Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/23**

Paper 2 **May/June 2014**

2 hours

No Additional Materials are required.

1329050061

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.

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CAMBRIDGE
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Answer any **four** questions.

1 The picture in Fig. 1 shows how wheat travels from a farm in Country A to a flour mill in Country B.

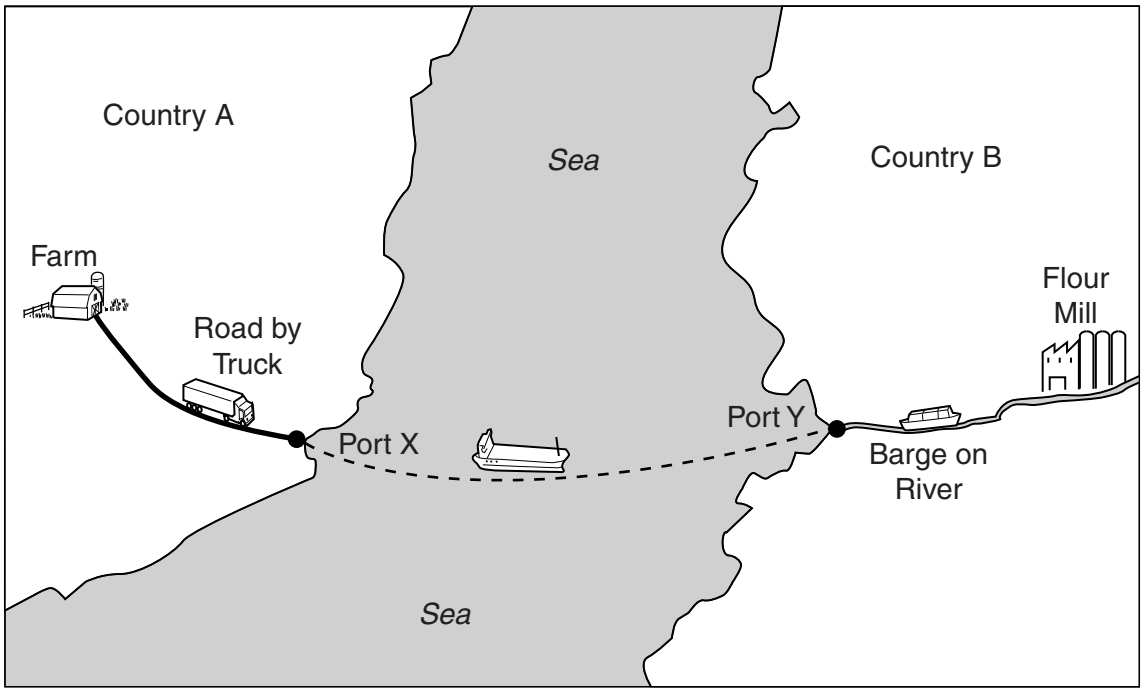


Fig. 1

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

(a) A wheat farm is an example of a primary industry. Explain what this means. [3]

(b) Explain **two** reasons why wheat is likely to be transported from the farm to Port X by road rather than by rail. [4]

(c) **(i)** In what type of ship is wheat likely to be carried between Port X and Port Y? [1]

(ii) Describe **two** services offered at ports that assist the transport of the wheat. [4]

(iii) Why is a barge a suitable method of transport for the wheat from Port Y to the flour mill? [2]

(d) Country A exports wheat to Country B. Is this always of benefit to Country A? Give reasons for your answer. [6]

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2 Noor Ltd is a large-scale wholesaler that distributes food and household goods to retailers.

(a) Explain the role of a wholesaler in the distribution of goods. [4]

(b) Small-scale retailers tend to use wholesalers.

(i) State **one** type of small-scale retailer. [1]

(ii) Why are these retailers offered trade discount by the wholesaler? [2]

(c) Noor Ltd has found that it is very important to have good communications with its retail customers.

(i) Explain why it is important for Noor Ltd to have good communications with its retail customers. [3]

(ii) Describe **two** methods of communications that Noor Ltd would use with its retail customers. [4]

(d) To what extent have the activities of **large-scale retailers** affected small-scale retailers? Give reasons for your opinion. [6]

3 VacVac is a large public limited company which manufactures vacuum cleaners. It is in the private sector of business.

(a) In the context of a public limited company, explain what is meant by:

(i) public [1]

(ii) limited liability. [2]

(b) Distinguish between the private and public sectors of business. [4]

(c) **(i)** Why should VacVac use television to advertise its vacuum cleaners? [4]

(ii) Suggest a suitable sales promotion method for VacVac. Give **two** reasons for your choice. [3]

(d) VacVac has decided to increase its production of vacuum cleaners. It is considering the following two options:

- building an extension to its factory on the factory car park
- moving all its production to an industrial estate on the other side of the city where there is a large factory building available.

