

CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/01

Paper 1

October/November 2003

Additional Materials: Answer Booklet/Paper

2 hours 30 minutes

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **five** questions.

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.

The businesses described in this question paper are entirely fictitious.

- 1 (a) Production involves industry, commerce and direct services.
- (i) Explain why production takes place.
 - (ii) Define the terms **industry** and **commerce**. Give **one** example of each.
- (b) Explain what is meant by 'direct services' and show how a private individual might make use of these services. [8]
- 2 Mr Ndlovu owns a chain of self-service shops. The shops sell food, drinks, newspapers and stationery.
- (a) Explain **three** advantages of owning a chain rather than owning one shop. [6]
 - (b) What factors have led to the growth of the self-service system of retailing? [6]
 - (c) Mr Ndlovu is thinking of installing vending machines to sell drinks outside his shops. Discuss the arguments for and against installing vending machines. [8]
- 3 Mr Ahmed and Mrs Singh are sole traders owning shops of equal size in the same street.
- (a) Explain why Mr Ahmed may have to pay a larger insurance premium for fire insurance than Mrs Singh. [6]
 - (b) Explain **two** business risks, apart from fire, against which both Mr Ahmed and Mrs Singh should insure. [4]
 - (c) Explain why they cannot insure their shops against the risk of bad management. [4]
 - (d) Name **one** insurance principle and explain how it might apply to a fire insurance policy. [6]

- 4 The newspaper extract below concerns foreign trade.

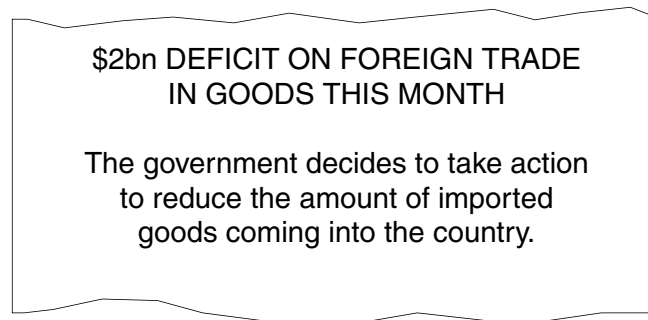


Fig. 1

Use the newspaper extract shown in Fig. 1 to help you answer the following questions:

- (a) What is meant by foreign trade? [2]
- (b) The value of goods imported during the month was \$18bn. Using Fig. 1, calculate the value of exported goods. (Show your working.) [2]
- (c) Explain **three** actions the government might take to reduce the amount of imported goods. [9]
- (d) A manufacturer of clothing has decided to use an export merchant to sell her goods abroad. What are the advantages of using an export merchant rather than exporting the goods herself? [7]
- 5 (a) Explain why retailers will usually accept each of the following in payment of debts:
- (i) cash [3]
 - (ii) cheques [4]
 - (iii) credit cards [4]
- (b) Distinguish between a cheque card and a debit card. [4]
- (c) You wish to pay \$500 000 for a consignment of goods you have imported. What method of payment would you recommend? Give reasons for your answer. [5]

- 6 A company uses the following means of communication in its operations:

E-MAIL FAX LETTER TELEPHONE TELECONFERENCING

- (a) Name **three** features of communication by fax. [3]
- (b) When would this company use:
- (i) letters rather than the other four means of communication [3]
- (ii) telephone rather than e-mail? [3]
- (c) What are the benefits of teleconferencing to the company? [6]
- (d) Why is e-mail important as a means of communication in many companies? [5]

- 7 Fig. 2 shows an advertisement for Blazer Cargo Services.

NEW AIR FREIGHT SERVICE

STARTING 1 JANUARY 2003

Blazer Cargo Services announce the introduction of a new air freight service linking over 80 airports in Europe, Africa and Asia.

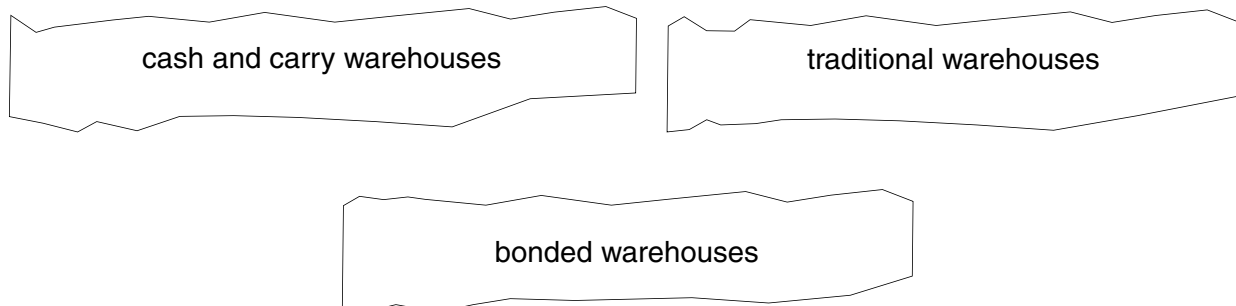
Competitive rates, speed and
safe handling
for all your transport needs

Fig. 2

Use the advertisement for the new air freight service given in Fig. 2 to help you answer the following questions:

- (a) (i) State **two** ways in which the advertisement is informative. [2]
- (ii) How might Blazer Cargo Services make the advertisement shown in Fig. 2 more persuasive? [3]
- (b) (i) What is meant by the term 'air freight'? [1]
- (ii) Name **two** products that might be carried by the new service. [2]
- (c) Explain **three** reasons, other than those given in the advertisement, why the volume of goods carried by air transport continues to grow. [6]
- (d) Explain why Blazer Cargo Services might wish to make use of containers in its business. [6]

- 8 Mr Masenda is a sole trader making tools for the engineering industry. Eversharp is a public limited company. It is a large engineering company with factories in several countries.
- (a) Explain **three** ways in which a sole trader differs from a public limited company.
- (b) Explain the benefits to Eversharp of having its shares quoted on a stock exchange. [4]
- (c) (i) Mr Masenda and Eversharp both have bank loans. Name **two** other sources of finance for Mr Masenda and briefly describe them. [4]
- (ii) Name and briefly describe **two** sources of finance Eversharp might use to build a new office block. [6]
- 9 (a) Giving an example of each, distinguish between competitive and collective advertising. [8]
- (b) Patel and Lo Pty Ltd is a book publishing company selling in world markets. What are the advantages and disadvantages for Patel and Lo Pty Ltd of using the following advertising media:
- (i) catalogues [4]
- (ii) the Internet [4]
- (iii) trade exhibitions? [4]
- 10 There are three kinds of warehouses in the industrial area of a large seaport.



- (a) Describe **three general** functions of any kind of warehouse. [6]
- (b) Explain why selling costs are lower in a cash and carry warehouse than in a traditional warehouse. [4]
- (c) Explain the importance of the bonded warehouses to each of the following:
- (i) an importer of coffee who plans to sell it in the home market [6]
- (ii) an exporter of locally produced computer software. [4]

