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COMMERCIAL STUDIES

7101/11

Paper 1 Elements of Commerce

October/November 2014

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.

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.

(c) Explain **two** functions of customs authorities in international trade.

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.....[4]

(d) International traders and home traders use many documents when trading.

(i) State **two** purposes of the bill of lading.

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.....[2]

(ii) How would a letter of credit be used in international trade?

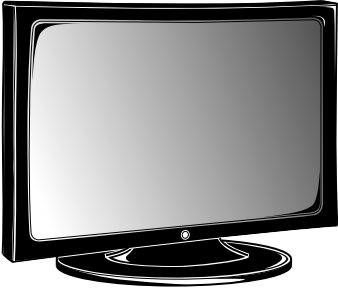
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.....[2]

(iii) How does an order differ from an invoice as a document of home trade?

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.....[4]

3 Fig. 1 shows a newspaper advertisement.

Televisions for sale at \$480



24 monthly payments by direct debit
20% deposit
0% interest

Fig. 1

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

(a) (i) Give **one** reason why 0% interest is being offered.

.....
.....[1]

(ii) Calculate the monthly payment if a customer pays by direct debit.
Show your working.

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.....[4]

(iii) How might the advertisement shown in Fig. 1 be made more persuasive?

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.....[2]

SECTION B

Answer **both** questions in this section.

- 6 Zoey Nathis has started running a small fruit farm. Her premises contain a warehouse for keeping tools and some equipment. She needs insurance cover and Fig. 2 shows the six stages she needs to follow to take out insurance.

SIX STAGES IN TAKING OUT INSURANCE

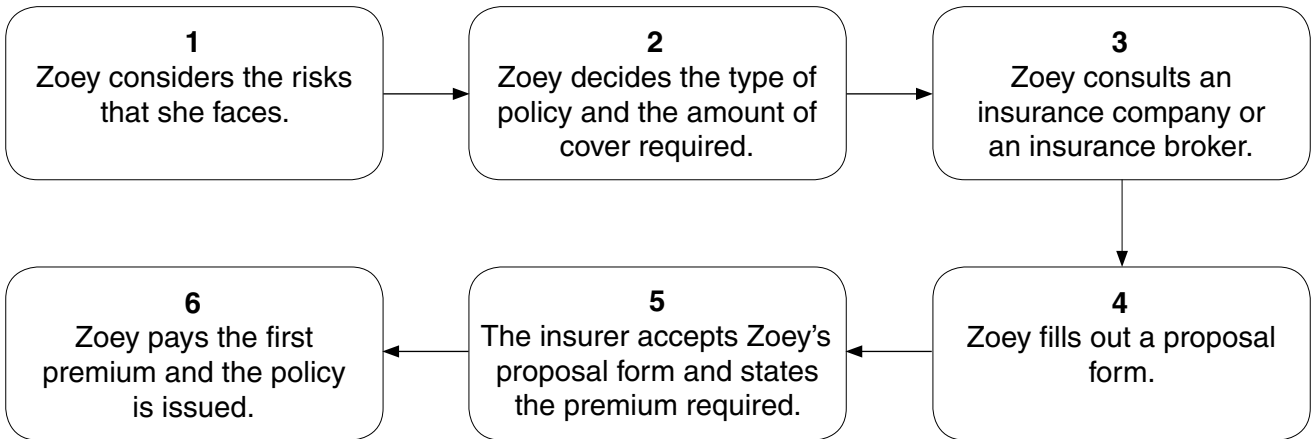


Fig. 2

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

- (a) (i) What is the difference between the terms the *insured* and the *insurer*?

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.....[2]

- (ii) At which stage would Zoey become insured?

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.....[1]

- (iii) From whom might Zoey seek insurance advice?

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.....[1]

(b) Explain **each** of the following terms used in Fig. 2:

(i) proposal form

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.....[2]

(ii) premium

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.....[2]

(iii) policy.

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(c) State and explain **two** reasons why Zoey should insure her business.

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.....[4]

(d) Explain how warehousing might assist Zoey to:

(i) stabilise the prices of her fruit

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.....[3]

(ii) satisfy the seasonal demand for fruit.

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.....[3]

- 7 The following graph shows the cost per kilometre of transporting goods for journeys up to 300 kilometres.

