



Cambridge International Examinations
Cambridge Ordinary Level

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COMMERCIAL STUDIES

7101/11

Paper 1 Elements of Commerce

October/November 2015

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.

You may use an HB pencil for any diagrams, graphs or rough working.

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 **19** printed pages and **1** blank page.

SECTION A

Answer **three** questions from this section.

- 1** Commerce involves distributing the goods from the producer to the consumer in order to satisfy human wants.

(a) Explain, using examples, what is meant by each of the following:

(i) producer

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(ii) human wants

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(b) Describe how the following wholesaler functions help with the distribution of goods:

(i) breaking bulk

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(ii) warehousing

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(c) Why do the following producers leave out the wholesaler and sell direct to retailers?

(i) producers of branded goods

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..... [2]

(ii) producers of perishable goods

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(d) State, giving a reason in each case, the most likely method a wholesaler would use to communicate with the producer in the following situations:

(i) the wholesaler has received the wrong quantity of goods from the producer

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(ii) the wholesaler wishes to inform the producer about the reactions of consumers to the producer's goods

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- (e) In order to distribute goods abroad a business might make use of an overseas agent to sell its goods.

Explain **two** advantages to the business of using an overseas agent rather than selling the goods themselves.

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2 Pop Rivets plc, a multinational company, makes a net profit of \$400 000 million after tax in a year.

(a) Pop Rivets is a public limited company. Explain the following terms:

(i) public

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..... [2]

(ii) limited

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(b) (i) Calculate how much Pop Rivets plc would distribute to its shareholders in dividends if the company retained 50% of its profit. Show your working.

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(ii) Explain why Pop Rivets plc might retain 50% of its profit within the company.

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- (c) In what circumstances would Pop Rivets plc make use of an overdraft? Give reasons for your answer.

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- (d) (i) Giving an example, explain what is meant by a *multinational company*?

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- (ii) Explain why multinational companies continue to grow in importance.

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- 3 Fig. 1 shows the percentage share of the total imports brought into a country using different methods of transport.

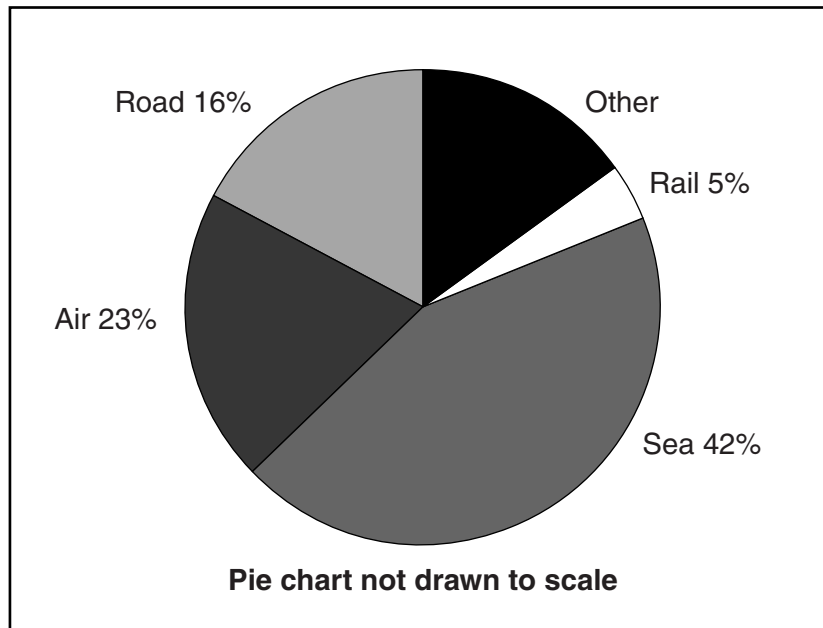


Fig. 1

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

- (a) (i) Calculate the percentage of goods carried by 'Other' transport in Fig. 1. Show your working.

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- (ii) Identify **one** example of an 'Other' type of transport in Fig. 1.

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(iii) Explain **two** reasons why the least amount of goods is carried by rail transport.

