



Cambridge International Examinations
Cambridge Ordinary Level

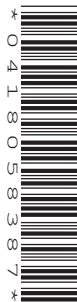
CANDIDATE
NAME

CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--



COMMERCIAL STUDIES

7101/12

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.

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 **18** printed pages and **2** blank pages.



SECTION A

Answer **three** questions from this section.

- 1** Trade and aids to trade help to satisfy human wants in home and international trade through channels of distribution.

(a) Explain what is meant by:

(i) trade

.....

.....

.....

.....[2]

(ii) aids to trade

.....

.....

.....

.....[2]

(iii) human wants

.....

.....

.....

.....[2]

Manufacturer → Wholesaler → Retailer → Consumer

(i) Explain **three** effects which might arise from manufacturers selling directly to retailers without the services of wholesalers.

.....[6

.....[2

.....[3]

4

- (iv) Using the box below, draw **another** channel of distribution chart that might be used in international trade.



[3]

2 Tuckers Ltd is a limited company that produces and supplies tea and coffee for export.

(a) (i) Explain **two** features of a limited company.

.....

.....

.....

.....

.....

.....

.....

.....[4]

(ii) State **two** functions of the production department of a limited company.

.....

.....

.....

.....[2]

(b) Explain **two** reasons why it might be better for this business to operate as a public limited company rather than as a private limited company.

.....

.....

.....

.....

.....

.....

.....

.....

.....[4]

(c) Tuckers Ltd uses sea transport to export its tea and coffee.

(i) Why would Tuckers Ltd use sea transport?

.....

.....

.....

.....[2]

(ii) Explain **one** difference between moving goods by cargo liner and moving goods by tramp ship.

.....

.....

.....

.....[2]

(d) Explain the reasons for the importance of bonded warehousing to Tuckers Ltd.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

3 Amsure Insurance Company provides customers with insurance services. Telephone and email are used by customers to contact Amsure Insurance Company.

(a) (i) Name **two other** electronic methods of communication that could be provided by Amsure Insurance Company.

.....

.....

.....

.....[2]

(ii) Explain **one** benefit to Amsure Insurance Company of providing a telephone service.

.....

.....

.....

.....[2]

(iii) Explain why customers might make an enquiry by email rather than by telephone.

.....

.....

.....

.....

.....

.....[3]

(b) Explain why people might obtain quotations from different insurance companies.

.....

.....

.....

.....

.....

.....[3]

(c) Explain **two** factors that Amsure Insurance Company must consider before accepting a proposal form.

.....[6]

(d) Name and describe **two** Post Office services that might be used by an insurance company to keep in contact with customers.

[4]

- 4 Mrs Salah owns a store that supplies garden furniture. She wishes to obtain a bank loan of \$20 000 to build a new warehouse and carry out some advertising.

(a) (i) State **two** features of a bank loan.

.....

.....

.....

.....[2]

(ii) List **three** factors Mrs Salah might consider before she applies for the bank loan.

.....

.....

.....

.....

.....

.....[3]

(iii) Explain the circumstances in which Mrs Salah might make use of an overdraft.

.....

.....

.....

.....

.....

.....[3]

(b) Explain why a warehouse would be important to Mrs Salah's business.

[4]

(c) Mrs Salah needs to attract customers to her garden furniture store.

(i) Explain why Mrs Salah has decided to advertise on local radio.

.....[6]

(ii) Why has she decided **not** to use plastic bags for advertising?

.....[2]

5 When businesses trade with each other they use a range of documents.

(a) (i) Why do businesses send catalogues to their customers?

.....

.....

.....

.....[2]

(ii) Explain **one** function of an invoice.

.....

.....

.....

.....[2]

(iii) Describe **two** documents sent to customers **after** the invoice.

.....

.....

.....

.....

.....

.....

.....

.....

.....[4]

(b) Name and describe a transport document that would be used when goods are sent by:

(i) road transport

.....

.....

.....

.....

.....

.....[3]

(ii) air transport

.....

.....

.....

.....

.....

.....[3]

(c) Explain why different documents are needed for international trade and home trade.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

BLANK PAGE

Please turn over for Section B

SECTION B

Answer **both** questions in this section.

- 6 Fig. 1 shows the changing percentage shares of the total retail trade of a country.

