UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/23**

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 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.

DC (SM/CGW) 34062/2
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1 Fig. 1 describes some of the activities involved in the production of fruit juice.

> Polly and Frankie own a fruit farm. They are involved in the **(i)** …… sector of production. They sell oranges and grapefruit to Marabella Juicers, a **(ii)** …… business in the secondary sector of production. Marabella Juicers adds value to the fruit it sells to wholesalers who buy in bulk and distribute to a number of small-scale retailers. All these people are engaged in **(iii)** …… because they either buy or sell.

Fig. 1

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

(a) Identify the words missing from the points labelled **(i)**, **(ii)** and **(iii)** in Fig. 1. [3]

(b) State **two** ways in which Marabella Juicers adds value to the oranges and grapefruit. [2]

(c) Is it better for small-scale retailers to buy from wholesalers rather than to buy directly from Marabella Juicers? Give reasons for your answer. [6]

(d) Marabella Juicers sends invoices and statements of account to the wholesalers who buy from them on credit.

(i) State **one** function of an invoice. [1]

(ii) State **one** function of a statement of account. [1]

(iii) Why do wholesalers buy **on credit** from Marabella Juicers? [3]

(e) A wholesaler has returned a case of orange juice for which he has been charged $100. The packaging of the orange juice is faulty. Explain the actions Marabella Juicers should take. [4]

2 BZ Chem is a manufacturer of chemicals, selling in many markets.

(a) How would BZ Chem make use of insurance in its business? [5]

(b) Why is an efficient banking system essential for BZ Chem? [5]

(c) **(i)** Discuss the factors that would be most important to BZ Chem when choosing a method of transport to carry chemicals from its factory to a seaport ready for export. Give reasons for your answer. [6]

(ii) State **two** services offered at seaports and explain why they are important to BZ Chem. [4]

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3 Fig. 2 gives a summary of the financial situation of two wholesalers.

B & B Produce Ltd	
	$m
sales	**100**
net profit	**10**
current assets	**5**
current liabilities	**10**
long-term liabilities	**15**
fixed capital	**40**

Trading Secrets Ltd	
	$m
sales	**80**
net profit	**12**
current assets	**10**
current liabilities	**5**
long-term liabilities	**8**
fixed capital	**35**

Fig. 2

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

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

(b) **(i)** Explain what is meant by *fixed capital*. [2]

(ii) State **two** examples of long-term liabilities. [2]

(c) Showing your working, calculate the working capital of:

(i) B & B Produce Ltd; [2]

(ii) Trading Secrets Ltd. [2]

(d) Why is working capital important to any company? [2]

(e) Which of the two companies would be more pleased with its financial situation? Give reasons for your answer. [6]

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4 Maximus Ltd is a large chain of supermarkets operating nationwide. It offers self-service to its customers and sells a large range of branded goods.

(a) State **two** advantages to Maximus Ltd of offering self-service to its customers. [2]

(b) Explain why Maximus Ltd sells branded goods. [4]

(c) Explain why it is important that Maximus Ltd stocks a large range of goods. [4]

(d) A customer bought a packet of sandwiches from a branch of Maximus Ltd. She later found that the sandwiches were mouldy. What actions should she take? [4]

(e) Maximus Ltd has decided to buy Kilda Stores, a small chain of food stores.
Should customers of Kilda Stores be concerned? Give reasons for your opinion. [6]

5 Two sisters plan to start a business selling T-shirts and fashion tops using the Internet.

(a) Which form of business organisation should they set up?

partnership **private limited company**

Give reasons for your answer, showing briefly why you have rejected the other form of business organisation. [6]

(b) The sisters are looking for suitable premises. Explain **three** factors that would influence their choice of premises. [6]

(c) Discuss the advantages to the two sisters of selling T-shirts and fashion tops on the Internet. [4]

(d) Name **two** services offered by the Post Office that the sisters are likely to use in their business. Give a reason for each of your choices. [4]

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6 Fig. 3 shows the pooling of risk for retailers' fire insurance cover.

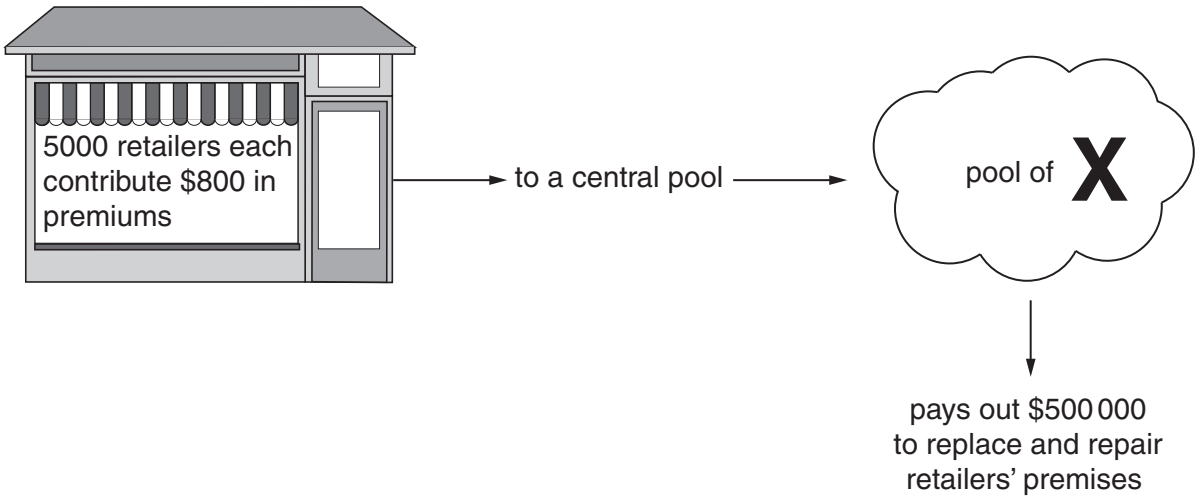


Fig. 3

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

(a) Calculate **X** shown in Fig. 3. Show your working. [2]

(b) Explain how Fig. 3 illustrates the pooling of risk. [2]

(c) Two of the retailers have had fires in their shops and are making claims for compensation.

