Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

Paper 2 **May/June 2014**

2 hours

No Additional Materials are required.

1181326707

READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer any **four** questions.

The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

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

© UCLES 2014

CAMBRIDGE
International Examinations

Answer any **four** questions.

1 Transport and communications are important aids to trade.

(a) State **one** factor affecting the choice of transport for goods. [1]

(b) **(i)** Name **two** documents used when transporting goods and give an example of when each would be used. [4]

(ii) Why do goods awaiting transport often require storage in warehouses? [4]

(c) **(i)** Explain how rapid communication would assist transport. [3]

(ii) Why would a mobile phone (cellphone) be useful to a truck driver? [2]

(d) How important is transport in helping to extend markets? Give reasons for your opinion. [6]

2 Mrs Ney owns a mobile shop selling bread and cakes in her neighbourhood. She is experiencing competition from other retailers.

(a) State **one** feature of a mobile shop. [1]

(b) **(i)** Suggest **two** types of competition that Mrs Ney is likely to have. [2]

(ii) Why is Mrs Ney likely to have competition from other retailers? [3]

(c) Mrs Ney buys from wholesalers. Describe **two** services that wholesalers would provide for Mrs Ney. [4]

(d) Mrs Ney is considering selling her bread and cakes online. Explain **two** reasons why she may decide **not** to sell her bread and cakes online. [4]

(e) Discuss whether or not Mrs Ney would benefit from buying a franchise from a franchise company. Give reasons for your opinion. [6]

© UCLES 2014

3 Fig. 1 shows an extract from a newspaper and a table about international trade.

THE BENEFITS OF INTERNATIONAL TRADE

Companies can achieve increased specialisation, savings in costs and expand to become multinationals. Consumers have a wider range of goods available.

COUNTRY X'S TRADE FIGURES	
Types of international trade	**$m**
Visible exports	**95 000**
Visible imports	**128 000**
Invisible exports	**105 000**
Invisible imports	**82 000**

Fig. 1

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

(a) **(i)** Define the term *international trade.* [1]

(ii) Giving **one** example of specialisation in international trade, explain what is meant by the term *specialisation*. [3]

(b) Explain **one** way in which companies can reduce costs by trading overseas. [2]

(c) Using the table in Fig. 1, calculate the Balance of Payments. Show your working. [4]

(d) Four types of international trade are listed in the table in Fig. 1.

To which type of Country X's international trade do the following belong? Give a reason for each of your answers.

(i) An American tourist staying in a hotel in Country X. [2]

(ii) A toy manufacturer based in Germany, selling toys to Country X. [2]

(e) Do consumers have a wider range of goods available as a result of the increased number of multinationals in the world? Give reasons for your answer. [6]

© UCLES 2014

4 Faria and Rayhan are nurses. They decide to set up a partnership offering a nursing service to older people.

(a) Classify the work of a nurse as an occupation. [1]

(b) Explain **two** advantages to Faria and Rayhan of forming a partnership. [4]

(c) Faria invested twice as much in the partnership as Rayhan. The Deed of Partnership stated that the profits should be shared in the same proportion as the capital invested.

Calculate how much Faria received if the profits made by the partnership in the first year were $105 000. Show your working. [2]

(d) Faria and Rayhan need to obtain vehicles for the nursing service. They could use:

hire purchase or **leasing**

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

(e) Faria and Rayhan are planning to enlarge the nursing service next year.

(i) State **three** ways in which a commercial bank might help them with their plans. [3]

(ii) Explain **two** reasons why Faria and Rayhan might consider changing their business from a partnership to a limited company. [4]

5 Wavy is a manufacturer of a well-known brand of washing machine. The directors of the company are concerned about the low rate of turnover of their products and declining total sales.

(a) (i) Explain what is meant by the term *rate of turnover.* [2]

(ii) Why is the rate of turnover of washing machines lower than that of washing powder? [3]

(iii) Explain **two** ways of increasing the rate of turnover of Wavy washing machines. [4]

(b) Why does Wavy brand its washing machines? [4]

(c) Wavy is considering expanding its business within the global market.

(i) What is meant by the term *global market*? [1]

(ii) Discuss the factors Wavy should consider before making a decision about expanding its business within the global market. [6]

© UCLES 2014

6 Fig. 2 is a diagram showing how the value of personal insurance cover held might change over a person's lifetime.

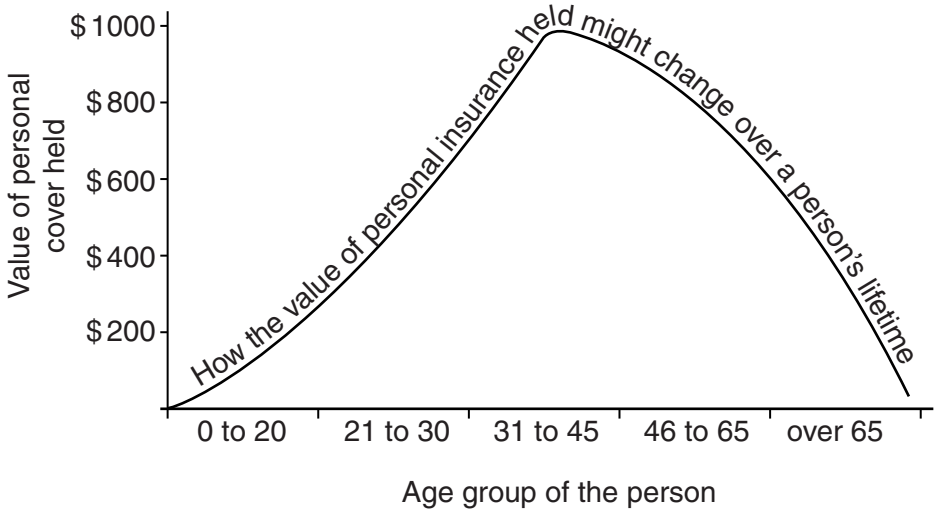


Fig. 2

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

(a) **(i)** In which age group is the value of personal insurance cover held the greatest? [1]