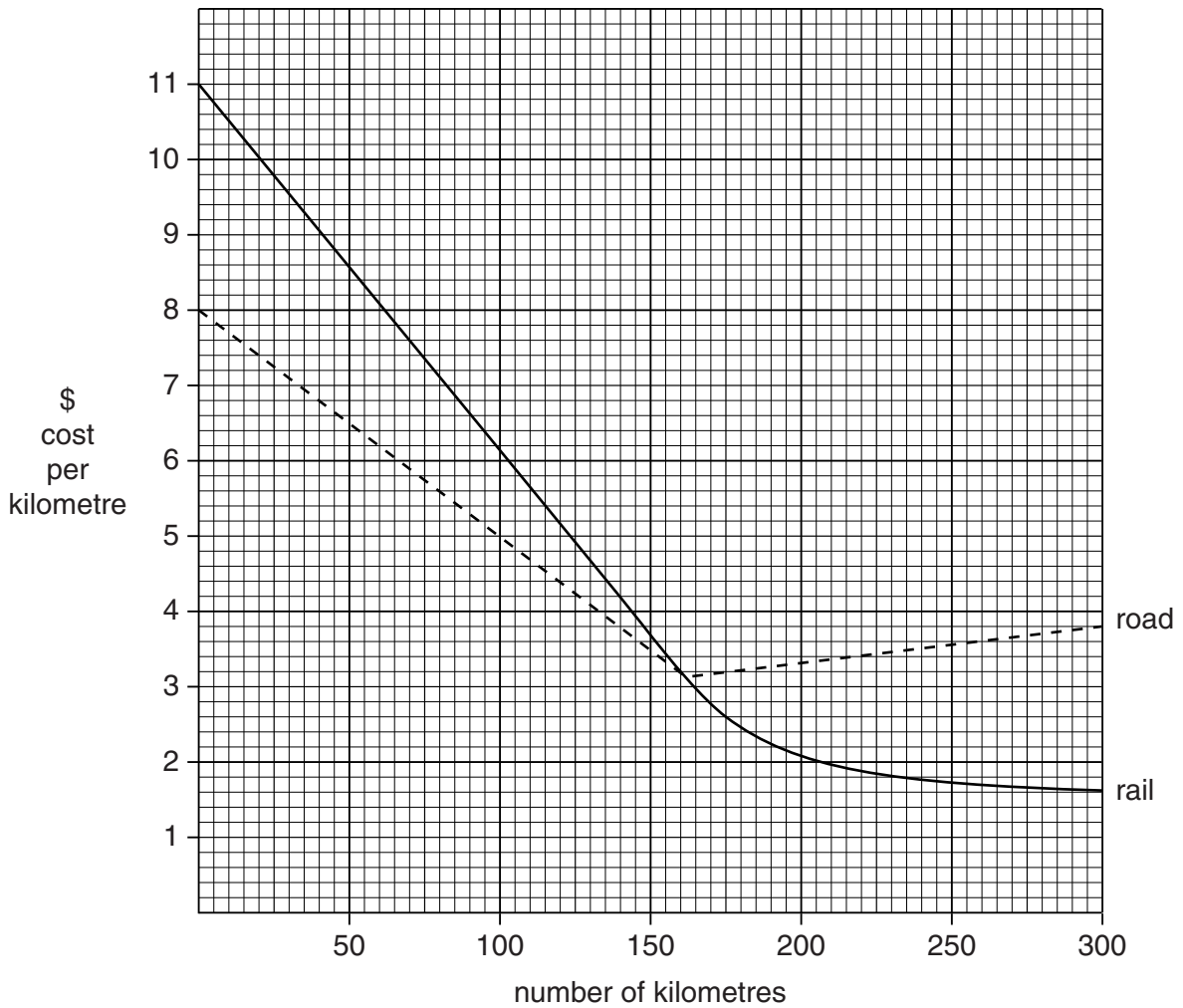


Fig. 3

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

- (a) (i) Which is the cheaper method of transport for a journey of 150 kilometres?

.....[1]

- (ii) Which is the cheaper method for journeys of more than 250 kilometres?

.....[1]

- (iii) At which distance does it cost the same to transport goods by road as it does by rail?

.....[1]

(iv) What is the cost of transporting goods by road for 100 kilometres?

Show your working.

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.....[2]

(b) Why does rail transport rely greatly on road transport?

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.....[3]

(c) Apart from distance and cost, explain **two other** factors which will influence a business' choice between road and rail transport for delivering goods.

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.....[4]

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