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.
Answer any five (5) questions.

1 (a) Define the following terms:-
   (i) Extractive industry.
   (ii) Manufacturing industry.

   (b) Explain how the principle of specialization is applied at the following levels:-
   (i) Specialization by individual.
   (ii) Specialization by regions.

   (c) Outline the main features of primary production as the first stage of production.  [10]

2 (a) In most developed countries, consumers buy their goods using E-commerce.
   State the features of E-Commerce.

   (b) (i) Explain the three ways in which a consumer can be protected in E-commerce.
   (ii) State the main differences between after-sale services and pre-sale services.

   (c) Explain the features of the following:-
   (i) Mail order business.
   (ii) Large scale retailers.

3 (a) State the reasons for the control of bonded warehouses by the Customs Authorities.

   (b) Explain how the following methods of payments are used in Foreign Trade:
   (i) Bill of exchange;
   (ii) Documentary credits or letter of credit;
   (iii) Banker's draft;

   (c) Outline some techniques which countries use in order to restrict free trade between nations.

4 (a) In connection with Lusaka Stock Exchange (LuSE), state the meaning of the following:-
   (i) Securities.
   (ii) Naked debentures.
   (iii) Right of issue.

   (b) What are the features of the following:
   (i) Founder shares.
   (ii) Public corporation.

   (c) Outline four objectives of the Lusaka Stock Exchange.
5  (i) When would one prefer to use a container when transporting goods? [5]  
   (ii) What problems would one face when transporting goods using air transport? [5]  
   (iii) What is the importance of locating a public warehouse near travel stations? [5]  
   (iv) What is the importance of holding a wholesaler’s warehouse? [5]  

[20 marks]

6  (a) Define Banking. [2]  
   (b) (i) Explain the reasons that may lead to a cheque being dishonoured. [6]  
   (ii) What are the advantages of using a cheque for receiving or making payments? [6]  
   (iii) Explain the differences between a Current Account and a Savings Account. [6]  

[20 marks]

7 Communications essentially refers to the giving and receiving of information.  
   (a) State the different classes of communication. [4]  
   (b) (i) Explain why a business requires efficient methods of communication. [4]  
       (ii) Explain why there is still need for Postal Services despite new sophisticated telecommunication systems. [4]  
       (iii) What are the disadvantages of using a telephone to people engaged in business? [4]  
       (iv) What are the benefits of video conferencing? [4]  

[20 marks]

8  (a) Identify the importance of insurance. [4]  
   (b) (i) Identify the factors that an insurance company takes into consideration before deciding on the amount of premium to be paid. [6]  
   (ii) What is the difference between voyage policy and time policy? [4]  
   (c) Mr Ndalambo insures his house with Madison Insurance Company for K100; with Professional Insurance Company for K200; and with ZSIC for K150. A K90 loss is sustained when the house catches fire. Calculate the amount of compensation to be received by Mr Ndalambo from each insurance company. [6]  

[20 marks]

9  (a) Why do consumers need protection from competitive advertising? [5]  
   (b) (i) Explain why a firm like California Beverages still continues to advertise its products. [5]  
   (ii) Describe some of the dangers of persuasive advertising. [5]  
   (iii) Explain the advantages of advertising to the consumer. [5]  

[20 marks]
10. (a) Explain why the following are important to a business:
   (i) Working capital
   (ii) Fixed assets

   (b) The following information relates to company 1 and 2 below:

<table>
<thead>
<tr>
<th>Company 1</th>
<th>Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>60</td>
</tr>
<tr>
<td>Purchases</td>
<td>40</td>
</tr>
<tr>
<td>Opening stock</td>
<td>26</td>
</tr>
<tr>
<td>Closing stock</td>
<td>14</td>
</tr>
<tr>
<td>Expenses</td>
<td>5</td>
</tr>
</tbody>
</table>

   Calculate for each firm:
   (i) Cost of sales
   (ii) Gross profit
   (iii) Net profit
   (iv) Rate of stock turn

   [20 marks]