UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/21**

Paper 2 **May/June 2010**

2 hours

Additional Materials: Answer Booklet/Paper

0144599597

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 the 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.

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UNIVERSITY of CAMBRIDGE
International Examinations

1 You work in the Head Office of a large company mining iron ore. The company has operations in several countries.

(a) **(i)** What type of industry is mining iron ore? [1]

(ii) What type of business organisation has operations in several countries? [1]

(b) **(i)** The company trades with China and Japan. It transports its iron ore by ship to these countries. Explain why it uses ships. [4]

(ii) How do port authorities assist this company to send its iron ore by ship? [4]

(c) You have the following methods of communication available to you at Head Office:

fax **telephone** **email** **teleconferencing**

Which method of communication would be most suitable in **each** of the following circumstances? Give reasons for **each** of your choices.

(i) An overseas customer wants an immediate reply to an enquiry. [2]

(ii) Three managers of mines in different countries need to discuss an important report. [2]

(iii) A member of staff in your office is late for an important meeting. [2]

(d) Why would this mining company have an Internet website? [4]

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2 Fig. 1 shows an advertisement for electrical goods.

KUMAR WHOLESALERS

The Largest Cash and Carry Warehouse in the Area

End of Season Sale

Many cookers, washing machines, dishwashers, microwaves, freezers and refrigerators to be cleared at reduced prices.

The lowest prices for electrical goods anywhere.

Hurry while stocks last!

Payment: cash and debit card only

Fig. 1

Use the advertisement in Fig. 1 to answer the following questions.

(a) Identify **one** example of competitive advertising **given in Fig. 1**. [1]

(b) **(i)** State **one** benefit to the customer of payment by debit card rather than using cash. [1]

(ii) Explain **one** reason why Kumar Wholesalers wishes to be paid in cash or with a debit card. [2]

(c) State **two** ways in which a cash and carry wholesaler differs from other types of wholesaler. [2]

(d) Explain why Kumar Wholesalers might wish to clear its stock of electrical goods. [2]

(e) Explain **three** purposes of a warehouse for Kumar Wholesalers. [6]

(f) "Many wholesale businesses are surviving, despite the competition from large-scale retailers". Is this true? Give reasons for your opinion. [6]

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3 A retailer advertises a television for sale. The price of the television is $2000.

The retailer offers two payment plans:

Plan A A price reduction of 20% for a cash payment.
Plan B Extended credit (deferred payments) of $70 a month spread over 3 years.

(a) Calculate (showing your working) the total price paid for the television using:

(i) Plan A [3]

(ii) Plan B [3]

(b) In what circumstances would a customer choose Plan B? Explain your answer. [4]

(c) Describe the ways in which a customer could obtain the finance to buy the television using Plan A**.** Which method of finance would you recommend? Give reasons for your choice. [6]

(d) Two weeks after a customer bought one of the televisions, it broke down. State **four** actions the customer should take. [4]

4 Division of labour and specialisation take place in the manufacture of clothing.

(a) Explain what is meant by the term *division of labour*. [2]

(b) Many people are employed in the manufacture of clothing. Is division of labour within the clothing industry an advantage or a disadvantage to them? Give reasons for your opinion. [4]

(c) Explain **one** advantage and **one** disadvantage of specialisation to **each** of the following:

(i) the clothing manufacturer [4]

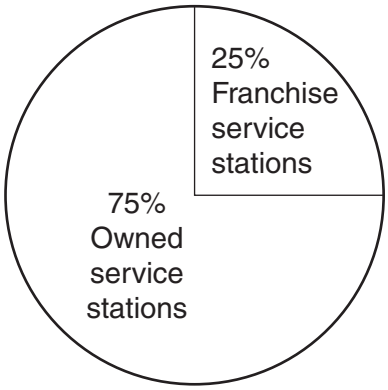
(ii) the consumers who buy the clothing [4]

(d) Specialisation can take place in other ways such as specialisation by countries.

Using examples, explain the importance of specialisation by countries to international trade. [6]

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5 The pie chart in Fig. 2 shows the number of service stations Galaxy Petroleum owns and the number of service stations that it operates as franchises.



