UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/22**

Paper 2 **May/June 2013**

2 hours

Additional Materials: Answer Booklet/Paper

8787738792

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 Silin Styles makes sports clothing, such as tracksuits, for both the home market and export markets.

(a) **(i)** Give **two** reasons why Silin Styles uses division of labour in its factory. [2]

(ii) State **two** ways in which value is added when **making** a tracksuit. [2]

(b) Explain why Silin Styles might prefer to sell its sportswear in the home market rather than in export markets. [6]

(c) Silin Styles has been selling the sports clothing to large-scale retailers and through wholesalers. The company has now decided to sell **only** through wholesalers. Explain **two** possible reasons for this decision. [4]

(d) 'Commercial services are necessary for the sports clothing to reach the consumer.' Do you agree with this statement? Give reasons for your answer. [6]

2 Azrina has a small shop in a busy main street. She sells souvenirs to tourists.

She has been told by her bank manager that she needs to improve her rate of turnover and to reduce her expenses because her net profit is too low.

(a) Explain what is meant by:

(i) *rate of turnover* [2]

(ii) *net profit*. [2]

(b) **(i)** Explain how Azrina might improve her rate of turnover. [4]

(ii) Explain how Azrina might increase her net profit. [4]

(c) Why might Azrina need regular bank statements? [2]

(d) Azrina uses Internet banking for her business transactions. Is it likely that she could do all her banking on the Internet without visiting her local bank branch? Give reasons for your opinion. [6]

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3 A large food retailing company plans to build a new hypermarket on the outskirts of a town on either Site A or Site B. A map of the town is shown in Fig. 1.

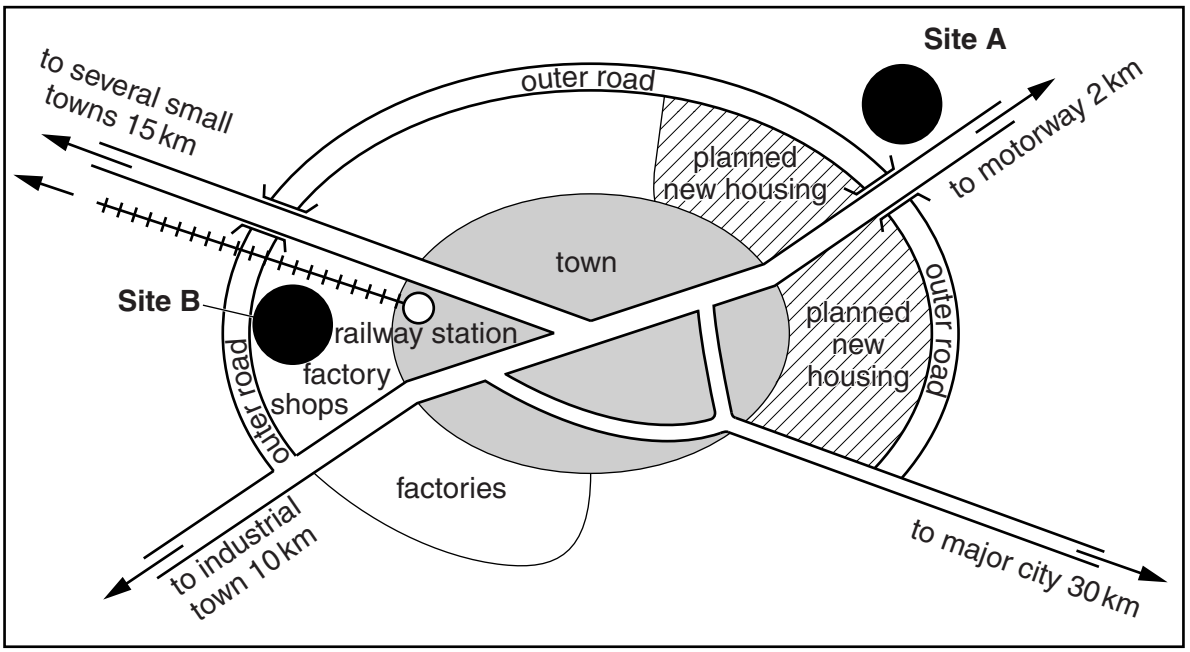


Fig. 1

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

(a) State **four** features of a hypermarket. [4]

