Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

Paper 2 **May/June 2015**

2 hours

No Additional Materials are required.



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
International Examinations

Answer any **four** questions.

1 Pashbury is a small inland town. It has a range of shops, a fast food restaurant, a small industrial area with factories and warehousing, a bank which opens twice a week, a post office, and a bus service to neighbouring towns but no railway.

(a) Mr Patel, who lives in Pashbury, has commented that the town is not concerned with commerce. Do you think that he is correct in saying this? Give reasons for your answer. [6]

(b) The factories and warehousing in Pashbury are involved in production.

(i) Giving **one** example, explain what is meant by *production*. [3]

(ii) Name **one** type of warehouse likely to be found in Pashbury. [1]

(c) The fast food restaurant operates as a franchise.

(i) What is meant by a *franchise*? [2]

(ii) Explain **two** likely advantages to the owner of the fast food restaurant of being a franchise. [4]

(iii) Why are commercial documents used when supplies are required? [4]

2 Drools Ltd manufactures and packages chocolates. The company sells to many different customers.

(a) Explain how packaging adds value to the chocolates. [3]

(b) Explain how communication is likely to assist Drools Ltd to sell to many different customers. [4]

(c) Drools Ltd advertises in magazines, newspapers and on television.

(i) Explain why Drools Ltd needs to use **all these three advertising media**. [4]

(ii) Give **one** example of an advertising device Drools Ltd might use in its advertisements. [1]

(d) Drools Ltd is experiencing a shortage of working capital.

(i) What is meant by *working capital*? [2]

(ii) Drools Ltd might improve its working capital by using some of the following options:

- ask customers to pay as soon as possible
- increase the company's overdraft
- negotiate longer trade credit with suppliers.

Discuss each option. What would you recommend Drools Ltd to do? Give reasons for your answer. [6]

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3 The notices in Fig. 1 are displayed in shop windows.



Fig. 1

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

(a) A customer bought a coat at the marked price of $200 this week from Super Duo Store. How much did she pay? Show your working. [3]

(b) Explain why some retailers hold sales but others do not. [4]

(c) Fab Multiple Chain Store is closing some of its branches due to increased costs.

(i) Define the terms *costs* and *price*. [2]

(ii) Assess the impact of the growth of supermarket chains on multiple chain stores and other types of large-scale retailers. [6]

(d) **(i)** Explain why companies, such as Fab Multiple Chain Store, choose to sell goods online. [4]

(ii) State **one** reason why it is expensive for companies to sell online. [1]

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[Turn over

4 Countries, such as Japan, import and export visible and invisible items.

(a) Using examples, distinguish between visible and invisible items. [4]

(b) A Japanese company has purchased machinery costing $300 000 from a company in the US.

(i) How will this purchase affect Japan's Balance of Payments? [1]

(ii) Name and describe **one** means of payment the Japanese company could use to pay for the machinery. [3]

(iii) State **two** insurance risks against which the machinery should be insured whilst being transported. [2]

(iv) The US company could send the machinery to Japan using either air freight or container ship. Discuss both options. Which would you recommend? Give reasons for your answer. [6]

(c) Explain how the Japanese Government could restrict imports which compete with home-produced goods. [4]

5 Comidex International Ltd is seeking insurance for its motor racing team.

(a) **(i)** Explain the purposes of an insurance proposal form. [4]

(ii) State and explain **one** principle of insurance which must be considered when completing an insurance proposal form. [3]

(iii) Discuss whether or not Comidex International Ltd will have difficulty in obtaining insurance for its motor racing team. Give reasons for your opinion. [6]

(b) Comidex International Ltd may need additional finance in order to develop the motor racing team.

(i) State **one** example of internal finance. [1]

(ii) Explain why it would use internal finance rather than a bank loan. [4]

(c) Explain why international motor racing stars often appear in advertisements. [2]

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6 Fig. 2 shows the percentage use of drinks cans in different parts of the world in 2014.

PERCENTAGE SHARE OF THE TOTAL USE OF DRINKS CANS IN 2014

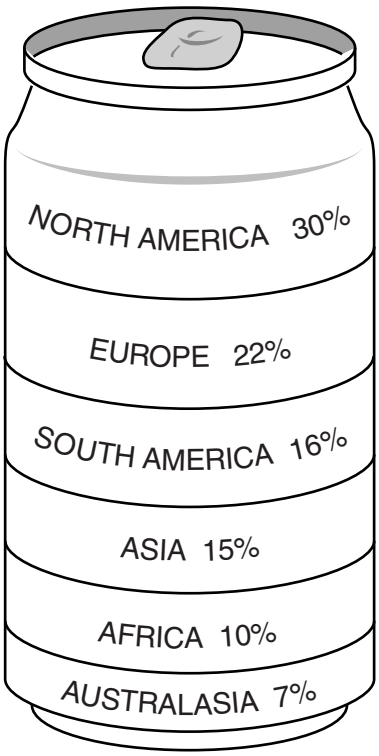


Fig. 2

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

(a) Name **one** type of drinks product packaged in a can. [1]

(b) 120 billion drinks cans were used worldwide in 2014.

(i) Using Fig. 2, calculate the number of drinks cans used in North America. Show your working. [2]

(ii) 65% of all the drinks cans were used by ten multinational companies in 2014. Calculate the average number of drinks cans used by **one** of these companies in 2014. Show your working. [3]

(c) Explain why there are multinational companies in the worldwide drinks market. [4]

(d) Sigma is a manufacturer of drinks cans. It is based in Canada.

(i) Sigma wishes to expand its market into Europe. It is considering the following options:

- opening a factory in Germany, a member of the European Union, to manufacture the drinks cans
- using agents to sell its drinks cans to large-scale producers of drinks.

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

(ii) Sigma trades with buyers in Australia. Why might the distance between Canada and Australia cause difficulties for Sigma? [4]

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7 Salima imports computers and sells them in bulk to many different kinds of retailers.

(a) Explain how Salima is engaged in trade. [2]

(b) Identify **four** services provided by a bank that Salima is likely to use. [4]

(c) A retailer has returned a computer to Salima saying that it is not fit for purpose. State **three** actions that Salima should take. [3]

(d) Many people buy computers using their credit cards.

(i) What should they do to avoid paying interest on their credit card bills? [1]

(ii) Explain **one** advantage and **one** disadvantage to **retailers** of accepting credit card payments. [4]

(e) Salima is now considering selling directly to consumers rather than through retailers. Discuss whether or not she should do this. Give reasons for your opinion. [6]

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8 The pictures in Fig. 3 show the side of a truck carrying a container and the back of a refrigerated truck. They are owned by Gupta International Transport, a distribution company operating at home and abroad.



CONTAINER TRUCK



REFRIGERATED TRUCK

Fig. 3

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

(a) Explain **two** reasons why transport is important in international trade. [4]

(b) Explain what is meant by *distribution*. [2]

(c) Explain why many companies use Gupta International Transport to move their goods rather than using their own transport. [4]

(d) **(i)** Gupta International Transport has a website. State **three** reasons why it uses this method of communication. [3]

(ii) Why does Gupta International Transport have its name on the outside of its trucks? [1]

(e) Discuss whether or not Gupta International Transport needs warehousing as part of its business. Give reasons for your answer. [6]

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