Total Number of Service Stations = 300

Fig. 2

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

(a) Calculate how many service stations are operated as franchises. Show your working. [2]

(b) State **two** advantages of operating a franchise to:

(i) Galaxy Petroleum (the franchisor) [2]

(ii) the customers of Galaxy Petroleum [2]

(c) State **two** ways in which the franchisor might help a franchisee. [2]

(d) Galaxy Petroleum moves its products using both roads and railways.

State **two** factors Galaxy Petroleum would consider when choosing which of these two methods of transport to use. Give reasons for **each** of your choices. [6]

(e) Galaxy Petroleum imports crude oil and exports petroleum products. Are its trading activities important to the country in which it is located? Give reasons for your answer. [6]

6 Realbuy, a chain of supermarkets, is looking for a site for a new supermarket.

(a) Why do many shoppers use supermarkets? [4]

(b) Which **one** of the following factors would most influence the choice of site for the new supermarket? Give reasons for your choice, showing why the other two factors are not so important.

- **nearness to customers**
- **nearness to suppliers**
- **good storage facilities on the site** [6]

(c) Explain why Realbuy will use **both** persuasive and informative advertising for the new supermarket. [4]

(d) Apart from advertising, how could Realbuy promote the new supermarket? [6]

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7 Macedon Insurance Ltd is a public limited company that specialises in insurance for home owners. The extract below gives details of its house and contents insurance policy.

MACEDON INSURANCE LTD

HOUSE AND CONTENTS INSURANCE POLICY

The main risks covered are fire, theft, earthquake, storm, flood, oil leakage, burst water pipes and malicious damage.

PLUS indemnity up to $2m for liability to members of the public for accidents.

The main risks not covered are:

1. The first $200 of any loss.
2. Damage or theft caused by war or riot.

Premium $10 for each $5000 of cover required.

Failure to tell the truth puts your claims at risk.

Fig. 3

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

(a) Explain **two** benefits to Macedon Insurance Ltd of being a public limited company. [4]

(b) **(i)** What is an *insurance policy*? [1]

(ii) Name **one** risk covered by the House and Contents Insurance Policy shown in Fig. 3. [1]

(c) **(i)** Explain the phrase 'indemnity up to $2m for liability to members of the public for accidents' shown in Fig. 3. [3]

(ii) Why is the first $200 of any loss not covered in this House and Contents Insurance policy? [1]

(d) Mrs Yan and Mr Simms both have House and Contents Insurance Policies with Macedon Insurance Ltd.

Explain **two** reasons why they may pay different premiums to Macedon Insurance Ltd for this insurance cover. [4]

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(e) What advice would you give to each of the following people who are making claims on their House and Contents Insurance Policies? In each case, name an insurance principle that applies.

(i) Kadir forgot to tell the insurance company that he sometimes stores dangerous chemicals in his house. The house has now burned down. [3]

(ii) Sarah borrowed a friend's bicycle valued at $300. It has now been stolen from Sarah's house. [3]

8 Mustapha Ltd manufactures shoes.

(a) State **two** ways in which Mustapha Ltd can add value to the leather it has bought from suppliers. [2]

(b) The company sells its shoes directly to customers online. It also sells to shoe shops.

Explain what is meant by selling online. [2]

(c) Mustapha Ltd has made a batch of 300 pairs of shoes. Each pair of shoes costs $25 to make. The retail price is $40. Mustapha Ltd allows 30% trade discount ($12) from the retail price when selling to the shoe shops.

(i) Explain what is meant by *trade discount*. [2]

(ii) Calculate (showing your working) how much net profit Mustapha Ltd will make if the company sells:

120 pairs of shoes online
180 pairs of shoes to the shoe shops [6]

(iii) Should Mustapha Ltd continue to sell to the shoe shops or should it concentrate on selling online? Give reasons for your answer. [6]

(d) One of the shoe shops has returned five pairs of shoes. Explain how a credit note would be used in this transaction between Mustapha Ltd and the shoe shop. [2]

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