



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/02**

Paper 2

**October/November 2007**

**2 hours**

Additional Materials: Answer Booklet/Paper



**READ THESE INSTRUCTIONS FIRST**

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **four** questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

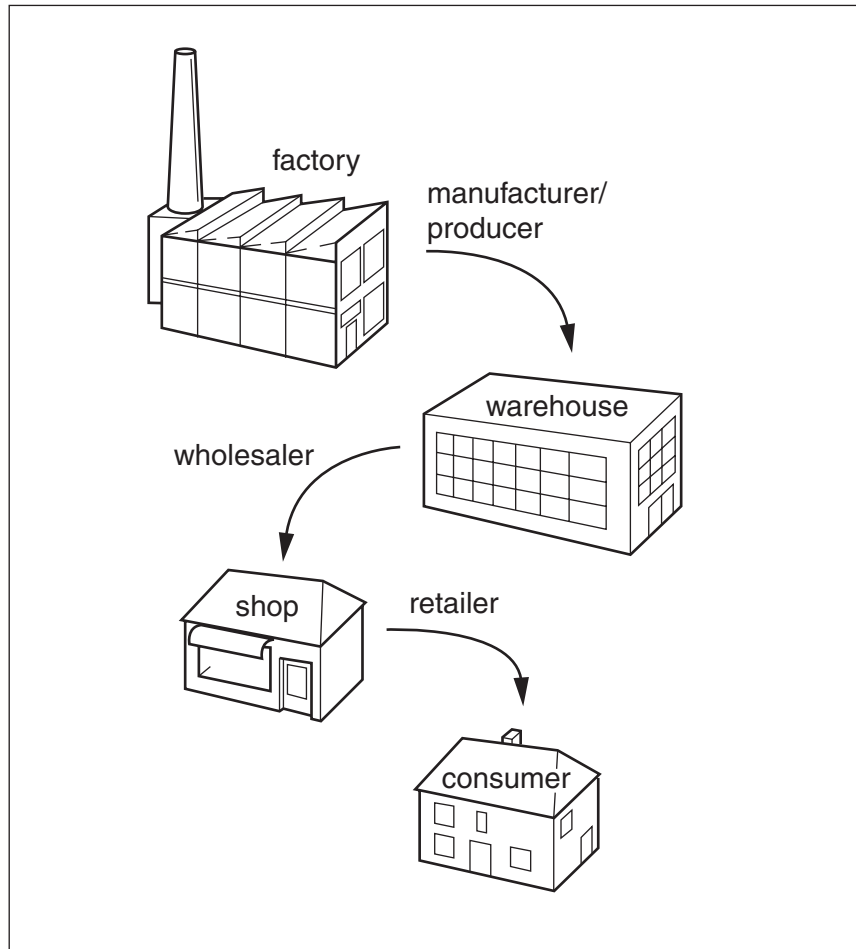
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **7** printed pages and **1** blank page.



Answer any **four** questions.

- 1 The diagram shown in Fig. 1 concerns production.



**Fig. 1**

Use the diagram shown in Fig. 1 to help you to answer the following questions.

- (a) What does the diagram show? [1]
- (b) What stage of production is **not** shown in this diagram? [1]
- (c) Explain the terms:
- (i) warehouse. [2]
- (ii) retailer. [2]
- (d) The manufacturer produces furniture. Explain how value increases at each stage of this production process. [6]
- (e) The furniture manufacturer uses a wholesaler. Should he consider trading directly with retailers? Give reasons for your recommendation. [8]