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

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4 Fig. 2 is a picture of a customer in a retail outlet.

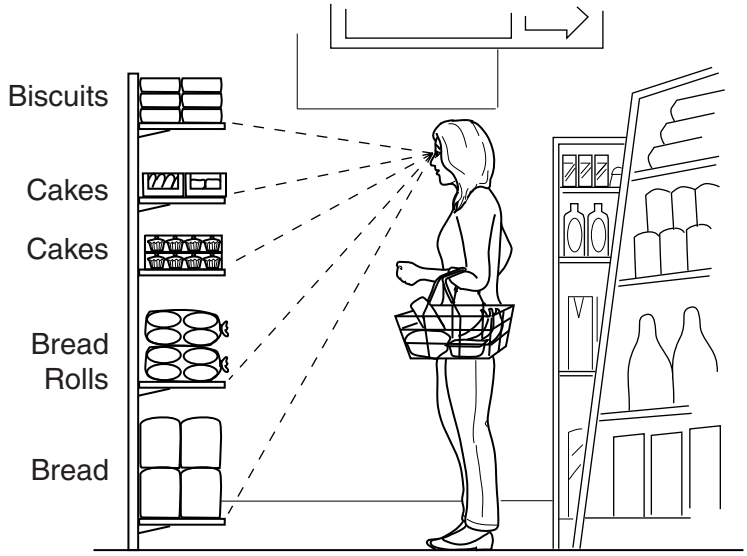


Fig. 2

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

(a) What type of shop is the customer likely to be using? [1]

(b) **(i)** The customer is using self-service. State **three** advantages of self-service to the customer. [3]

(ii) Explain why bread is put on the bottom shelf and cakes are placed on higher shelves. [2]

(iii) Most of the products on the shelf are branded. Why does the shop sell branded goods? [4]

(c) The retailer is considering providing an online ordering service with home delivery for customers.

Discuss the advantages and disadvantages to the retailer of providing an online ordering service with home delivery. Should the retailer offer this service? Give reasons for your answer. [6]

(d) The retail outlet is supplied from a regional distribution centre. Why is this beneficial to the retail outlet? [4]

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5 Moneypool is a multinational bank.

(a) State **two** characteristics of a multinational bank. [2]

(b) Moneypool offers many services to both business and personal customers.

(i) State **three** services offered to customers who use Moneypool's Internet banking system. [3]

(ii) Name **one** service provided at bank branches that could **not** be provided using Internet provided banking. [1]

(iii) Why do many customers make use of credit services, such as credit cards and hire purchase, by Moneypool? [4]

BLZZ is an insurance company.

(c) Mel and Bruno have both insured their houses for $400000 each using insurance policies provided by BLZZ.

In May both Mel and Bruno made claims of $10000 each on their policies. Should they expect to receive the same amount of compensation? Mentioning any insurance principles that may apply, give reasons for your answer. [6]

(d) Giving examples, explain why customers of banks and insurance companies might need consumer protection. [4]

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6 Fig. 3 shows some financial information for a building company.

BALANCE SHEET as at 31 December 2013			
ASSETS		**LIABILITIES**	
	$000s		**$000s**
Buildings	**4500**	**Ordinary Shares**	**7000**
Machinery/Equipment	**1500**	**6% Debentures 2015**	**500**
Motor Vehicles	**1000**	**Creditors**	**400**
Stock	**1000**	**Overdraft**	**700**
Debtors	**300**		
Cash	**300**		
	$8600		**$8600**

Fig. 3

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

(a) Calculate the working capital of this company. Show your working. [3]

(b) **(i)** Distinguish between assets and liabilities. [2]

(ii) Identify **one** item of long-term borrowing given in Fig. 3. [1]

(iii) Is it better for a company to raise finance by issuing shares or to obtain long-term loans? Give reasons for your answer. [6]

(c) The building company is a private limited company. Explain **two** differences between private limited companies and public limited companies. [4]

(d) Explain how this building company will make use of insurance. [4]

7 Orient Ltd is a trading company that buys home-produced goods as well as goods from abroad.

(a) **(i)** Orient Ltd has always used intermediaries such as agents to purchase goods from abroad. Recently there have been difficulties with the supply of poor quality goods.