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(b) State, with a reason, the method of transport you would recommend is used in the following situations:

(i) tea to be sent from India to South Africa

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(ii) flowers to be sent from Kenya to Canada

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(c) Explain **two** reasons why countries import goods from other countries.

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(d) Explain the importance of bonded warehouses to international trade.

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4 Banks provide many services for the safe-keeping and the transfer of money.

(a) In each situation, identify and explain the bank services that might be used.

(i) Bebe Tan wishes to bank her daily takings after banking hours.

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..... [2]

(ii) Patrice Kong wishes to pay urgently a sum of money to an overseas supplier.

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(iii) Wesley Jacobs needs to pay the wages of his 300 employees.

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(iv) Lorna Packer wants to collect a payment from a customer's bank account.

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- (b) Varun Maybank, a trader, wishes to keep some money in his bank for the purpose of saving.

Describe **two** factors he should consider when choosing a method of saving to use that is offered by his bank.

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- (c) (i) Explain **two** advantages of using cheques instead of cash.

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- (ii) Explain why some traders prefer to receive cash rather than cheques.

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5 Covercoms Ltd is a manufacturer of covers for tablet computers.

(a) State and explain **two** applications of computer software.

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(b) Explain the following types of insurance that Covercoms Ltd needs to have:

(i) employer's liability

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(ii) product liability

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(c) Explain why is it possible for Covercoms Ltd to insure against the risk of fire but not against the risk of loss of profit due to falling prices.

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- (d) In order to take out insurance Covercoms Ltd must complete a **proposal form** before a policy is issued.

Explain the purposes of the proposal form.

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- (e) What would be the result for Covercoms Ltd when each of the following insurance claims are made?

- (i) An item of equipment has been stolen. It is insured for \$20 000 when it is worth only \$10 000.

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- (ii) An item of machinery has been damaged. It is insured for \$50 000 with two insurance companies.

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SECTION B

Answer **both** questions in this section.

- 6 The advertisement in Fig. 2 has been placed in a local newspaper.

ANDY'S CARPET STORE

1 October

GRAND OPENING

at 9:00

Crossroads Shopping Centre

Opening day sales promotions

After-sales service

Open Tuesday-Sunday – closed on Monday

www.andyscarpetstore.com or andyscarpetstore@gmail.com

Fig. 2

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

- (a) (i) Suggest **one** reason why Andy's Carpet Store is not open on every day of the week.

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 [1]

- (ii) Name **two** sales promotion methods that the carpet store might offer.

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 [2]

- (iii) Why would Andy's Carpet Store advertise in a local newspaper?

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 [2]

- (iv) State **two** after-sales services that could be offered by this carpet store.

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 [2]

- (b) The advertisement shows two methods of contacting Andy's Carpet Store.

Which method of communication would be more appropriate for finding out further details about the grand opening? Give reasons for your answer and show why you did not choose the other method of communication.

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(c) (i) Explain why many shopping centres are successful.

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(ii) Explain **one** disadvantage to consumers of using a shopping centre.

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- 7 Fig. 3 shows a completed order form in a commercial transaction.

Office Stationery Supplies, Palmtree Road, Newtown			
ORDER FORM			
Athens Ltd St. Anne's Road Oldtown		Order No. 2784 Date: 15.10.15	
Quantity	Description	Unit Price (\$)	Total Price (\$)
50 reams	A4 photocopy paper	4	
50	A4 plastic wallets	1.10	
3 boxes	Paperclips	3	
Authorised:		Delivery: Next day	
Trade Discount is allowed on this order			
TOTAL			X

Fig. 3

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

- (a) (i) Identify the buyer of the goods.

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- (ii) Calculate the total price of this order. Show your working.

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(iii) Name **one** document that would be sent by the seller after this order is received.

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(iv) Identify **one** consequence to the buyer of completing the order form incorrectly.

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..... [1]

(b) Explain why the seller offers trade discount.

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(c) Explain **one** benefit to the buyer of using these methods to pay suppliers:

(i) credit card

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(ii) debit card

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- (d) Many companies allow the customer to purchase goods online.

Explain the advantages and disadvantages to the **customer** of purchasing goods online.

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