2 A street in a small town has the following shops:

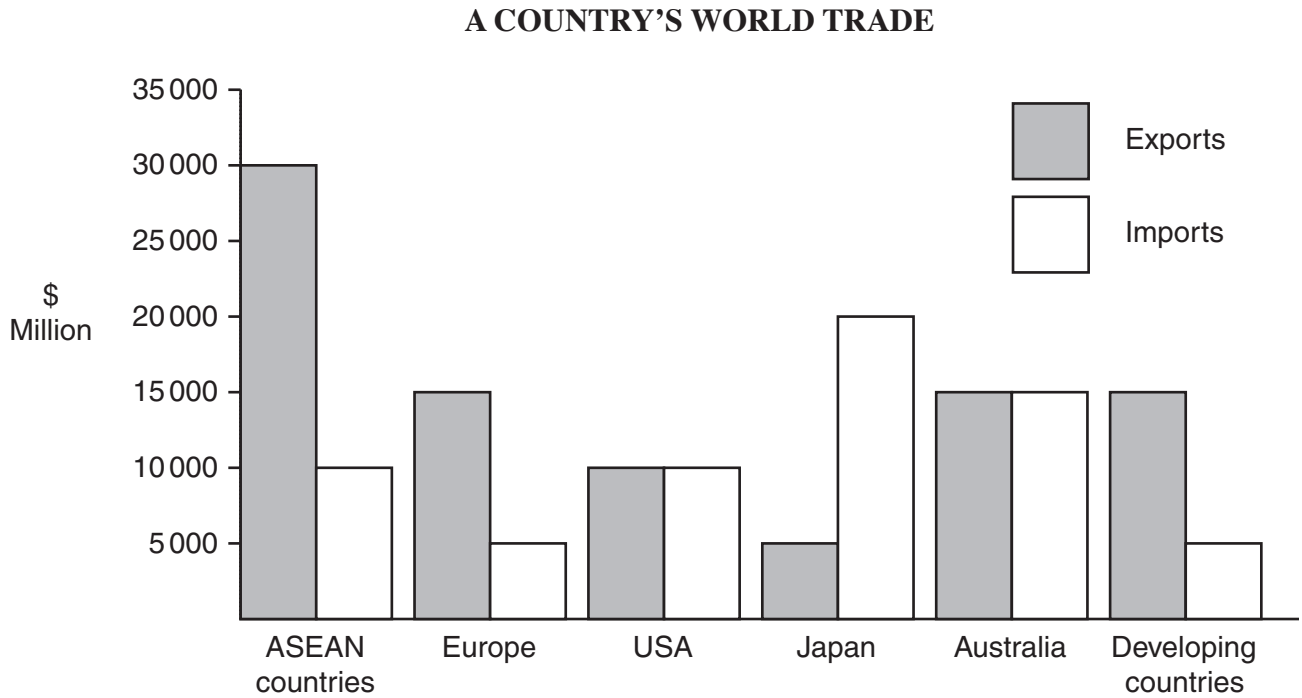
- **Sunshine Bakery, a small shop owned by Mr Azim**
- **One-Stop Food Stores owned by Mrs Chaudrey**
- **Trendy Supermarket Ltd, a branch of a supermarket chain**
- **Casual Clothing, a branch of a multiple chain**
- **High Class Tailors, a clothing shop owned by Mrs Khan**

- (a) State **three** services all these shops offer to customers. [3]
- (b) Explain **two** differences between a supermarket chain and a multiple chain. [4]
- (c) 'Many customers now prefer to buy their food and household goods in supermarkets rather than use small independent shops.' Do you agree with this statement? Give reasons for your answer. [6]
- (d) Mrs Aminath bought a dress from Casual Clothing. When she unpacked it at home, she realised that she did not like it. What actions could she take? [3]
- (e) Mrs Khan, the owner of High Class Tailors, has decided to accept credit card payments from customers. Will her business benefit from this decision? Give reasons for your answer. [4]

3 Mrs Lim owns a small computer business. She sells computers and software, and offers a repairs and maintenance service. She needs to advertise and promote her business.

