

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
**Joint Examination for the School Certificate**  
**and General Certificate of Education Ordinary Level**

**COMMERCE**

**7100/1**  
**OCTOBER/NOVEMBER SESSION 2002**  
2 hours 30 minutes

Additional materials:  
Answer paper

**TIME** 2 hours 30 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.

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.

The businesses described in this question paper are entirely fictitious.

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**This question paper consists of 5 printed pages and 3 blank pages.**



1 Fig. 1 shows three stages of furniture production.

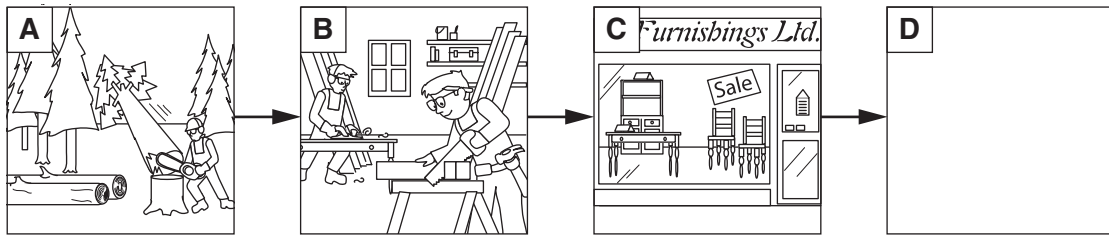


Fig. 1

Use Fig. 1 to help you answer the following questions.

- (a) Identify the three stages of production shown in A, B and C in Fig. 1. [3]
- (b) (i) Who is the person that you would expect to find at the end of the chain of production in D in Fig.1? [1]  
(ii) Explain why this person is important. [4]
- (c) Explain how transport may assist the production of furniture. [6]
- (d) Choose **two** other aids to trade and show how they might assist the selling of furniture. [6]
- 2 (a) (i) State **two** characteristics of a supermarket. [2]  
(ii) Explain why supermarket shopping has grown in importance in recent years. [8]
- (b) Explain why there are still many small shops selling food, given the growth in supermarket shopping. [10]
- 3 (a) Josephine and Boniface own a shop.  
They accept debit cards but not credit cards as payment for goods.
- (i) Explain why they have decided to accept debit cards and not credit cards. [4]  
(ii) State and explain **one** possible disadvantage to their business of not accepting credit cards. [3]
- (b) How might Josephine and Boniface make use of a bank current account for their business? [4]
- (c) Josephine and Boniface wish to obtain a refrigerator for use in their shop. They are considering purchasing or leasing the refrigerator.
- (i) Explain the benefits of  
**A** purchasing the refrigerator and  
**B** leasing the refrigerator. [6]
- (ii) If they lease the refrigerator, the leasing company will charge \$2000 + 40% per year. Calculate the monthly charge for Josephine and Boniface. Show your working. [3]

- 4 (a) Explain **two** disadvantages of advertising to each of the following:
- (i) the consumer [4]
  - (ii) the advertiser [4]
- (b) (i) Why might a chain of shoe shops use a newspaper to advertise its latest special offers? [3]
- (ii) Why might a manufacturer of cooked meats use television rather than leaflets to advertise a new brand? [4]
- (c) Explain how an advertising agency might assist a manufacturer to advertise. [5]
- 5 Mr Manyere owns an export business in South Africa growing and selling tomatoes for the European market.
- (a) Name **two** methods of transport he might use for his business. Give reasons for each of your choices. [8]
- (b) He will need to complete several documents when he exports a consignment of tomatoes to Europe.
- Name **two** documents and explain how Mr Manyere will use them. [6]
- (c) State and explain **three** reasons why it would be easier for Mr Manyere to sell his tomatoes in his own country rather than sell to the European market. [6]
- 6 Mrs Annoh owns a successful small business selling mobile phones to business people.
- (a) Explain **two** advantages of owning your own business. [4]
- (b) Mrs Annoh wishes to expand her business. State **two** ways in which Mrs Annoh might do this. Explain the benefits of each. [6]
- (c) Why are mobile phones an important method of communication in business? [4]
- (d) Mrs Annoh wishes to send two mobile phones to a customer in her own country. Describe **two** post office services which may help her with this task. [6]

7 Fig. 2 shows the profit and loss account of a limited company called Penny Ping Enterprises Ltd.

<b>PENNY PING ENTERPRISES LTD</b>		
<b>PROFIT AND LOSS ACCOUNT AS AT 31.12.2001</b>		
		<b>\$m</b>
Sales Revenue		500
less Cost of Goods sold		(a) (i)
		200
Gross Profit		200
 \$m		
Expenses	Labour	68
	Rent	12
	Power	10
	Advertising	30
		120
Net Profit		(a) (ii)

**Fig. 2**

Use Fig. 2 to help you answer the following questions.

**(a)** Calculate:

**(i)** the cost of goods sold [1]

**(ii)** net profit. [1]

**(b) (i)** Explain the term 'sales revenue'. [2]

**(ii)** Explain the term 'net profit' and show why it is important to the owners of the business. [4]

**(c)** Calculate the net profit in relation to sales revenue. (Show your working and give your answer as a percentage.) [2]

**(d)** Explain **two** ways in which Penny Ping Enterprises Ltd might improve net profit. [4]

**(e)** Explain **three** advantages to the business of being a limited company. [6]

- 8 (a) State the method of payment you would use for each of the following transactions. In each case choose a different method of payment. Give **two** reasons for each of your choices.
- (i) payment for sweets from a 'tuck shop' or street trader [3]
  - (ii) purchase of a pair of trousers costing \$100 from a department store [3]
  - (iii) the electricity bill which is paid every three months. [3]
- (b) A retailer bought 100 shirts from a wholesaler for \$25 each less 20% trade discount.
- (i) What is meant by trade discount and why is it offered by the wholesaler to the retailer? [4]
  - (ii) Calculate how much profit the retailer would make if she sold each shirt for \$35. Show your working. [4]
  - (iii) Why might the wholesaler also offer cash discount to the retailer? [3]
- 9 Mr Joseph wishes to insure his new factory.
- (a) Explain why insurance is important to Mr Joseph. [4]
  - (b) State **two** risks against which Mr Joseph should insure his factory building. [2]
  - (c) Distinguish between employer's liability insurance and public liability insurance showing why Mr Joseph will need both kinds of insurance cover. [6]
  - (d) Show how the following insurance principles will apply in relation to a valid contract of insurance for the factory:
    - (i) utmost good faith [4]
    - (ii) indemnity. [4]
- 10 (a) Warehousing is used for the storage of goods.
- (i) State **three** advantages of storing goods. [3]
  - (ii) Explain how warehousing assists seasonal production. [4]
- (b) Why do many large scale retailers have small storage areas on their premises? [4]
- (c) Explain why the increased use of containerised transport reduces the need for warehousing. [3]
- (d) How does a bonded warehouse differ from other kinds of warehouse? [6]





