Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/23**

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 The diagram in Fig. 1 shows how specialisation results in trade.

SPECIALISATION AND TRADE

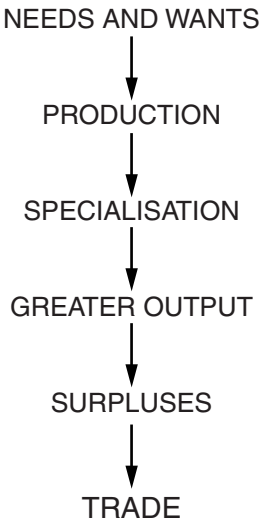


Fig. 1

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

(a) Giving an example from your country, explain what is meant by *specialisation.* [3]

(b) **(i)** Give **one** example of trade. [1]

(ii) Explain how specialisation can lead to trade. [4]

(c) Using examples, distinguish between needs and wants. [4]

(d) Production adds value to raw materials. Explain what is meant by *adds value.* [2]

(e) A car manufacturer is concerned with the production of cars. Discuss whether or not the car manufacturer is also engaged in trade. Give reasons for your answer. [6]

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2 Sam and Pam decide to open a shop selling leather goods as a partnership.

(a) Describe **two** of the requirements needed to become a successful retailer. [4]

(b) **(i)** Identify **one** disadvantage of being in a partnership. [1]

(ii) State **two** ways in which Sam and Pam could finance their shop. [2]

(c) Why is it important for Sam and Pam to decide on how much stock to hold? [3]

(d) Why might it be better for Sam and Pam to use window displays and flyers to advertise their shop rather than local television? [4]

(e) Sam and Pam have identified two possible sites for their shop.

- A site on the junction of several busy roads in the town centre, close to the town's main car park.
- A small unit in a corner position in a shopping centre on the outskirts of the town.

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

3 A country trades with other countries and is a member of a trading bloc.

(a) Explain **two** reasons why this country trades with other countries. [4]

(b) Giving an example, explain why countries form trading blocs. [4]

(c) One of this country's ports is a freeport. Explain what is meant by *freeport*. [2]

(d) **(i)** Many goods are stored in bonded warehouses. Why do Customs Authorities control bonded warehouses? [3]

(ii) State **one other** function of a Customs Authority. [1]

(e) 'Many of the documents used in foreign trade differ from those used in home trade.' Is this true? Using examples, give reasons for your answer. [6]

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[Turn over

4 The diagram in Fig. 2 shows how a type of large-scale retailer is organised.

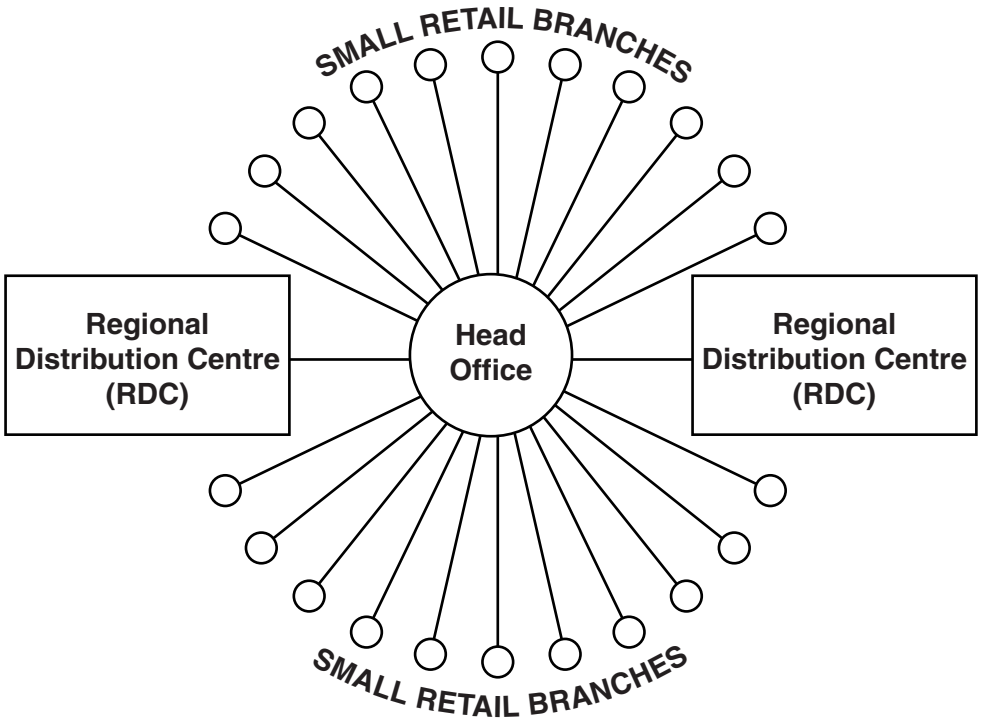


Fig. 2

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

(a) **(i)** Identify the type of large-scale retailer shown in Fig. 2. [1]