- (a) Distinguish between advertising and sales promotion. [4]
- (b) Mrs Lim could use television advertising or advertisements in local newspapers to increase trade. Which would you recommend? Give reasons for your answer. [6]
- (c) Should Mrs Lim create a website on the Internet for her business? Give reasons for your answer. [3]
- (d) Mrs Lim needs to communicate with her customers. Name **one** method of communication and explain why she would use this. [3]
- (e) Mrs Lim receives trade discount from her suppliers and gives cash discount to her customers. Explain the benefits of these **two** types of discount **to Mrs Lim**. [4]

- 4 The bar chart in Fig. 2 shows the main areas of the world with which a country trades and their relative importance.



**Fig. 2**

Use the bar chart in Fig. 2 to help you to answer the following questions.

- (a) (i) To which area of the world does the country export the most? [1]  
(ii) From which area of the world does the country import the most? [1]
- (b) Does the country export more than it imports? Show your working to justify your opinion. [6]
- (c) Explain how a customs authority would be involved in this country's international trade. [6]
- (d) Many of the goods exported to different parts of the world are containerised. Why has the containerisation of goods become so important in international trade? [6]

- 5 Mr Wong, a successful trader, wishes to expand his business, build a new factory and buy stock and equipment. He has retained profits of \$80 000 and wishes to borrow \$200 000 over a five-year period.

He is considering applying for either a loan or an overdraft.

- (a) Mentioning the main features of each of these **two** sources of finance, advise Mr Wong on his best course of action. Give reasons for your recommendation. [6]
- (b) Mr Wong trades both at home and in other countries.
- (i) Describe **two** means of payment provided by commercial banks to help such businesses trade at home. [4]
- (ii) Describe **two** means of payment provided by commercial banks to help Mr Wong trade in other countries. [4]
- (c) The use of cash and cheques to pay bills is gradually declining in many parts of the world. Explain some of the developments in banking that are making this possible. [6]

- 6 (a) A firm's office building valued at \$3m was insured for \$3.5m. 50% of the building was destroyed by fire. How much could the firm claim? Give reasons for your answer. [4]
- (b) The pooling of risk influences the level of the insurance premium.
- Explaining the terms *pooling of risk* and *insurance premium*, discuss this statement. Do you agree? Give reasons for your answer. [6]
- (c) There are several restrictions on the amount of insurance that a person can obtain. Explain each of the following **three** statements, mentioning any insurance principles that apply.
- (i) The person should have a financial interest in what is insured. [3]
- (ii) The insurer must be able to calculate the risk of loss. [3]
- (iii) The insurer provides financial compensation only. [4]

- 7 Mr Kamba is a sole trader. He is a successful garage owner. He is considering opening a new garage. He wishes to sell fuel as well as new and used cars and vans. He is also offering a repair service.

Sites A and B marked  $\triangle$  on the map in Fig. 3 are available for sale.

Site A is an existing garage and its purchase price is \$400 000 more than Site B.

Site B is the site of an old factory which closed five years ago.

