UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/23**

Paper 2 **May/June 2010**

2 hours

Additional Materials: Answer Booklet/Paper

7398974482

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.

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1 Fig. 1 shows activities that assist trade.

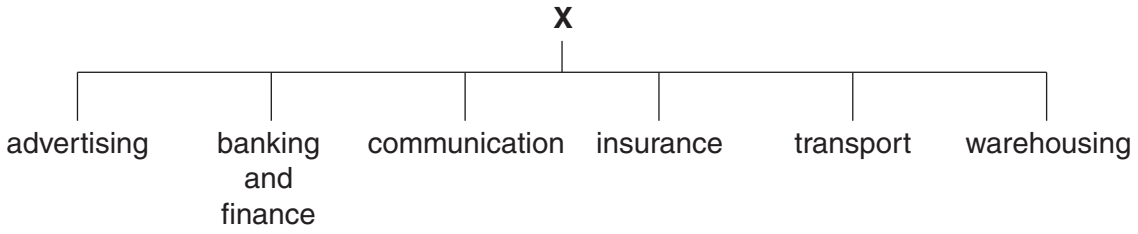


Fig. 1

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

(a) Identify **X** in Fig. 1. [1]

(b) **(i)** State **three** ways in which a banana grower might make use of banking and finance. [3]

(ii) Explain how transport and warehousing assist the banana grower's business. [6]

(c) To what extent is it important for business people to take out insurance? Give reasons for your opinion. [4]

(d) Explain how communication has assisted the growth of the global economy. [6]

2 The retail trade consists of large scale retailers and small scale retailers.

(a) Explain **two** functions of any retailer. [4]

(b) **(i)** Give **one** example of a type of large scale retailer. [1]

(ii) Give **one** example of a type of small scale retailer. [1]

(c) Explain **two** reasons for the success of large scale retailers in many countries. [4]

(d) 'Despite the growth of large scale retailing, many consumers prefer to shop at small retail shops'. Is this statement true? Give reasons for your opinion. [6]

(e) Explain **two** ways in which a small scale retailer can cut costs in order to compete with large scale retailers. [4]

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3 A wholesaler has many retail customers. These customers are offered trade discount and trade credit by the wholesaler.

(a) Explain **two other** services that a wholesaler would provide for retail customers. [4]

(b) **(i)** Distinguish between trade discount and trade credit. [4]

(ii) Why does the wholesaler offer trade discount and trade credit to his customers? [4]

(c) The following documents are used between the wholesaler and the retail customers.

order **delivery note** **invoice** **credit note** **statement of account**

Which document would be used in each of the following circumstances?

(i) To request payment for several transactions. [1]

(ii) To allow a reduction in the amount owed because of faulty goods. [1]

(iii) To accompany goods supplied to the retailer. [1]

(d) The wholesaler offers many of his retail customers terms of **5% 28 days**.

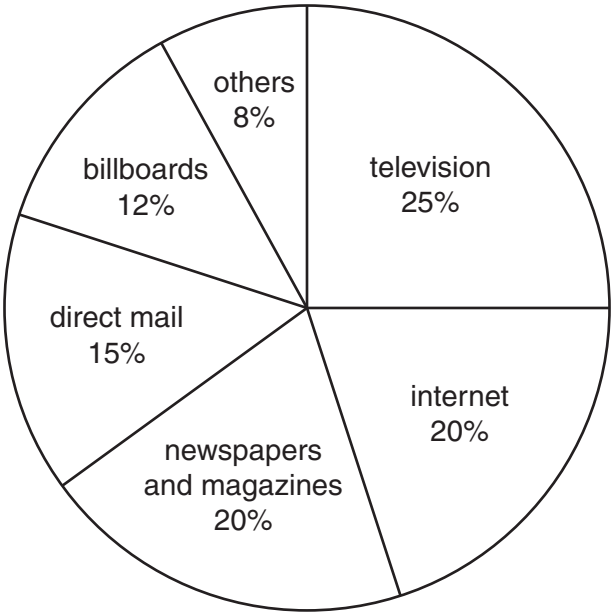
(i) A retailer bought goods valued at $620 after the deduction of trade discount and paid for them within two weeks. Calculate how much the retailer would pay for the goods. Show your working. [3]

(ii) In what circumstances might the retailer **not** take advantage of these terms? [2]

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4 Fig. 2 shows how total expenditure on advertising in a country for a year is divided between different advertising media.