(b) Discuss the advantages of Site A and of Site B for the new hypermarket. Which site would you recommend to the company? Give reasons for your choice. [6]

(c) Although there is a railway station in the town, why will the owners of the hypermarket use road transport to supply goods to the hypermarket? [4]

(d) State and explain **two** sources of finance suitable for financing the building of the new hypermarket. [6]

4 There are several types of business organisation:

SOLE TRADER	**PARTNERSHIP**
PRIVATE LIMITED COMPANY	**PUBLIC LIMITED COMPANY**

(a) Identify **one** type of business organisation listed above to which the following features apply:

(i) unlimited liability [1]

(ii) separate legal existence [1]

(iii) shareholders [1]

(iv) one owner. [1]

(b) Which type of business organisation listed above would be most suitable for the following businesses? Give a reason for each of your choices.

(Do not use the same type of business organisation more than once.)

(i) Two friends wishing to start a dental practice. [2]

(ii) A small family business wishing to involve other members of the family in the business operations. [2]

(c) **(i)** Why is a Deed of Partnership important when setting up a partnership? [3]

(ii) A new Deed of Partnership needs to be sent to the partners of a business. Why would you use registered post rather than letter post to send this document to the partners? [3]

(d) Most multinational companies are set up as public limited companies. Is this advisable? Give reasons for your answer. [6]

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5 Fig. 2 is an extract from a newspaper article concerning buildings and contents insurance.

YOUR HOME – AND WHY YOU SHOULD NOT UNDER-INSURE IT.

To obtain the maximum benefit, it is important that you insure your house and its contents for the correct amount.

The most common problem is that people under-insure either to save on premiums or because they have made a mistake.

This may mean that if you make a claim, eg. part of your house was destroyed by fire, compensation might be several thousands of dollars less than the cost of rebuilding it.

Fig. 2

Use Fig. 2 to help you to answer the following questions.

(a) (i) What is meant by the term *under-insure*? [1]

(ii) Explain why many people under-insure. [2]

(b) List the main steps involved in taking out an insurance policy for buildings and contents insurance. Mention in your answer some of the documents involved. [6]

(c) Six months ago you bought a laptop that cost $1500. You insured it for $1200. Unfortunately the laptop was stolen from your house together with jewellery worth $700. Would you receive compensation, and if so, how much? Mentioning any insurance principles that apply, give reasons for your answer. [6]

(d) (i) In what circumstances may people decide **not** to take out insurance cover? [2]

(ii) In what circumstances might you **not** be able to insure the house in which you live? Give reasons for your answer. [3]

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6 Nomel Concepts is a manufacturer of furniture. The company uses warehousing before selling the furniture online.

(a) (i) What is meant by the term *warehousing*? [2]

(ii) Explain **one** reason why warehousing is important to Nomel Concepts. [2]

(iii) Why would Nomel Concepts use a delivery note when despatching a consignment of furniture from the warehouse to a customer? [2]

(b) Explain **two** benefits to Nomel Concepts of having an Internet website. [4]

(c) A customer bought a chair from Nomel Concepts. Soon afterwards one of the legs fell off. What actions should the customer take to gain satisfaction? [4]

(d) Nomel Concepts is considering opening shops in three shopping centres to sell the furniture directly to consumers. Is this likely to benefit the business? Give reasons for your answer. [6]

7 An exporter is based in London and sells mostly to South East Asia.

(a) Why would the exporter send many of his goods by air? [4]

(b) (i) Explain why payments from importers might be made by electronic transfer. [2]

(ii) Why would the use of a credit card be important for this exporter when travelling to South East Asia? [3]

(c) State **two** ways in which customs authorities in South East Asia might affect the exporter's business. [2]

(d) In what circumstances might the exporter contact his agent in Singapore by telephone rather than by email? [3]

(e) To what extent is distance a problem when trading between London and South East Asia? Give reasons for your opinion. [6]

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8 Fig. 3 gives details of costs and possible profits on a tube of toothpaste.

