

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCIAL STUDIES

7101/01

Paper 1 Elements of Commerce

October/November 2005

Additional Materials: Answer Booklet/Paper

2 hours

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 **three** questions from Section A and **both** questions in Section B.
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.

Section A

Answer **three** questions from this section.

- 1 Muna Touray has started her own photography business as a sole trader.
- (a) (i) State **two** features of a sole trader. [2]
- (ii) What would be the advantages to her of forming a private limited company, rather than being a sole trader? [6]
- (b) She has decided to design her own website for her business.
- (i) What is a website and where would the website be advertised? [4]
- (ii) Explain how a computer could help Muna in her business. [8]
- 2 (a) What is the difference between imports and exports? [2]
- (b) Explain why a country might wish to develop its international trade. [10]
- (c) In connection with international trade, explain the functions of, and key information contained in, a bill of lading. [8]
- 3 Compudeals Ltd is a firm manufacturing computers and computer accessories.
- (a) State **two** types of retail outlet Compudeals Ltd may use to sell its goods. Give reasons for each of your choices. [6]
- (b) Why should Compudeals Ltd provide an after-sales service? [4]
- (c) State **two** advertising media Compudeals Ltd might use. Explain the advantages of each of your choices. [6]
- (d) Explain why packaging of its goods is important to Compudeals Ltd. [4]
- 4 Mugenyi and Bartok are partners in a restaurant. They opened their first restaurant two years ago. Business has been good and they are considering opening another restaurant in a nearby town.
- (a) Describe the services a commercial bank could provide to help Mugenyi and Bartok run their business. [10]
- (b) Describe **two** methods of communication which they might use in their business. Give an example of when each would be used. [6]
- (c) State and explain **two** disadvantages to Mugenyi and Bartok of opening another restaurant in a nearby town. [4]

- 5 (a) Explain how warehousing assists seasonal trade. [1]
- (b) (i) Describe **three** services provided by a wholesaler to a manufacturer.
- (ii) Describe **three** services provided by a wholesaler to a retailer.
- (c) Describe when a retailer might trade directly with a manufacturer rather than using a wholesaler. [4]

Section B

Answer **both** questions in this section.

- 6 Fig. 1 shows vehicles used to transport goods by road.

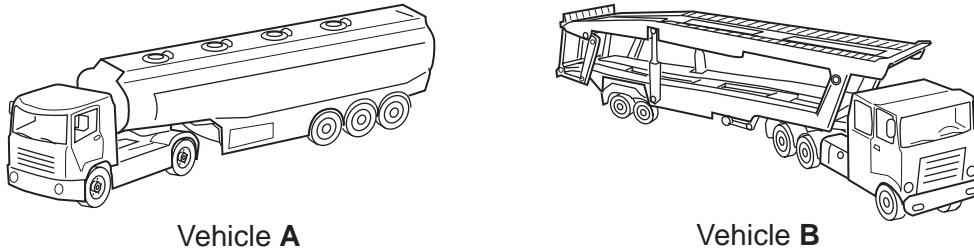
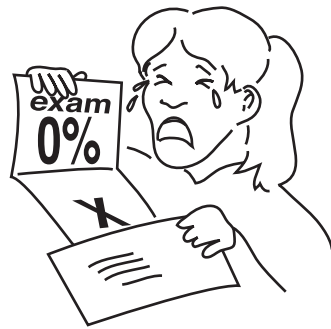


Fig. 1

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

- (a) Name **one** type of goods likely to be transported by Vehicle A and **one** type of goods likely to be transported by Vehicle B. [2]
- (b) Name **two** other kinds of road transport and say when they might be used. [4]
- (c) Explain **three** reasons why a firm may have its own delivery vehicles. [6]
- (d) If the goods carried by the vehicles shown in A and B were sent by sea, which kind of sea transport would be used for each type of goods? [2]
- (e) Explain when it would be better to choose sea rather than road for the transport of goods. [6]

7 Fig. 2 relates to insurance risks.



Picture A



Picture B

Fig. 2

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

(a) Which of the pictures in Fig. 2 shows:

- (i) an insurable risk [1]
 (ii) an uninsurable risk? [1]

(b) Jacob has bought a small factory.

- (i) Why would Jacob decide to insure his factory? [2]
 (ii) How could an insurance broker help Jacob? [3]
 (iii) Apart from his name and address, state **three** pieces of information Jacob would have to give on the proposal form. [3]

(c) Fig. 3 shows the main purpose of insurance.

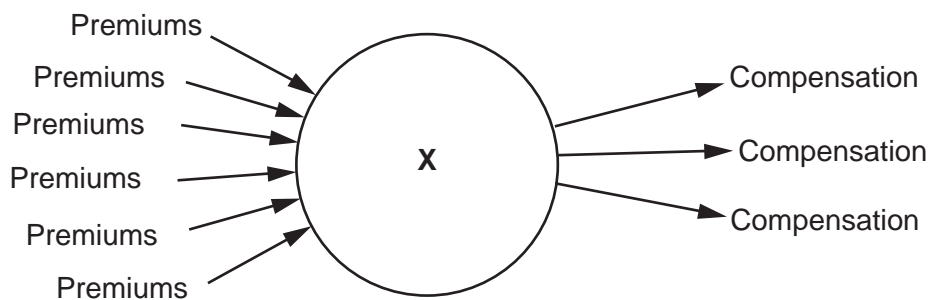


Fig. 3

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

- (i) Identify **X** in Fig. 3. [1]
 (ii) Explain how insurance allows the fortunate to help the unfortunate. [2]
 (d) (i) Using an example, explain why indemnity is an important principle of insurance. [4]
 (ii) Explain the importance of the principle of utmost good faith in insurance. [3]