PERCENTAGES OF TOTAL ADVERTISING SPENDING ON INDIVIDUAL ADVERTISING MEDIA



Total spending on advertising = $80 000 000

Fig. 2

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

(a) **(i)** Calculate the amount spent on television advertising. Show your working. [2]

(ii) Explain why more money is spent by advertisers on television advertising than on any of the other advertising media. [4]

(b) Suggest **two** advertising media that might be covered by the segment in the pie chart in Fig. 2 labelled '**others**'. [2]

(c) Newspaper and magazine advertising accounted for 30% of this country's total advertising expenditure five years ago. Explain why the percentage share of newspaper and magazine advertising has fallen. [4]

(d) A mail order company wishes to launch a new competitive advertising campaign for its business.

(i) What is meant by the term *competitive advertising*? [2]

(ii) Using the advertising media given in Fig. 2, suggest the best advertising media to use for this campaign. Give reasons for your choices. [6]

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5 Fiona Kwek is planning to open a shop selling bread and cakes. She is considering the following options:

- taking a franchise with Almon Bakeries, a well-known nationwide bakery company
- forming a partnership with her friend, Betty Kaur
- opening the shop as a sole trader.

(a) (i) State **two** advantages of operating as a franchise with Almon Bakeries. [2]

(ii) State **two** advantages of forming a partnership with Betty Kaur. [2]

(iii) If Fiona decides to operate the shop as a sole trader, explain how she might finance the purchase of the shop and its fittings. [4]

(iv) Which of the three options would you recommend to Fiona? Give reasons for your choice. [6]

(b) When Fiona sets up her business, she will apply mark up to the goods she sells and she will allow some of her customers to buy on credit.

(i) Explain what is meant by the term *mark up*. [2]

(ii) Explain the advantages **to her customers** of being able to buy on credit. [4]

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6 Fig. 3 shows details of travel insurance offered to personal customers by Hassan Insurance Company.

Number of days cover required	Premium per person		
	Area A travel within the country	**Area B** USA and Canada	**Area C** all other countries
up to 9 days	$15	$40	$35
10-17 days	$23	$80	$60
18-28 days	$30	$120	$80
Winter sports – premium is three times the rates shown. Reductions for children – infants under 2 years – no charge. children aged 2–14 years – 50% of rates listed.			

Fig. 3

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

(a) What is meant by the term *premium*? [1]

(b) **(i)** Mr and Mrs Koh, with their two children aged 8 years and 18 months, are planning a twelve day holiday in USA next month. Calculate the total premium they will pay for travel insurance. Show your working. [3]

(ii) Mr and Mrs Koh will travel to USA on a charter flight organised by a low-cost airline.

Explain the terms *charter flight* and *low-cost airline*. [2]

(iii) Explain why it is better for this family to use air transport rather than to travel by sea. [4]

(iv) Hassan Insurance Company accepts the following means of payment:

debit card **credit card** **bank giro**

Which of these means of payment would you advise Mr and Mrs Koh to use to pay for their travel insurance? Give **two** reasons for your choice. [2]

(c) Emily Wahab went on a seven day winter sports holiday within her own country.

(i) Calculate how much she paid for her travel insurance. Show your working. [2]

(ii) Suggest **two** reasons why cover for winter sports is more expensive than other travel insurance. [2]

(iii) Emily was not very satisfied with her winter sports holiday. The hotel she stayed in gave poor service and the food was not very good. Explain what actions Emily might take when she returned home. [4]

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7 **(a)** Explain what is meant by trade. [2]

(b) A company based in Country X imports coffee from Brazil and then exports it to other neighbouring countries.

(i) What kind of trade is this company concerned with? [1]

(ii) How does the work of this company affect Country X's Balance of Trade? [2]

(iii) The following warehouses are available at the port where the company is based.

general warehouse **cold storage warehouse** **bonded warehouse**

Which warehouse is this company most likely to use? Give reasons for your choice. [6]

(iv) Explain **two** reasons why the coffee is moved using containers. [4]

(c) Country X, in which this company operates, has a poor Balance of Payments situation.

(i) Explain what is meant by the term *Balance of Payments*. [2]

(ii) Suggest some ways in which the government of Country X might improve its Balance of Payments situation. [3]

8 Sati Satellite Communication Ltd is a public limited company, trading in a number of markets. It sells communication systems and satellite dishes. Many of its customers are private limited companies.

(a) **(i)** State **two** characteristics of public limited companies that do **not** apply to private limited companies. [2]

(ii) State **two** characteristics of private limited companies that do **not** apply to public limited companies. [2]

(b) 'The shareholders of both public limited companies and private limited companies have limited liability'. What does this statement mean? [3]

(c) Explain the benefits of trading in a number of markets. [4]

(d) Sati Satellite Communication Ltd has seen a fall in sales and profits over the last two years.

(i) State **three** possible reasons for the fall in sales and profits over the last two years. [3]

(ii) The directors of the company are considering the following options:

- increasing advertising and sales promotion
- offering a wider range of products.

What course of action would you recommend to the directors? Give reasons for your recommendation. [6]

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