



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE
NAME

CENTRE
NUMBER

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COMMERCIAL STUDIES

7101/01

Paper 1 Elements of Commerce

October/November 2012

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, highlighters, 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.

For Examiner's Use	
Section A	
Section B	
6	
7	
Total	

This document consists of **20** printed pages.



SECTION A

Answer **three** questions from this section.

1 Fig. 1 shows a typical channel of distribution in home trade.

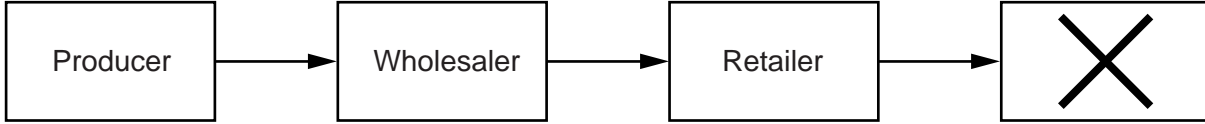


Fig. 1

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

(a) (i) Identify **X** in this channel of distribution.

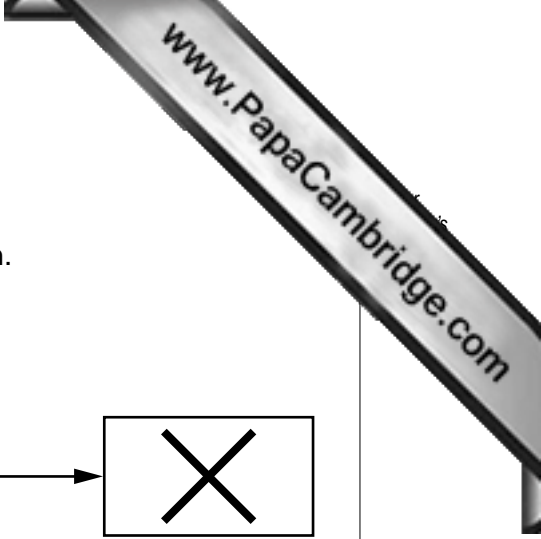
.....[1]

(ii) Why is **X** important to production?

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.....[2]

(b) List **three** services provided by a wholesaler to a producer.

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.....[3]



2 Pinetrees is a multinational company that manufactures furniture. The company is increasingly using videoconferencing and other methods of telecommunication in its day-to-day operations.

(a) What is meant by a *multinational company*?

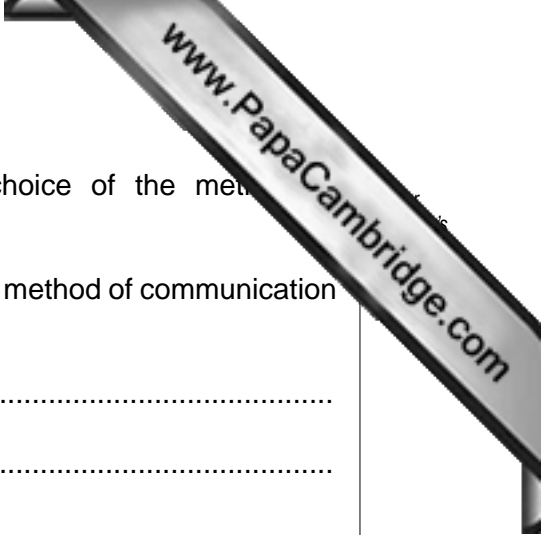
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(b) (i) State **two** pieces of equipment used when videoconferencing.

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(ii) Name **two** other methods of telecommunication that Pinetrees might use.

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..... [2]



- (c) Security is one of the many factors which affect the choice of the method of communication used by a company.

State and explain **two other** factors affecting the choice of the method of communication used by a company.

Factor 1.....

Explanation.....

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Factor 2.....

Explanation.....

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..... [4]

- (d) Give reasons why postal services are still needed by companies despite the development of telecommunications.

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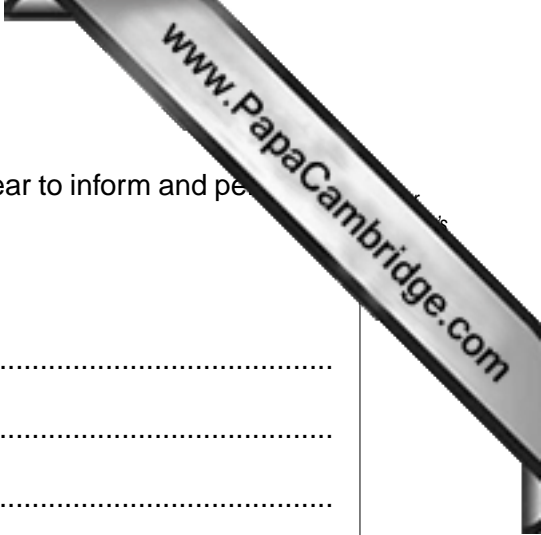
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..... [4]



3 Businesses spend millions of dollars on media advertising every year to inform and persuade people.

(a) What is meant by *media advertising*?