(ii) Name **two** personal insurance risks likely to be covered when a person is aged between 31 and 45. [2]

(b) Why is the total value of personal insurance cover held likely to change over a person's lifetime? [3]

(c) Name and state the purposes of **two** documents used when applying for insurance. [4]

(d) Which insurance principles are the most important elements of any insurance contract? Using examples, give reasons for your opinion. [6]

(e) Explain how people working in the insurance industry are part of production. [4]

© UCLES 2014

7 Fashion Watches Ltd owns several shops that sell imported watches.

(a) A customer bought a watch six weeks ago and has returned it to the shop saying that the strap has broken. What actions should the shop manager take? [4]

(b) Fashion Watches Ltd uses mark-up when pricing its watches.

(i) Define the term *mark-up.* [1]

(ii) Explain **two** factors that Fashion Watches Ltd should consider when choosing the percentage mark-up included in the price of its watches. [4]

(c) Fashion Watches Ltd wishes to modernise its shops. In order to do this it could use a bank loan or retained profits.

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

(d) The country in which Fashion Watches Ltd is based is a member of a trading bloc.

(i) What is meant by the term *trading bloc*? [2]

(ii) Explain the benefits to Fashion Watches Ltd of importing its watches from countries **within** the trading bloc. [3]

© UCLES 2014

8 Fig. 3 shows the Central Business District (CBD) of a large city and the surrounding area.

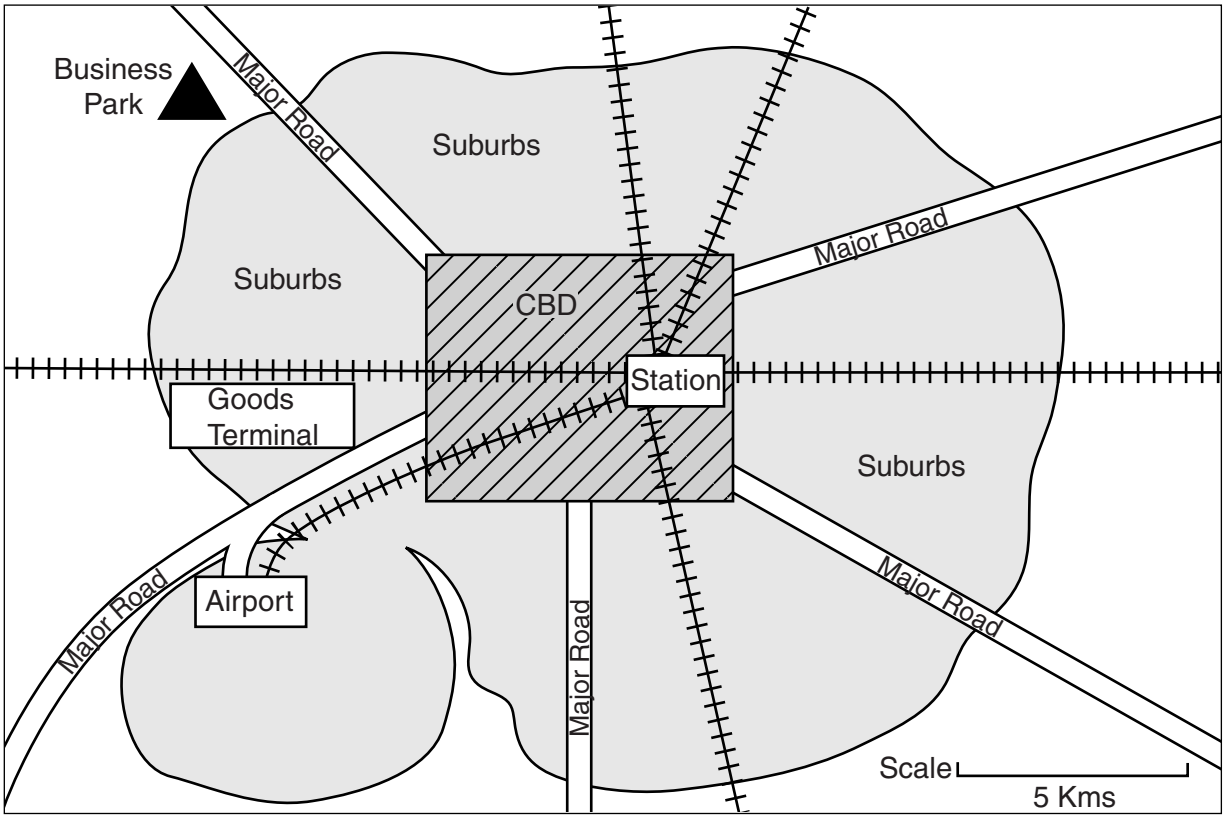


Fig. 3

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

(a) **(i)** Explain why a good road network and an efficient railway service are important to the Central Business District of this city. [4]

(ii) Give an example of a mass transport system used in a large city. [1]

(b) **(i)** Explain **two** reasons why it is important for this large city to have an airport. [4]

(ii) State **two** services for passengers provided at airports. [2]

(c) Why are digital billboards often placed along the major roads of a CBD? [3]

(d) Fig. 3 shows a business park located 5 kms from the CBD. Discuss whether or not it is better for a business to locate in the business park rather than in the CBD.

Give reasons for your answer. [6]

© UCLES 2014

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2014