EXAMINATIONS COUNCIL OF ZAMBIA
Examination for School Certificate Ordinary Level

Commerce 7100/1
PAPER 1

Wednesday 21 OCTOBER 2015

Additional materials:
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.

Non programmable calculators may be used.

Cell phones are not allowed in the examination room.

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1. Production is divided into three main branches; industry, commerce and direct services.
   (a) What are direct services? [4]
   (b) Explain how:
       (i) Warehousing assists industry, [3]
       (ii) Traders are assisted by insurance. [3]
   (c) Outline how commerce assists those engaged in industry. [10]
   [Total: 20]

2. (a) (i) In line with the retail trade define hawkers. [2]
       (ii) List four advantages of the hawker type of retailing. [4]
   (b) (i) Explain what is meant by pre-sales services and after-sales services. [6]
       (ii) Define Electronic Commerce. [2]
   (c) (i) Explain why independent retailers have continued to decline. [3]
       (ii) A retailer buys K800 worth of goods with a trade discount of 20% and a cash discount of 5%, 1 month.
           Calculate how much the goods will cost if the retailer pays in 21 days after the invoice date. [3]
   [Total: 20]

3. (a) Define customs drawback. [2]
   (b) Explain the following means of payments in foreign trade:
       (i) Bills of exchange [5]
       (ii) Cable transfers [5]
       (iii) Banker’s draft [5]
   (c) Distinguish between a voyage charter and time charter. [3]

4. (a) Reproduce and label the Business Units diagram putting emphasis on what falls under each of the Business Units. [5]
   (b) (i) State the similarities between the sole trader and the partnership. [5]
       (ii) Explain what is expected from a broker when he acts as a dealer at the Stock Exchange. [5]
   (c) Outline the “T + 3” trading system used in the Stock Exchange system. [5]
   [Total: 20]

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5  (a) Transport is an aid to trade concerned with the moving of goods and people from one place to another.

(i) List five advantages of using rail transport for the delivery of goods. [5]

(ii) State the major developments that have occurred in the transport sector in the recent past. [5]

(b) Mwiza Sunga is a trader who has been trading for sometime but unfortunately lacks adequate warehousing facilities.

(i) Explain to Ms Sunga the importance of having warehousing facilities. [5]

(ii) Explain the importance of a bonded warehouse to an importer of wines and spirits. [5]

[Total: 20]

6  (a) It is common practice for many commercial bank customers to withdraw money from their accounts using ATM cards. What important rules should a customer have in mind when transacting using an ATM card? [2]

(b) (i) A cheque is an unconditional order to the bank to pay a certain amount to a named person or company. Explain to the client the advantages of using a cheque. [4]

(ii) Give reasons why a cheque can be dishonoured. [6]

(iii) Differentiate between a Standing Order and Direct Debit. [8]

[Total: 20]

7  (a) Write four advantages of using electronic mail (e-mail). [4]

(b) (i) What is meant by Swift Cash Service? [4]

(ii) Explain and state the use of Pastel and a Computer to those engaged in business. [8]

(iii) Describe the circumstances under which the toll free service is used by an organisation. [4]

[Total: 20]

8  Insurance seeks to compensate those that suffer financial risk due to accidents, injuries, theft and fire.

(a) How can a risk be considered to be an insurable risk. [4]

(b) (i) Why would you advise a person to go through an insurance broker to arrange for an insurance cover and not to go directly to the insurance company? [4]

(ii) Describe the two main types of fire insurance. [6]

(c) Distinguish between Contribution and Subrogation in relation to insurance. [6]

[Total: 20]

[Turn over]
9 (a) It is a common practice for large firms to use Advertising Agencies instead of advertising on their own.

Give reasons why they do so. [5]

(b) (i) Write briefly on Generic Advertising. [5]

(ii) A Code of Advertising is a very important instrument. Explain its purpose. [6]


[Total: 20]

10 A good business organisation must understand why its important to have various sources of finance as well as understand why financial statements should be prepared.

(a) What reasons would a business have for choosing a bank loan as a method of financing a capital project? [8]

(b) From the Balance Sheet below of Damuse a sole trader, calculate the following:-

(i) The total amount of fixed assets. [2]

(ii) The amount of working capital. [4]

(iii) The accounting ratios:
   – Current Asset ratio [3]
   – Acid test ratio [3]

DAMUSE'S BALANCE SHEET AS AT 30 JUNE 2014

<table>
<thead>
<tr>
<th>Assets</th>
<th>K</th>
<th>Liabilities</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises</td>
<td>30 000</td>
<td>Capital at start</td>
<td>80 000</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>20 000</td>
<td>Bank Loan</td>
<td>20 000</td>
</tr>
<tr>
<td>Stock</td>
<td>30 000</td>
<td>Creditors</td>
<td>40 000</td>
</tr>
<tr>
<td>Debtors</td>
<td>35 000</td>
<td></td>
<td></td>
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<tr>
<td>Cash At Bank</td>
<td>K25 000</td>
<td></td>
<td>K140 000</td>
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</tbody>
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[Total: 20]
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