UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/22**

Paper 2 **May/June 2011**

2 hours

Additional Materials: Answer Booklet/Paper

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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.

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

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1 Fig. 1 shows information about Ahmad and his commercial activities.

> Ahmad grows large quantities of vegetables. He uses many of the vegetables to feed his family and he gives away some of them. He takes the surplus vegetables to a market once a week in his van and sells them to people in the local town. Before he comes home, he buys groceries in the self-service store and fish at the harbour. Sometimes he barters vegetables for fish.

Fig. 1

Use the information given in Fig. 1 to help you to answer the following questions.

(a) To what extent is Ahmad involved in trade? Give reasons for your answer. [6]

(b) Ahmad bought some groceries from the self-service store and found that he had been overcharged. What actions should he take? [4]

(c) The self-service store allows informal credit and accepts credit cards.

(i) Explain what is meant by *informal credit*. [2]

(ii) State **two** advantages to the **customer** of using credit cards at the self-service store. [2]

(iii) Explain **one** disadvantage to the **owner of the self-service store** of accepting credit cards. [2]

(d) Ahmad owns a van. Explain the advantages to Ahmad of owning his own transport. [4]

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2 Latrite Ltd is a food processing company in New Zealand. It is sending a consignment of its canned meat to a customer in Japan.

(a) Explain **two** reasons why Latrite Ltd, as a food processing company, would need a warehouse. [4]

(b) Explain **three** difficulties faced by Latrite Ltd when exporting its products to customers in Japan. [6]

(c) Why would Latrite Ltd use a freight forwarding company when exporting to Japan? [4]

(d) Latrite Ltd needs to communicate with its Japanese customer about a problem with the consignment of canned meat. It could use either email or the telephone.

Discuss the advantages and disadvantages of each. Which would you recommend? Give reasons for your choice. [6]

3 The residents of a town have three options for shopping. They could use:

- Internet shopping
- the new shopping centre that has opened on a main road
- shops in the town centre.

(a) **(i)** Explain what is meant by *Internet shopping*. [2]

(ii) Are many residents of the town likely to choose Internet shopping? Give reasons for your opinion. [6]

(b) Why are many of the residents of the town likely to use the shopping centre rather than shops in the town centre? [6]

(c) Explain **three** actions shopkeepers in the town centre might take to attract more customers. [6]

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4 AG Services is a company specialising in refuse collection and recycling.

(a) **(i)** Explain why AG Services would have a bank savings account. [2]

(ii) State **two** ways in which payments from a current account may be made. [2]

(b) AG Services needs to replace some of its trucks. It is considering the following two options:

- leasing the trucks
- buying the trucks.

Discuss both options. Which option would you recommend? Give reasons for your recommendation. [6]

(c) AG Services employs a number of people. These employees drive the trucks, work in its offices and in its recycling factory.

Why does AG Services need:

(i) employer's liability insurance; [2]

(ii) public liability insurance; [2]

(iii) motor insurance? [2]

(d) The recycling factory is valued at $15m but it has been insured for $17m. Recently a fire totally destroyed the building. Explain how the insurance company would deal with AG Services' insurance claim. [4]

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5 The advertising staff of a multinational company that manufactures toothpaste are planning an advertising campaign for a new brand of toothpaste.

They are discussing the following:

- advertising coverage
- media to be used
- methods of appeal.

(a) Explain what is meant by *advertising coverage*. [2]

(b) Which advertising medium would be the most effective for advertising the new brand of toothpaste? Give **two** reasons for your choice. [3]

(c) **(i)** Explain what is meant by a *method of appeal.* [2]

(ii) State **one** method of appeal that might be used in an advertisement for toothpaste. [1]

(d) The advertising staff have prepared an advertisement to be printed on the packaging of the toothpaste.

SMILEY

No more tooth decay No more gum disease

WHITE teeth WHITE smiles

Fig. 2

Use the information given in Fig. 2 to help you to answer the following questions.

(i) Identify the brand in Fig. 2. [1]

(ii) Explain why it is important to brand products such as toothpaste. [2]

(iii) Is the advertisement shown in Fig. 2 persuasive or informative? Give reasons for your answer. [3]

(e) To what extent will an advertising campaign undertaken by a multinational company differ from that used by a sole trader? Give reasons for your answer. [6]

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6 Broadway Autos is a business that sells cars.

(a) Explain how Broadway Autos is involved in the chain of production for cars. [4]

(b) A customer has bought a new car from Broadway Autos. Its price is $12 000.

(i) Broadway Autos paid $9000 to the car manufacturer for the car. Calculate the percentage mark up on the car. Show your working. [3]

(ii) The customer is offered 5% discount if she makes immediate payment. Calculate the total discount she receives. Show your working. [2]

(iii) State and explain the purpose of **one** commercial document that will be completed by Broadway Autos before the customer pays for the car. [2]

(iv) Explain the importance of the abbreviation E & OE that appears on some commercial documents. [3]

(c) Broadway Autos has an Internet account at its bank. It also uses a local branch of the bank. Does it need both? Give reasons for your answer. [6]

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7 Hassan, a sole trader, owns a business selling pizzas and burgers. Fig. 3 shows his trading figures for the year:

value of sales (turnover)	**$500 000**
gross profit margin on sales	**25%**
net profit	**$80 000**

Fig. 3

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

(a) (i) Calculate the cost price of the goods sold. Show your working. [4]

(ii) Calculate the total expenses for the business. Show your working. [2]

(b) State **two** examples of expenses Hassan might have. [2]

(c) Explain **three** actions Hassan might take to improve his net profit. [6]

(d) Hassan is a sole trader. He is keen to expand his business. He is considering the following options:

- obtaining a bank loan
- forming a private limited company.

Consider the advantages of each option. Which option would you recommend to Hassan? Give reasons for your recommendation. [6]

8 Big Bloom Ltd is a well-established public limited company growing flowers for the home market.

(a) (i) Explain **one** benefit to Big Bloom Ltd of being a public limited company. [2]

(ii) Explain **one** benefit to its shareholders of investing in Big Bloom Ltd. [2]

(b) The company plans to sell to retailers in neighbouring countries. Some of these countries operate free trade policies and some have protectionist policies.

Will these policies affect Big Bloom Ltd's business? Give reasons for your answer. [6]

(c) Customs officials collect statistics on imports and exports from companies such as Big Bloom Ltd. Explain why Customs officials collect statistics. [4]

(d) Explain the **factors** Big Bloom Ltd should consider when deciding on methods of transport to use for sending flowers to neighbouring countries. [6]

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