

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for General Certificate of Education Ordinary Level

Commerce

7100/1

Tuesday

12 JULY 2016

Additional Material:
Answer Booklet

Time: 2 hours 30 minutes

Instructions to Candidates

Write your **name**, **centre number** and **candidate number** in the spaces provided on the Answer Booklet

There are **ten (10)** questions in this paper. Answer any **five (5)** questions.

Write your answers in the separate Answer Booklet provided.

If you use more than one Answer Booklet, fasten the Booklets together.

Information for Candidates

The number of marks is given in brackets [] at the end of each question or part question.

Calculators may be used.

Cell phones are not allowed in the examination room.

- 1** (a) What is the role of Commerce in Production. [4]
- (b) (i) Discuss land as a factor of production. [3]
- (ii) Identify the effects of a Mining Industry on the environment. [3]
- (c) State
- (i) advantages of specialisation. [5]
- (ii) disadvantages of specialisation. [5]

[20 marks]

- 2** (a) Retail trade has gone through a number of changes in recent years.
- (i) State any **five** changes that have taken place in retail trade. [5]
- (ii) Outline the features of:
- Mobile shops. [3]
 - Hawkers. [2]
- (b) (i) Why is an invoice described as the most important document in business transactions? [5]
- (ii) What is the importance of a Statement of Account in business transactions? [5]

[20 marks]

- 3** (a) Define the word Quota as it is used in International trade. [2]
- (b) (i) Discuss the main reasons why countries get involved in International Trade.
- (ii) Discuss the importance of the following documents used in International Trade.
- Charter Party [5]
 - Bill of Lading [5]

- (c) Distinguish between Brokers and Factors in International Trade. [3]

[20 marks]

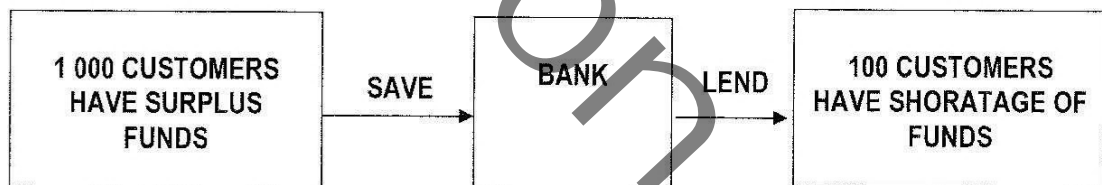
- 4** (a) Mention **five** main players of the Lusaka Stock Exchange. [5]
- (b) (i) Explain why it might be necessary for a small business to be converted into a Private Limited Company. [5]
- (ii) What advantages do Public Limited Companies (PLC) have over Private Limited Companies. [5]
- (c) Differentiate Public Corporation from Public Limited Companies. [5]

[20 marks]

- 5 (a) Businesses are faced with problems of choosing between using their own transport or hiring in both Home trade and International Trade.
- (i) Outline the advantages of a trader using their own trucks in delivering goods. [5]
- (ii) State the type of transport that each of the following statements best describes.
- 1 very slow but covers very long distances.
 - 2 very fast over very long distances.
 - 3 the safest for very expensive goods.
 - 4 suitable for bulky inland consignment.
 - 5 offers door to door delivery. [5]
- (b) There are different types of warehouses that assist people involved in trade. Explain the importance of each of the following types of warehouses:
- (i) Wholesale warehouse. [5]
- (ii) Manufacturer's warehouse. [5]

[20 marks]

- 6 (a) A cheque is **not** a "Legal Tender". Define Legal Tender [2]
- (b) Explain the advantages of using a cheque as a means of payment. [4]
- (c) The table below shows the way a commercial bank serves its customers.



- (i) Describe any **two** services which the bank may use to enable customers to serve their surplus money. [5]
- (ii) Give reasons why a company would choose the bank loan as a method of obtaining additional finance. [8]

[20 marks]

- 7** (a) In connection with communication, state any **four** postal services. [4]
(b) Give reasons for continuing need for Postal Services despite the abundant sophisticated telecommunication system. [4]
(c) Describe the advantages of using a Mobile Phone. [4]
(d) What is the importance of Fax for people engaged in business? [4]
(e) Write brief notes on Data Post. [4]

[20 marks]

- 8** (a) Mention the Principles of Insurance . [4]
(b) Mrs Kantu wishes to insure her house,
(i) Explain to Mrs Kantu the benefits of Insuring her house against the risk of fire with an Insurance Company. [5]
(ii) What steps would Mrs Kantu take in Insuring her house with the Insurance Company? [5]
(c) A building is valued at K90m and is insured for K60m. The building is burnt with fire and the cost for renovation is estimated at K30m. Calculate how much would be paid in compensation. [6]

[20 marks]

- 9** Most business undertake advertising in order to increase their sales by informing customers about the availability of goods and services and persuading them to buy.
(a) List any **five (5)** factors that should be taken into account when designing an advertisement. [5]
(b) (i) Why are most National Advertising Campaigns undertaken by Advertising Agencies? [5]
(ii) What functions do Advertising Agencies perform? [5]
(c) Discuss the "code of advertising" [5]

[20 marks]

- 10** (a) (i) Explain the meaning of working capital. [2]
(ii) What is the importance of working capital to a business? [2]
(iii) Explain the working capital ratio. [2]
(iv) State the difference between Current Assets and Non-Current Assets. [2]

(b) The following is the Balance Sheet of Gama a sole trader as at 30th October 2011.

