

EXAMINATIONS COUNCIL OF ZAMBIA

Joint Examination for the School Certificate
and General Certificate of Education Ordinary Level

COMMERCE

7100/1

Tuesday

25 NOVEMBER 2003

2 hours 30 minutes

Additional materials:
Answer paper

TIME 2 hours 30 minutes

INSTRUCTIONS TO CANDIDATES

Do not open this booklet until you are told to do so.

Write your name, centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

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

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

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

This question paper consists of 4 printed pages

- 1 Zambia Export Growers Association (ZEGA) comprises commercial farmers who grow the following; rose flowers, vegetables and fruits for export. Explain how commercial activities will help the association. [20]
- 2 (a) With the aid of a diagram, show the main features which appear on the face of a completed cheque. [6]
 - (b) If a cheque is crossed vertically by two parallel lines, how does this restrict the use of the cheque? [6]
 - (c) How are cheques "cleared" between debtors and creditors amounts in different banks? [8]
- 3 (a) Why would a manufacturer use rail rather than road transport? [10]
 - (b) What are the functions of Port Authorities? [10]
- 4 Write brief notes on the following:-
 - (a) An insurance policy
 - (b) An underwriter
 - (c) Utmost good faith
 - (d) Non-insurable risks
 - (e) Insurable interest [20]
- 5 (a) Why should Lever Brothers continue to advertise its well-known products such as surf, lifebuoy, etc.? [6]
 - (b) State which advertising media you would recommend for the Maheu drink. [6]
 - (c) What are the benefits of advertising to the consumer? [8]
- 6 (a) A department store is one of the large scale retail outlets. What are the features of a large scale retail outlet? [12]
 - (b) Mr Takashito Nakamuro would like to purchase a tractor on hire purchase. Explain the advantages of hire purchase to Mr Nakamuro. [8]

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- 7 The following is a Balance Sheet of Matongo Kabanana, a sole trader as at 31st March, 2003.

Balance Sheet as at 31 March, 2003

ASSETS	K	K
Premises	120 000 000	
Equipment	24 000 000	
Stock	22 000 000	
Debtors	20 000 000	
		186 000 000
LIABILITIES		
Capital	100 000 000	
Mortgage on Premises	50 000 000	
Creditors	18 000 000	
Bank Overdraft	18 000 000	
		186 000 000

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- (a) Calculate the amount of Matongo Kabanana's working capital. [4]
- (b) Why is working capital important? [5]
- (c) Explain to what extent Matongo Kabanana would be affected if:
- (i) he sold K5 000 000 of his stock for K6 000 000 and received a cheque in settlement: [6]
- (ii) he paid a creditor K50 000 by cheque thus increasing his overdrafts. [6]
- (d) Describe 2 ways in which Matongo Kabanana might obtain additional finance to expand his business. [5]
- 8 The turnover of a businessman has gone down by 7%, the gross profit by 5% and net profit by 9%.
- (a) Explain these three terms: turnover, gross profit and net profit showing clearly the difference among them. [6]

- (b) State two ways in which each of these percentages might improve. [6]
- (c) Customers for the businessman pay for services either by cheque or credit card. What are the advantages and disadvantages of each method of payment? [8]
- 9 Explain the ways in which the Postal and Telecommunications Authorities assist businessmen. [20]
- 10 What are the functions of the:
- (a) Stock Exchange? [10]
- (b) Marketing Boards? [10]