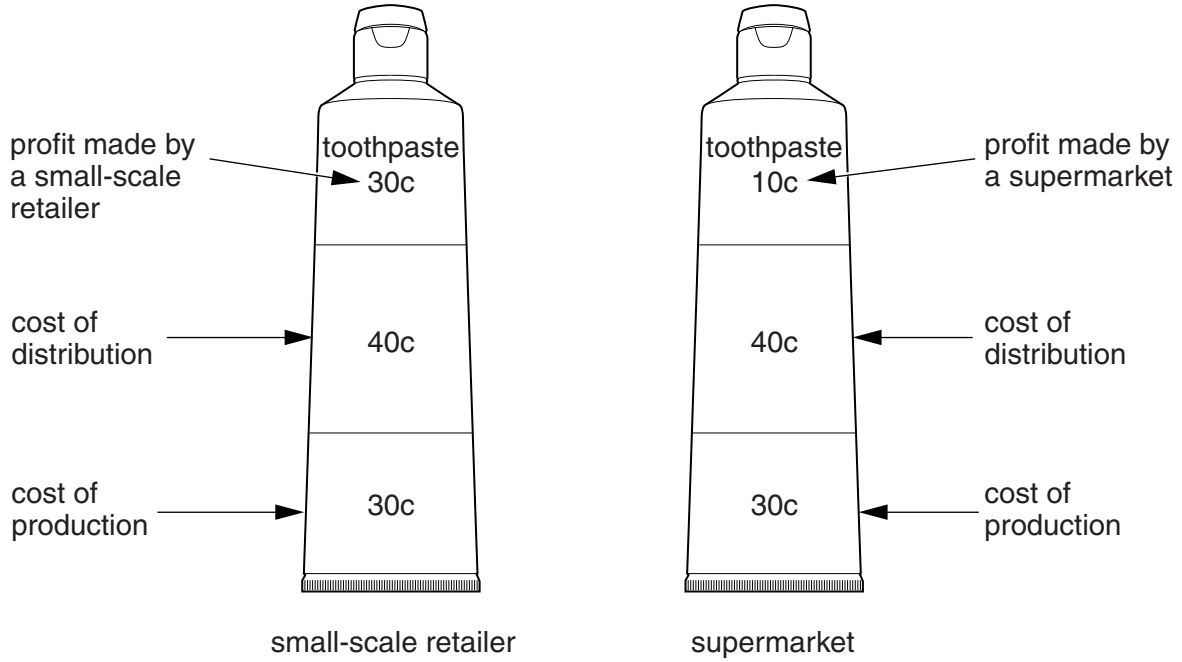


Fig. 3

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

(a) Calculate the total price of the tube of toothpaste to the customer if it is bought from a small-scale retailer. Show your working. [2]

(b) Explain why the supermarket is able to sell toothpaste at a lower price than the small-scale retailer. [4]

(c) **(i)** Calculate the total cost of production for 80 000 tubes of toothpaste. Show your working. [2]

(ii) Explain why the costs of distribution are higher than the costs of production. [2]

(d) Explain how packaging and advertising are linked in the marketing of toothpaste. [4]

(e) The toothpaste manufacturer wishes to introduce a new kind of toothpaste to both retailers and to consumers.

The following advertising media are available:

BILLBOARDS **TRADE MAGAZINES**

THE INTERNET **TELEVISION**

Which advertising media would be most suitable? Give reasons for your choices. [6]

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