



Cambridge International Examinations
Cambridge Ordinary Level

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COMMERCIAL STUDIES

7101/12

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 Candice Bailey has opened a small clothing shop. She knows that she will have to advertise and take out insurance.

- (a) State and explain **two** factors that Candice will need to consider when choosing suitable media to advertise her shop.

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- (b) Which advertising medium would be the most effective for advertising Candice's new shop?

Give **two** reasons for your choice.

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- (c) Explain how Candice might use informative and persuasive advertising when designing an advertisement for a part-time job in the shop.

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- (d) (i) Explain why Candice should take out the following types of insurance:

consequential loss

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public liability

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[4]

- (ii) Name **two other** business risks against which Candice might insure her business.

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- (e) Why will insurance cover be given to Candice only when she is acting in utmost good faith?

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2 Several forms of transport are available in the world of commerce.

(a) Why is transport an important part of commerce?

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(b) Discuss **three** factors that would be considered by businesses when choosing the method of transport to be used in the distribution of their goods.

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(c) (i) Name **two** types of ship used to transport goods.

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(ii) Why is a bill of lading required when sending goods by sea?

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(d) Explain why the volume of goods carried by aircraft continues to increase.

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- 3 Jamie and Jilly set up a small retail store selling greetings cards last year. They were advised to form a partnership and to draw up a Deed of Partnership, a part of which is shown in Fig. 1.

<u>DEED OF PARTNERSHIP</u> Between: Jamie Stoddard And: Jilly Patel Capital: Each partner will contribute initial capital to the value of \$20,000. Duration: The partnership shall finish on 30 November 2018 or when more partners join. Date: 1 December 2013
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Fig. 1

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

- (a) (i) Identify **two other** points of information which might have been included in the Deed of Partnership.

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..... [2]

- (ii) Why were Jamie and Jilly advised to draw up a Deed of Partnership?

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(b) (i) State **three** features of a partnership.

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(ii) Why do you think Jamie and Jilly might wish to take on more partners in the future?

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(c) Jamie and Jilly buy some of their stock from a wholesaler and some from the Internet.

(i) Explain why the wholesaler function of acting as a supplier for seasonal goods would be important to this business.

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- (ii) Explain **one** advantage and **one** disadvantage to Jamie and Jilly of buying stock on the Internet.

Advantage

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Disadvantage

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[4]

- (d) Why are so few large-scale businesses organised as partnerships?

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- 4 Tahir Japper owns a factory making chairs. He pays many of his suppliers by cheque.

Today, Tahir orders 10 boxes of chair seats from MB Ltd totalling \$1200 per box less 15% trade discount. Tahir pays MB Ltd by cheque, specially crossed, having deducted 5% cash discount from the invoice price. Tahir banks at the Homelands branch of the Barton Bank and MB Ltd has a current account at the Oldtown branch of the Borders Bank.

- (a) (i) Calculate the amount of the cheque drawn by Tahir Japper. Show your working.

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- (ii) Complete the cheque in Fig. 2 below that Tahir would send to MB Ltd. [5]

BARTON BANK		40-08-21
Homelands Branch		
_____ 20 _____		
Pay _____		or Order
The sum of _____		\$
"100075" "400821:21282859" _____		

Fig. 2

- (b) (i) Name the method of communication that Tahir would use to send the cheque to MB Ltd.

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..... [1]

- (ii) Identify **one** commercial document that could be used to make a change in an invoice's value.

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- (iii) Which method of communication would Tahir use to find out whether another supplier stocked an urgently needed item? Give a reason for your choice.

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- (c) (i) Explain **one** benefit to MB Ltd of offering cash discount to customers.

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- (ii) Explain **one** benefit to Tahir of receiving trade discount.

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- (iii) Explain why Tahir might **not** want to take advantage of the cash discount offered.

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- 5 Walters Supermarket is in the town centre. It offers self-service and packaged goods. All goods are bar-coded and there is a computerised checkout system. There is a small warehouse at the back of the premises.

(a) (i) State **two** advantages of self-service to the customers of Walters Supermarket.

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(ii) List **two** types of packaging that could be used for orange juice.

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(b) (i) What is the purpose of a bar code?

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(ii) How does a computerised checkout system improve the efficiency of a supermarket?

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(c) Why would a supermarket require a warehouse as part of its premises?

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(d) A new shopping centre is going to open on the main road of the town centre.

Discuss the effects that this development will have on Walters Supermarket.

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SECTION B

Answer **both** questions in this section.

- 6 Fig. 3 shows a country's Balance of Payments for 2014.

	\$million
Visible imports	650
Visible exports	480
Invisible imports	270
Invisible exports	460

Fig. 3

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

- (a) Showing your working, calculate the following:

- (i) the Balance of Trade

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- (ii) the Invisible Balance.

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- (b) Giving an example of each, state the differences between visible and invisible imports.

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(c) Explain why international trade benefits countries.

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(d) International trade involves the work of a Customs Authority and the use of documents such as an air waybill.

(i) State and explain **two** functions of a Customs Authority.

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(ii) Describe **one** purpose of the air waybill.

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- 7 Fig. 4 shows the organisation chart of the Finance Department of HB Chemicals, a multinational company.

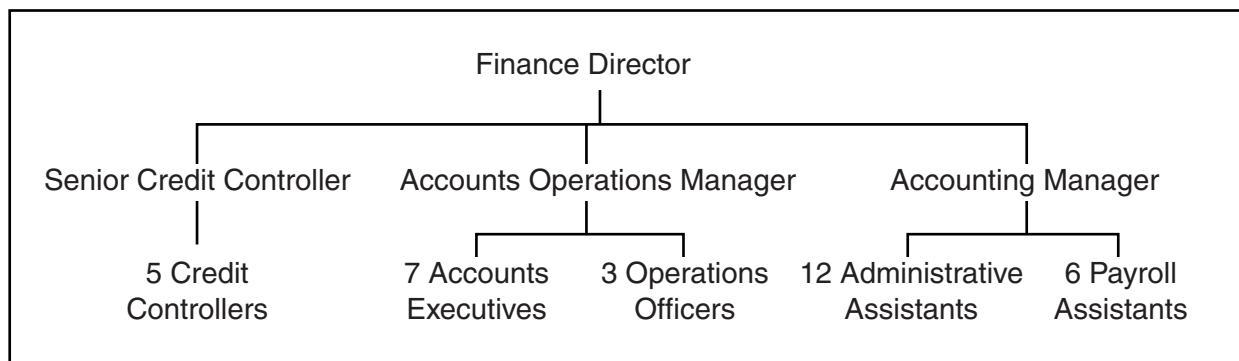


Fig. 4

Use Fig. 4 to help you answer the following questions.

- (a) (i) Who is in charge of the Finance Department?

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 [1]

- (ii) How many levels are shown on the organisation chart?

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 [1]

- (iii) Who do Accounts Executives first report to when there is a problem?

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- (iv) How many staff are within the authority of the Accounting Manager?

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- (v) Identify and explain the purposes of **two** departments other than the Finance Department, which the company might have.

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- (b) Describe **one** advantage of having an organisation chart on display for **visitors**.

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- (c) Records are kept of meetings held at HB Chemicals.

Explain how the minutes of a meeting differ from the agenda.

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(d) Explain the importance of multinationals to the global economy.

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