From whom might Zoey seek insurance advice?

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.....[1]

(b) Explain **each** of the following terms used in Fig. 2:

(i) proposal form

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.....[2]

(ii) premium

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.....[2]

(iii) policy.

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(c) State and explain **two** reasons why Zoey should insure her business.

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(d) Explain how warehousing might assist Zoey to:

(i) stabilise the prices of her fruit

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.....[3]

(ii) satisfy the seasonal demand for fruit.

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- 7 The following graph shows the cost per kilometre of transporting goods for journeys up to 300 kilometres.

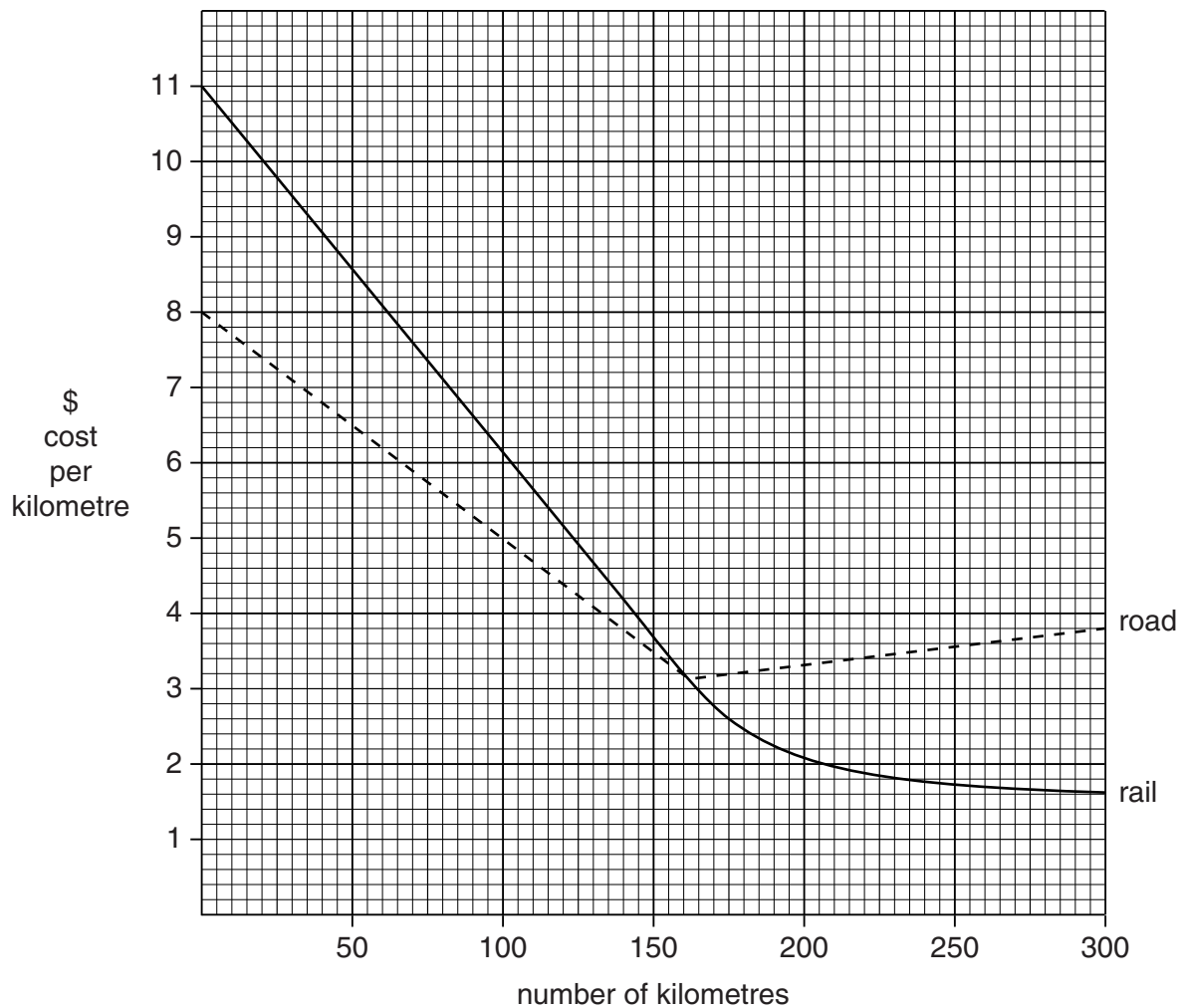


Fig. 3

Use Fig. 3 to help you answer the following questions.

- (a) (i) Which is the cheaper method of transport for a journey of 150 kilometres?

.....[1]

- (ii) Which is the cheaper method for journeys of more than 250 kilometres?

.....[1]

- (iii) At which distance does it cost the same to transport goods by road as it does by rail?

.....[1]

- (iv) What is the cost of transporting goods by road for 100 kilometres?

Show your working.

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.....[2]

- (b) Why does rail transport rely greatly on road transport?

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- (c) Apart from distance and cost, explain **two other** factors which will influence a business' choice between road and rail transport for delivering goods.

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(d) More goods are now being carried by air transport.

(i) Name **two** types of goods that are often carried by air transport.

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(ii) Explain why the volume of goods carried by air transport has increased.

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