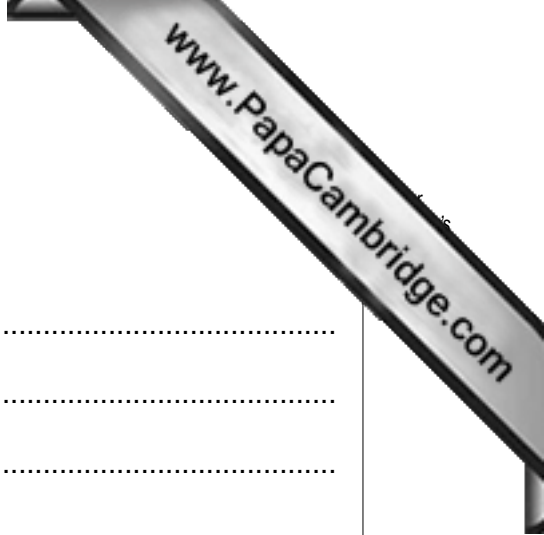
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(b) Using examples, explain the difference between informative and persuasive advertising.

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(c) Will businesses expect to gain from expenditure on advertising? Give reasons for your answer.

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(d) How do the following assist businesses with advertising:

(i) branding

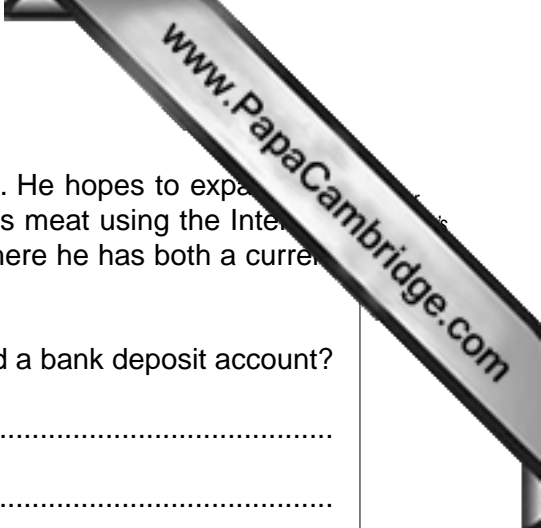
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(ii) packaging?

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(e) Explain why television is a very effective advertising medium for many goods.

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4 Danny owns a small shop that specialises in selling quality meat. He hopes to expand his business by installing a cold storage warehouse and by selling his meat using the Internet. He has a good relationship with the bank manager at his bank where he has both a current account and a deposit account.

(a) What are the differences between a bank current account and a bank deposit account?

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(b) Explain why a cold storage warehouse would be important to Danny's business.

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- (d) The expansion of the business will cost more than \$40 000. After some research into different sources of finance, Danny has decided to ask his bank for a loan.

Explain why taking a bank loan is the best decision for Danny.

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5 Fig. 2 shows the hierarchical structure of a multiple chain store.

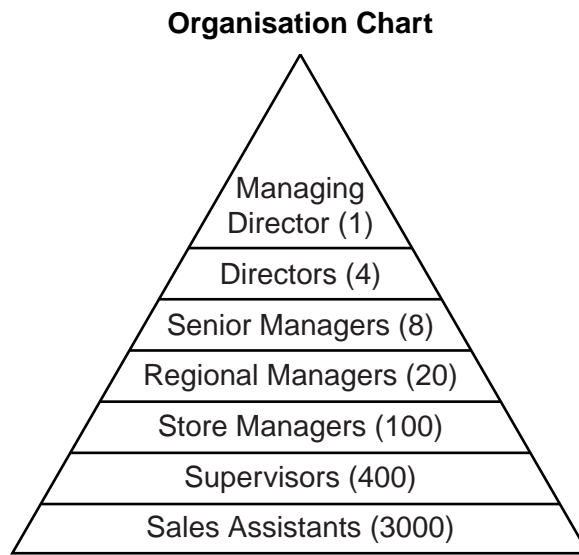


Fig. 2

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

(a) (i) What do the numbers in brackets represent?

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..... [1]

(ii) Who do shareholders elect to run the business on their behalf?

..... [1]

(iii) Using examples from Fig. 2, explain what is meant by a *hierarchical structure*.

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..... [3]

(iv) How does the role of the Managing Director differ from that of a Store Manager?

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SECTION B

Answer **both** questions in this section.