(i) One of the retailers did not tell the insurance company that he stored petrol in a shed attached to his shop. Will this affect his claim? Give reasons for your answer. [3]

(ii) The other retailer insured her premises with two insurance companies. Will this affect her claim? Give reasons for your answer. [3]

(d) **(i)** Why do many businesses, such as insurance companies, discourage customers from using cheques as a method of payment? [2]

(ii) State **two other** methods of payment insurance companies might accept for the payment of premiums. [2]

(e) "Insurance companies are making more and more use of the Internet". Is this statement true? Give reasons for your answer. [6]

7 A meat importer trades with countries, some of whom are part of a trading bloc, as well as others that are not part of the trading bloc.

(a) **(i)** Giving an example, explain what is meant by a *trading bloc*. [3]

(ii) State **two** benefits to a country of belonging to a trading bloc. [2]

(b) The following two warehouses are available where the meat importer is based:

cold storage warehouse **bonded warehouse**

Discuss the main features of each kind of warehouse. Which warehouse is the meat importer more likely to use? Give reasons for your choice. [6]

(c) The meat importer's business is affected by quotas imposed by the government of his country on meat imported from some countries not in the trading bloc.

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

(ii) How is the meat importer's business affected by these quotas? [3]

(d) The Customs Authority enforces restrictions on international trade. Explain **two other** functions of a Customs Authority. [4]

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8 Fig. 4 shows a number of sales promotion methods.

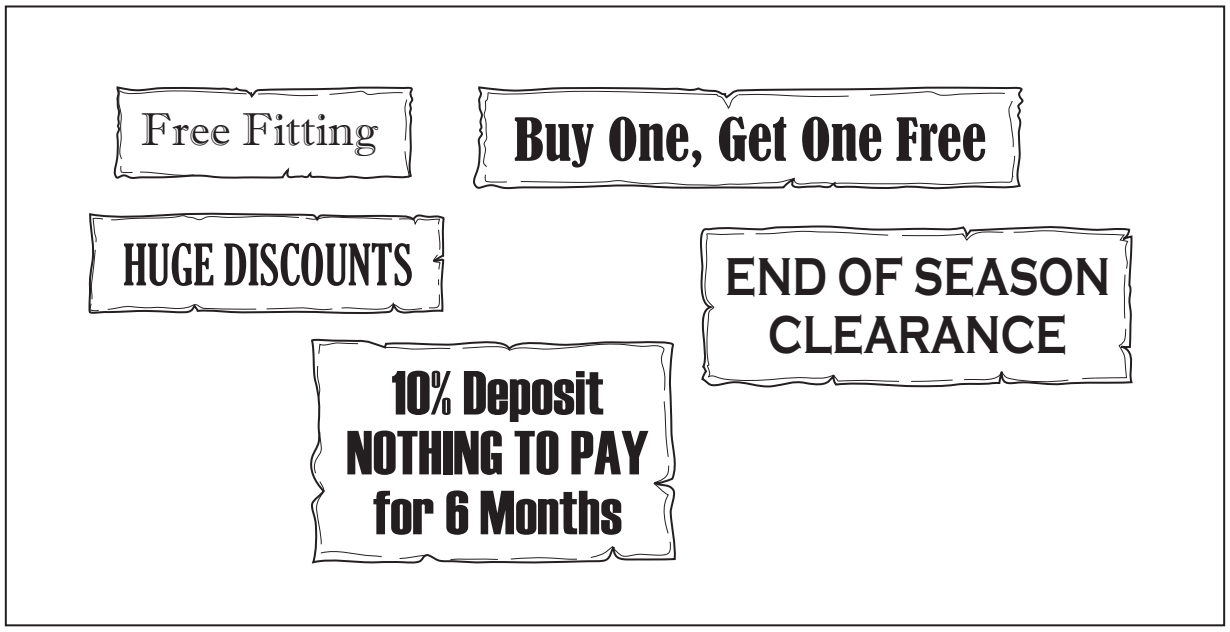


Fig. 4

Use the information given in Fig. 4 to help you to answer the following questions.

(a) Why do businesses use sales promotions? [2]

(b) Which of the sales promotion methods listed in Fig. 4 would be the most suitable for each of the following businesses? Give a reason for each of your answers.

(Do not use the same sales promotion method more than once).

(i) A carpet showroom. [2]

(ii) A shop selling television sets. [2]

(iii) A supermarket. [2]

(c) To what extent is it necessary for shops to have end of season clearance sales? Give reasons for your answer. [6]

(d) Some shops offer after-sales service.

(i) Give **one** example of after-sales service shown in Fig. 4. [1]

(ii) Explain why many shops offer after-sales service to their customers. [2]

(e)



A furniture store offers this sales promotion. A customer has bought a bed costing $500, dining room furniture costing $1500 and a chair costing $250. Calculate the deposit payable. Show your working. [3]

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