

COMMERCE & FINANCE 2
7020

CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD

General Certificate Of Education Examination

JUNE 2014

ORDINARY LEVEL.

Subject Title	COMMERCE & FINANCE
Paper No.	Paper 2
Subject Code No.	7020

Three Hours

Answer ALL questions in Section A and any other THREE questions in Section B.

All questions in Section B carry equal marks.

You are reminded of the necessity for good English and orderly presentation in your answers.

Candidates are allowed to use calculators.

Turn Over

SECTION A

Study the following passage and answer the questions that follow:

CAPITAL MARKETS

The unlisted security market has been suffering from a slow lingering death. Although it survived the crash of 1987, the recession of the early 1990s had gradually drained liquidity and confidence from the market. For a brief period in the mid 1980s, the market seemed to have become what it was designed to be, "a thriving heaven for budding British entrepreneurs". The unlisted security market was founded in response to an age old fear that the stock market was too inflexible to cater for the young and vigorous companies which was considered to be the driving force of Britain's economic growth. The Wilson committee reported in 1979 that there was a "capital gap" facing companies which were too small for a listing and did not want to rely on banking facilities.

The stock exchange market was also concerned with the development of the "over the counter market" trading in unlisted securities of companies and wanted to bring this area under its control.

Source: Philipp Coggan. Financial Times, 1992.

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| 1. | (a) | What do you understand by an "over the counter market", as used in the passage? | (5 marks) |
| | (b) | How is an unlisted security market different from a listed security market? | (5 marks) |
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| 2. | (a) | State three reasons why a firm may want to obtain a stock exchange listing. | (5 marks) |
| | (b) | What is a "capital gap" as used in the passage? | (5 marks) |
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| 3. | | What is the role of the Douala Stock Exchange (DSX) in the light of the above passage to: | |
| | (a) | Investors ? | (5 marks) |
| | (b) | The Government? | (5 marks) |

SECTION B

Answer any Three Questions from this Section

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| 4. | Commerce does not only involve trade, it includes all activities that facilitates distribution of goods and services. Discuss. | (20 marks) |
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| 5. | In your opinion, why may a private limited company convert its business into a public limited company? How can this transformation be achieved? | (20 marks) |
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| 6. | Suppose an American firm purchases palm kernel oil from PAMOL – Cameroon and promised payment in dollars a year later. PAMOL is now exposed to exchange risk. Provide strategies available to PAMOL to guide against this exchange risk? | (20 marks) |
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| 7. | (a) Explain clearly the benefits of insurance to an individual. | (10 marks) |
| | (b) Describe three types of Assurance policies which can be taken by a Cameroon Airlines corporation (CAMAIRCO). | (10 marks) |
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| 8. | Describe the principal methods of payment provided by commercial banks and indicate the advantages associated with each method. | (20 marks) |