6 Fig. 3 shows a country's balance of payments between 2005 and 2011.

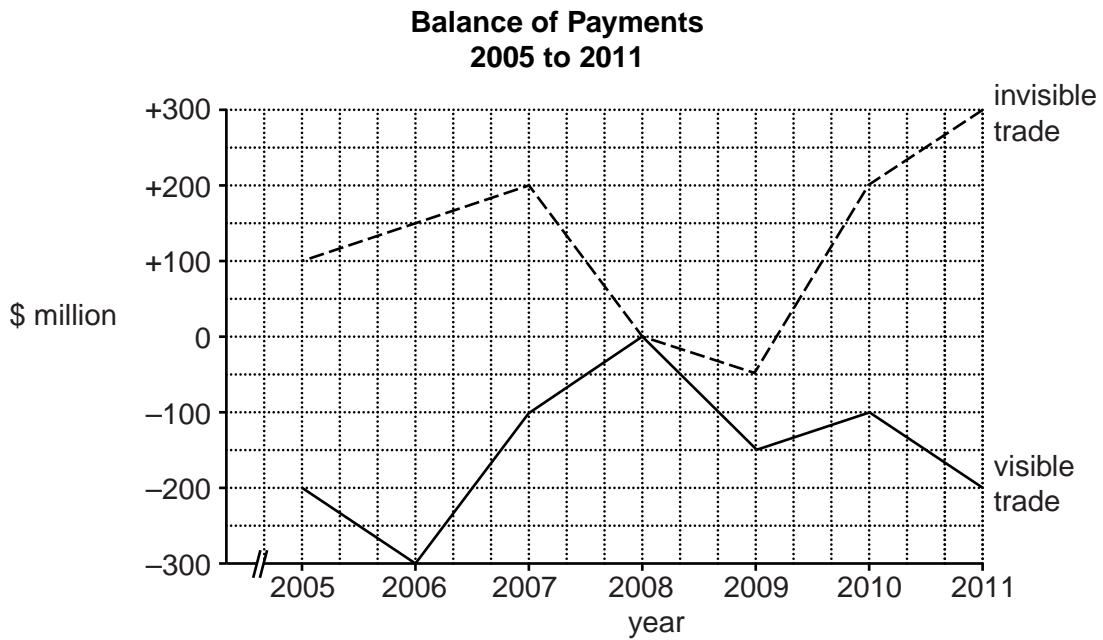


Fig. 3

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

(a) (i) Identify the year when the visible trade and invisible trade were of equal value.

..... [1]

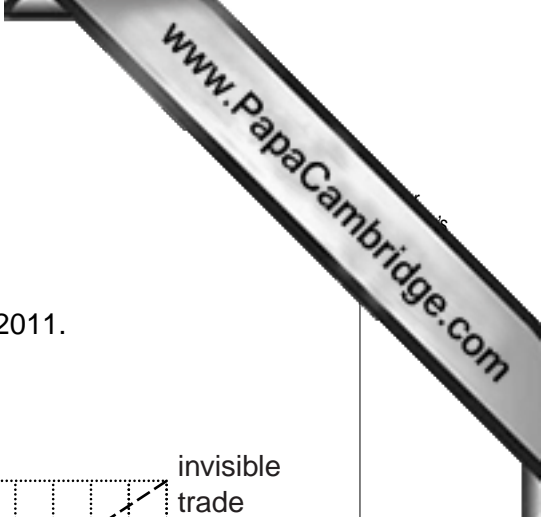
(ii) Identify in which year the invisible trade balance was in deficit.

..... [1]

(iii) Calculate the balance on the current account for 2011.

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 [2]





(d) The government of a country is supported in international trade by the work of the Customs Authority.

(i) State and explain **two** functions of a Customs Authority.

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(ii) Give **two** pieces of information contained in a bill of lading.

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7 Fig. 4 is an insurance document.

ORION INSURANCE LTD		
MOTOR CAR INSURANCE COVER NOTE		
Name of insured: Premier Metals Ltd	Cover Note Number: 412619	
Address: No 15, Chyung Street, Taipei, Taiwan	Policy Number: PN5279	
<p>The insured name above has applied for insurance which is hereby provided in the terms of the insurer's form of policy. This temporary cover note is not evidence of an annual contract and may be terminated by the insurer by notice in writing.</p>		
Reason for issue: Company business use		
Operative from: 0900 time 1st day of Oct to the same time on the 30th day afterwards.		
Make and model: BMAX	Reg No: NK67RYP	Body type: Hatch
No of doors: 3	Engine Capacity: 1.4	Chassis No: 624147
Policy Cover: Comprehensive/ Third Party Fire and Theft/Third Party		
Driving/cover restrictions: Any licensed driver		
Premium paid: \$700		
Date of issue: 29/09/2012	Signature for Orion Insurance Ltd: BPearce	

Fig. 4

Use Fig. 4 to help you answer the following questions.

(a) (i) Identify the document shown in Fig. 4.

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(ii) Which permanent insurance document will be issued after this document?

..... [1]



(iii) What is the difference between comprehensive cover and third party cover?

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(iv) List **three** other risks, other than motor insurance, that a business should insure against.

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(b) Explain how the pooling of risk enables businesses such as Premier Metals Ltd to obtain motor car insurance for a small premium.

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(c) The motor car is involved in an accident six months after it has been insured. Premier Metals Ltd makes an insurance claim for \$25 000.

(i) Identify **five** actions, following the accident, that Premier Metals Ltd would take when making this insurance claim.

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(ii) Explain why Orion Insurance Ltd may not pay the \$25 000 claimed.

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..... [4]

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