Should Orient Ltd now consider finding the goods itself or continue to use agents? Give reasons for your answer. [6]

(ii) Explain how the work of Customs Authorities might affect Orient Ltd's business when it imports goods. [4]

In many countries the survival of the wholesaler is under threat.

(b) State **two** circumstances when the survival of the wholesaler might be threatened. [2]

(c) Wholesaling is a commercial activity.

(i) Name **one other** example of a commercial activity. [1]

(ii) Explain **two** ways in which commercial activities and industry are inter-related. [4]

(iii) Explain how wholesaling is a part of trade. [3]

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8 Fig. 4 shows the costs, in cents, involved in the production of a carton of orange juice which sells for $1.80.

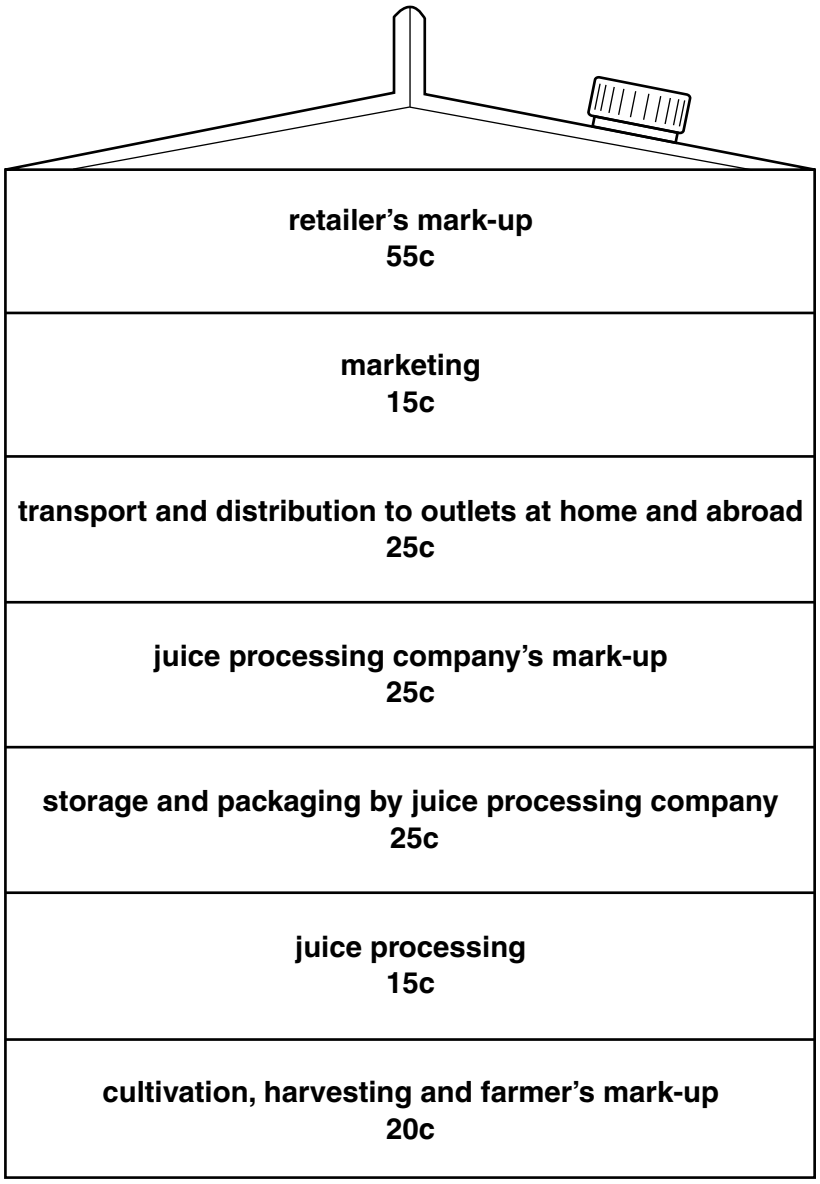


Fig. 4

Use Fig. 4 to help you to answer the following questions.

(a) (i) How much does it cost to process the orange juice? [1]

(ii) Calculate the percentage spent on marketing a carton of orange juice. Show your working. [2]

(iii) Why is the retailer's mark-up greater than that of the juice processing company? [3]

(b) Explain **two** reasons why the juice processing company needs storage. [4]

(c) Explain why the orange juice needs packaging. [4]

(d) Is the containerisation of road transport of benefit to the juice processing company? Give reasons for your answer. [6]

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