Assets		K'000
	Motor Vehicles	400.00
	Office Equipment	360.00
	Stock	100.00
	Debtors	250.00
Liabilities		
	Capital	900.00
	Creditors	200.00
	Bank overdrafts	10.00

- (i) Calculate the working capital for Gama. [3]
- (ii) Calculate the value of net assets. [3]
- (iii) Show the working capital ratio for Gama. [3]
- (iv) Interpret the ratio you find in (iii) above. [3]

[20 marks]

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- 1 (a) Identify **four** career prospects in Commerce. [4]
- (b) Explain the following terms:
- (i) Quality goods; [3]
- (ii) Substandard goods. [3]
- (c) Production is classified into Direct Production and Indirect Production. Differentiate the two methods of production. [10]
- [Total:20]**

- 2 (a) In connection with contracts;
- (i) What is the difference between acceptance and consideration? [3]
- (ii) Why should a business not breach a contract? [3]
- (b) (i) Explain the features of Home Trade. [4]
- (ii) Small scale retailers operate on a small scale and may or may not have fixed shops. Give reasons why such retailers face problems in Zambia. [4]
- (c) Matukuta trading, specialized in selling groceries, bought the following items from Mwandu wholesalers:
- 8 cases of butter at K135 each;
- 4 boxes of milo at K98 each;
- 25 cases of planet drinks at K26 each;
- 14 by 2.5 litres mama cooking oil at K39 each;
- and was allowed $33\frac{1}{3}\%$ trade discount.
- (i) Calculate the amount of trade discount. [4]
- (ii) Show how much Matukuta Trading pays Mwandu Wholesalers if Matukuta Trading was only allowed trade discount. [2]
- [Total:20]**

- 3 (a) State why deficit in balance of payments in Foreign Trade is undesirable. [2]
- (b) Explain the following terms in relation to Foreign Trade:
- (i) Ad Valorem duty [5]
- (ii) Customs draw back [5]
- (iii) Entrepot trade [5]
- (c) Describe the use of shipping note in Foreign Trade. [3]
- [Total:20]**

- 4 (a) List the features of a Sole Trader. [5]
- (b) (i) Explain **five** ways in which a Private Limited Company differs from a Public Limited Company. [5]
- (ii) In connection with Limited Companies, explain the term "Limited Liability". [5]
- (c) Business is an activity that involves more than just buying and selling. Explain the main activities that an individual or an organisation may be involved in. [5]

[Total:20]

- 5 (a) The government is one of the main players on Lusaka Stock Exchange (LuSE). State the duties of the government on LuSE. [5]
- (b) Explain the following:
- (i) Underwriters at the Stock Exchange [5]
- (ii) how the Lusaka Stock Exchange (LuSE) facilitates secondary trading. [5]
- (c) How is capital raised at the Stock Exchange? [5]

[Total:20]

- 6 (a) (i) Different methods of transport are used for the movement of raw materials, goods and people. List the most common methods used. [5]
- (ii) State the factors to consider when choosing the mode of transport for the movement of goods. [5]
- (b) Explain the following types of warehouses:
- (i) Cold Storage Warehouses; [5]
- (ii) Cash and Carry Warehouses. [5]

[Total:20]

- 7 (a) List **two** benefits of running a savings account. [2]
- (b) (i) Loan facilities are one of the services offered by banking institutions. Explain the characteristics of a bank loan. [6]
- (ii) Explain the advantages of credit transfer. [6]
- (iii) Explain the effects of any **two** of the following cheque crossings.

& Co	Not negotiable	ZANACO Bank (Z) Ltd Chingola Branch	A/C Payee only	Finance Bank (z) Ltd	Under K100,000	[6]
(a)	(b)	(c)	(d)	(e)	(f)	

[Total:20]

- 8 (a) Define communication. [4]
- (b) Briefly explain the following;
- (i) Fax, [4]
- (ii) Money orders, [4]
- (iii) SMS, [4]
- (iv) Telex. [4]

[Total:20]

- 9 (a) What is an insurance policy? [4]
- (b) In relation to Marine Insurance, explain the following terms;
- (i) Hull Insurance [5]
- (ii) Freight insurance [5]
- (c) Mrs Lungowe insured the television set costing K6 000 with two insurance companies. The television set is damaged in fire and the cost of repairs is valued at K2 500. Explain the principle that will apply in compensating Mrs Lungowe. [6]

[Total:20]

- 10 (a) Identify at least **five** modes of advertising used by companies. [5]
- (b) Give reasons as to why the products are best advertised on the media indicated;
- (i) A new brand of washing powder advertised on radio. [5]
- (ii) A new soft drink advertised on television. [5]
- (iii) Recruitment of police officers advertised in the newspaper. [5]

[Total:20]