



Cambridge International Examinations
Cambridge Ordinary Level

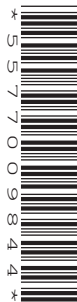
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NAME

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COMMERCIAL STUDIES

7101/11

Paper 1 Elements of Commerce

October/November 2016

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.

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

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 Commerce is concerned with the distribution and the exchange of goods and services in home trade and international trade.

(a) Explain what is meant by:

(i) distribution

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..... [2]

(ii) exchange

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..... [2]

(b) Explain **two** differences between home trade and international trade.

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..... [4]

(c) Explain how transport assists distribution in **international trade**.

[6]

(d) Trading has been improved by developments in telecommunications.

(i) Explain **two** advantages of telecommunications compared to Post Office services.

[4]

(ii) Describe **one** way in which Post Office services assist traders.

..... [2]

- 2 Retailing is constantly changing. Many customers are using large-scale retailers such as hypermarkets where they purchase bar-coded and branded goods. The biggest change has been in the use of online shopping.

(a) State **four** features of a hypermarket.

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..... [4]

(b) (i) Explain how bar-coded goods assist the hypermarket.

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(ii) Explain how branded goods assist the customer.

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..... [4]

- (c)** Many customers now buy online.

Explain why customers are attracted to online shopping.

..... [6]

- (d)** Using an example, explain **one** way in which personal service is needed in retailing.

..... [3]

- 3 The bar chart in Fig. 1 shows a country's world trade in goods from 2010 to 2015.

A COUNTRY'S WORLD TRADE IN GOODS

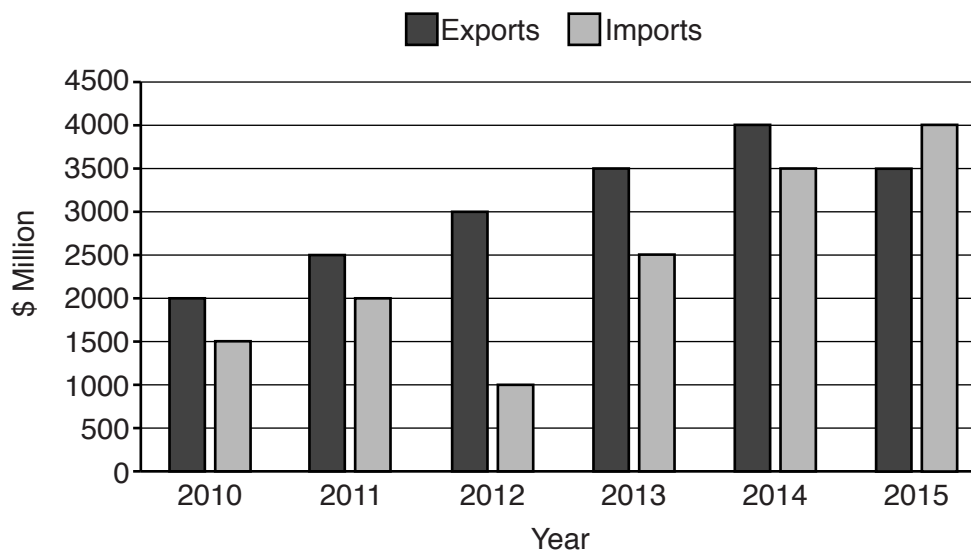


Fig. 1

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

- (a) (i) Identify the year that the country exports the most goods.

..... [1]

- (ii) Identify the year that the country imports the least goods.

..... [1]

- (iii) Explain why the Balance of Trade for this country is –\$500 million for 2015.

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..... [2]

(b) Explain why countries find it necessary to trade with each other.

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..... [6]

(c) Explain **two** ways in which a Customs Authority could be involved in a country's international trade.

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..... [4]

(d) Many goods exported to other countries are transported in shipping containers.

(i) State **two** features of a shipping container.

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..... [2]

(ii) Explain why the containerisation of goods has become so important in international trade.

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..... [4]

- 4 Victor makes furniture and insured his warehouse against fire. His annual fire premium is about to be renewed.

(a) Explain **two** reasons why Victor needs a warehouse.

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..... [4]

(b) Victor's fire insurance policy offers cover for consequential loss. What does this mean?

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..... [3]

(c) Identify **four** factors that will determine the level of premium being charged by his insurance company.

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..... [4]

(d) Why will insurance cover be provided only if Victor has insurable interest?

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(e) Assess the importance of adequate insurance cover to the future success of Victor's furniture business.

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..... [6]

- 5 Eyah is planning to open a small restaurant. She is keen to have an appointment at the bank in order to open a bank account, find out about making payments and obtaining a loan.

(a) Explain **two** differences between a current account and a deposit account.

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..... [4]

(b) Eyah would prefer that customers pay their restaurant bills by credit card or debit card.

(i) Explain how the system of credit card payment operates.