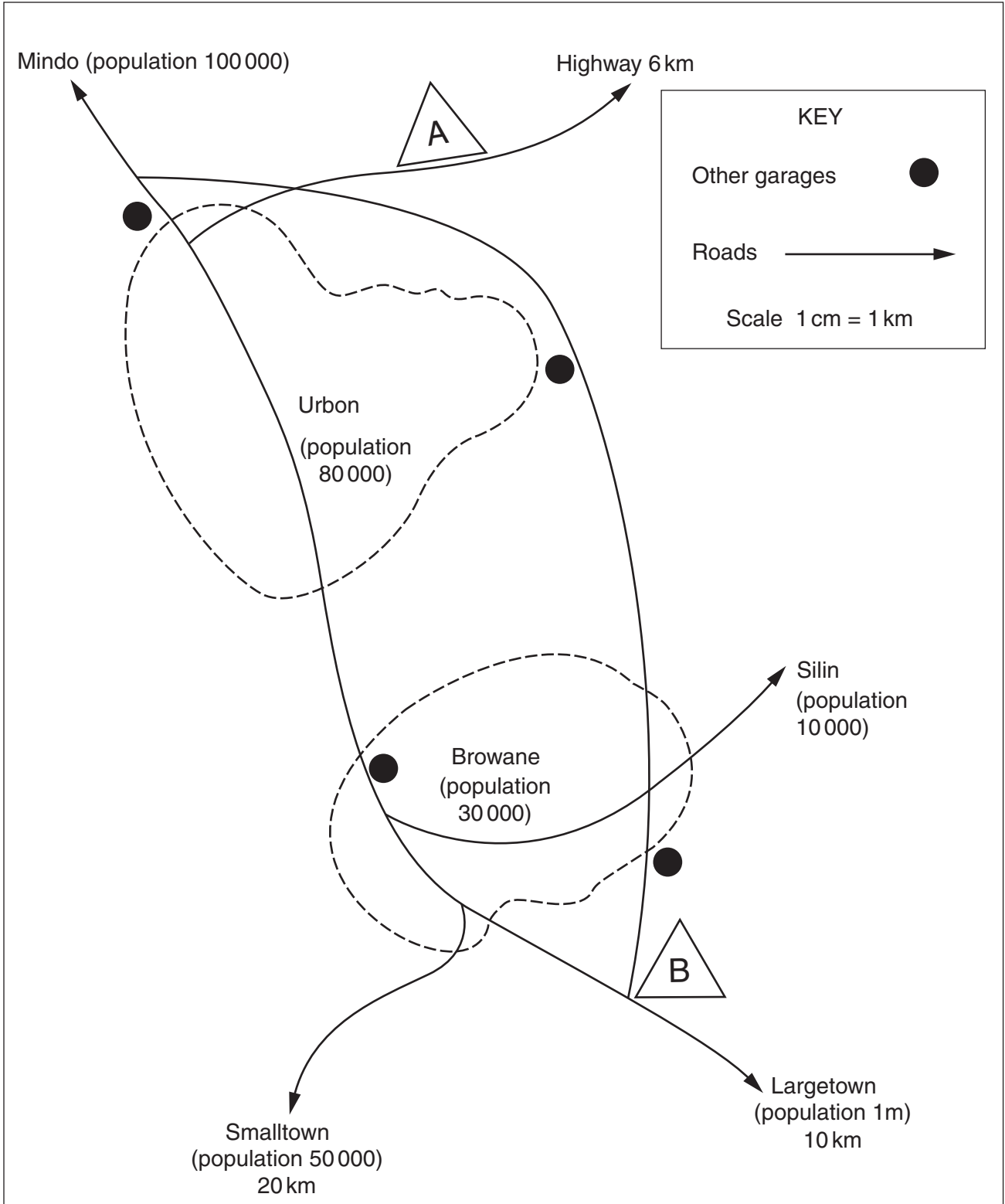


Fig. 3

Use the map in Fig. 3 to help you to answer the following questions.

- (a) Consider the advantages and disadvantages of Site A and Site B. Which site do you think Mr Kamba should choose? Give reasons for your answer. What other information will Mr Kamba need to make a more informed choice? [9]
- (b) Mr Kamba has \$1.5m available to buy one of the sites. He will probably need another \$2m. Explain how he might raise this finance. [4]
- (c) State **three** questions any lender might ask Mr Kamba when considering his request for finance. [3]
- (d) Mr Kamba is a sole trader. State **two** advantages and **two** disadvantages of owning your own business. [4]

- 8 Rahman Enterprises Ltd owns an import/export business. The business is based in Singapore and handles a wide variety of goods.
- (a) Explain why Rahman Enterprises Ltd would use air transport to export office machinery and use sea transport to move sand and timber. [4]
- (b) In connection with air transport, explain the terms:
- (i) charter flights. [2]
- (ii) air waybills. [2]
- (c) How would a port authority assist Rahman Enterprises Ltd's business? [4]
- (d) Rahman Enterprises Ltd is considering buying its own air cargo plane instead of hiring planes from airlines. Discuss the arguments for and against this proposal. Mentioning any additional information you would require, recommend a suitable course of action. [8]

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