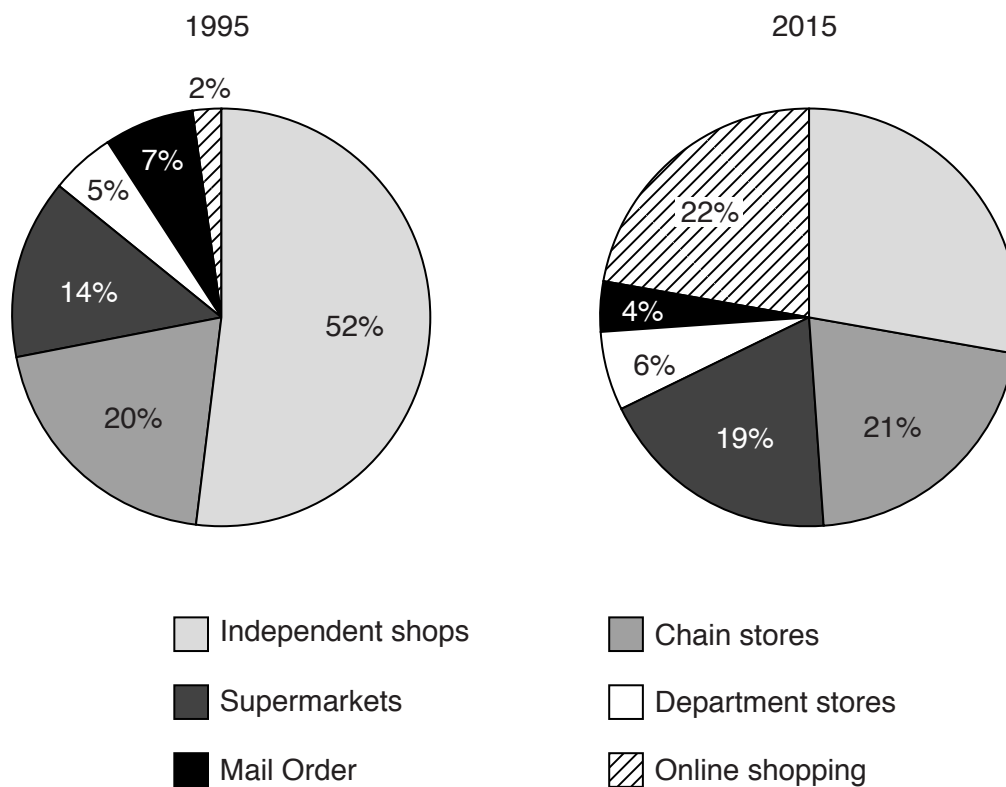


Fig. 1

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

- (a) (i) Identify **one other** type of retailer not shown in Fig. 1.

.....[1]

- (ii) If the total retail trade in 1995 was \$800 billion, calculate the total amount spent on department store shopping in 1995. Show your working.

.....

.....

.....

.....

.....

.....

.....[3]

(iii) Calculate the percentage share of independent stores in 2015. Show your working.

.....

.....

.....

.....

.....

.....[3]

(b) Describe **three** characteristics of chain stores.

.....

.....

.....

.....

.....

.....[3]

(c) Explain how the packaging of goods helps supermarkets to promote their sales.

.....

.....

.....

.....

.....

.....

.....[4]

(d) Discuss the reasons why many retailers are now offering online shopping.

[6]

- 7 Fig. 2 shows a country's trade with the rest of the world in 2015.

Value of Export/Import Trade 2015

Category	Exports (\$bn)	Imports (\$bn)
Raw materials	7.25	10.25
Fuels	5.80	9.90
Food	13.00	15.00
Manufactured goods	44.20	15.75
Semi-manufactured goods	26.75	18.50
Other goods	4.00	12.60
Tourism	8.80	5.30
Education services	6.20	8.10

Fig. 2

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

- (a) Which category has the highest value of exports?

.....[1]

- (b) Calculate the total value of invisible imports. Show your working.

.....

[3]

- (c) Explain the term '*balance of trade*'.

.....

[2]

(d) Explain why a country imports goods.

[6]

(e) Banks and Customs Authorities have an important role in international trade.

(i) Describe **two** methods by which banks can help exporters to receive payments from importers.

[4]

- (ii) Explain **two** ways that Customs Authorities enforce restrictions on imported and exported goods.

.....

.....

.....

.....

.....

.....

.....

.....[4]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.