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..... [4]

(ii) Describe **one** advantage to Eyah's business of customers paying by debit card.

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..... [2]

SECTION B

Answer **both** questions in this section.

6 Fig. 2 shows an invoice.

INVOICE			
INVOICE No: 538			
Order NO: 892			
Date: 19 October, 2016		Terms: 5% 7 days, 3% one month	
From: Beller Freezers Wholesalers Ltd KAMPONG KAPOK BRUNEI DARUSSALAM BRUNEI		To: AJ Electrical Retail Supplies ARCADE SALAFFA CUREPIPE MAURITIUS	
Quantity	DESCRIPTION	UNIT PRICE (\$)	\$
40 lengths	Conduit	2.10	84.00
12	Brass Adapters	0.50	6.00
10 cans	Oil	6.00	60.00
Subtotal			150.00
Plus Sales Tax			22.50
TOTAL			172.50
E & OE			

Fig. 2

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

(a) (i) State the name of the supplier.

..... [1]

(ii) When was the invoice prepared?

..... [1]

(iii) Name **two** commercial documents which might have been used **before** the invoice was prepared.

.....

..... [2]

- (b) (i) What is the meaning and importance of the abbreviation 'E & OE' at the bottom of the invoice?

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..... [2]

- (ii) What do the terms '5% 7 days, 3% one month' refer to, and why is it offered?

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..... [3]

- (c) The Accounts Department has prepared this invoice.

State **two other** functions of the Accounts Department.

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..... [2]

- (d) (i) What does 'Ltd' refer to at the end of the name, Beller Freezers Wholesalers Ltd?

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..... [1]

- (ii) Explain the importance of the term 'Ltd'.

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..... [2]

(e) Explain **three** advantages to AJ Electricals of using a wholesaler.

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- 7 Fig. 3 shows the percentages spent on individual advertising media in a country.

Advertising Media Expenditure for 2015–16

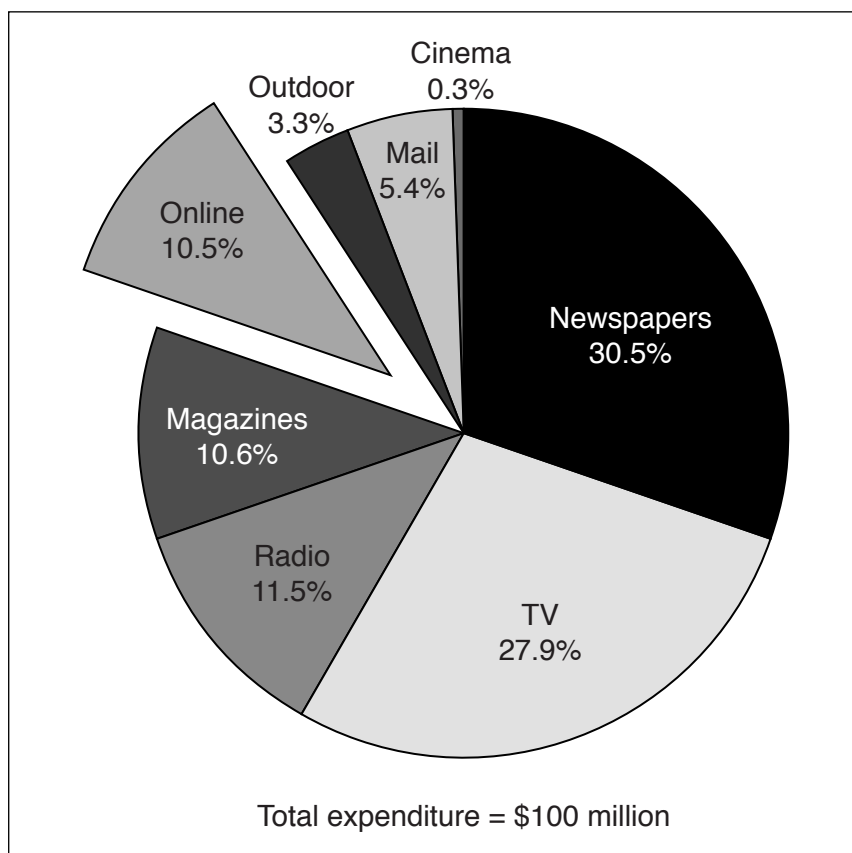


Fig. 3

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

- (a) (i) Which advertising medium has the most expenditure?

..... [1]

- (ii) Give an example of outdoor advertising.

..... [1]

- (iii) What is the total percentage spent on radio and TV advertising?

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 [2]

(b) Explain **one** difference between magazine and mail advertising.

..... [2]

(c) Explain **three** factors that might affect whether or not businesses will use online advertising.

..... [6]

(d) Explain why cinema advertising is **not** a popular advertising medium.

..... [4]

- (e) Discuss whether or not businesses expect to gain from expenditure on advertising. Give reasons for your answer.

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