(ii) State **two** functions likely to be performed by the Head Office. [2]

(b) The Regional Distribution Centres (RDCs) provide storage. Describe **two other** functions of a Regional Distribution Centre. [4]

(c) Large-scale retailers compete with small-scale retailers. Discuss whether or not small-scale retailers can survive this competition. Give reasons for your answer. [6]

(d) Many consumers use online shopping instead of visiting shops.

(i) Explain **two** disadvantages of online shopping to the consumer. [4]

(ii) Why might company contact details on a website be useful to a consumer? [3]

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5 Go Go Ltd is a freight forwarding company. It owns a fleet of trucks and vans, and a garage from which they operate.

(a) (i) State **one** function of a freight forwarding company. [1]

(ii) Why would Go Go Ltd have both trucks and vans? [2]

(b) (i) State **three** risks against which Go Go Ltd, as a freight forwarding company, should insure. [3]

(ii) Describe the actions Go Go Ltd should take if one of its vans was involved in an accident. [4]

(iii) Go Go Ltd pays $500 a year for an insurance policy giving $500 000 cover against risks. Explain how pooling of risk affects this insurance policy. [4]

(c) Go Go Ltd wishes to attract new business. Should it use **both** informative and persuasive advertising? Give reasons for your answer. [6]

6 Beamish International is a multinational mining company based in the US.

(a) (i) Name **one other** example of a multinational company. [1]

(ii) State **two** features of a multinational company. [2]

(b) Beamish International needs finance for its future projects.

(i) State **three** advantages to Beamish International of using retained profits to finance its projects. [3]

(ii) Explain why Beamish International might issue ordinary shares on a stock exchange to raise capital. [4]

(c) Explain why Beamish International would spend a large amount of money on insurance. [4]

(d) Assess the effects, both good and bad, that Beamish International may have on the economies of the countries in which it operates. [6]

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[Turn over

7 Gilia.com is an Internet-based company selling gold and silver jewellery to customers all over the world.

(a) Why does Gilia.com accept credit cards and debit cards, but **not** cash, in payment for its jewellery? [4]

(b) Why does Gilia.com send jewellery by air transport to customers in other countries? [3]

(c) Gilia.com sells silver chains with a mark-up of 250% on costs. Each chain costs Gilia.com $16.

(i) Give **one** example of a cost. [1]

(ii) Calculate the retail price of a silver chain sold by Gilia.com. Show your working. [2]

(d) A customer has complained that a necklace she has purchased is gold plate and not solid gold as described. What actions should Gilia.com take? [4]

(e) Gilia.com uses banking services. Assess the usefulness of banking services to Gilia.com as a company trading in gold and silver jewellery. [6]

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8 The document shown in Fig. 3 is used when goods are supplied.

Mons Traders **Moon Street** **Anywhere**	**No 456/AAA** **10 May 2015**
Pye Industries **Greystone Park** **Anytown** **Order No 234**	
Please acknowledge receipt of the goods listed below: AA/4578 100 cases Max Fabric Conditioner BN/2589 25 boxes BiBi Washing Powder MN/2109 200 trays Hula Washing-up Liquid	
Received by …… Print name …… Date ……	

Fig. 3

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

(a) **(i)** Name the document shown in Fig. 3. [1]

(ii) Explain how this document is useful to Pye Industries. [4]

(b) Explain how Pye Industries might use documents such as letters of enquiry and quotations to help it to choose a supplier. [4]

(c) Pye Industries is given trade credit by Mons Traders.

(i) Explain what is meant by *trade credit*. [2]

(ii) Why is it important for Pye Industries to have trade credit? [3]

(d) Pye Industries communicates frequently with customers and suppliers using email. Assess **both** the advantages **and** disadvantages of using email as a means of communication in business. [6]

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