Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

Paper 2 **May/June 2016**

2 hours

No Additional Materials are required.

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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

[Turn over

Answer any **four** questions.

1 Nina is a sole trader. She makes children's clothing at home and sells them from a street market stall.

(a) Explain **two** advantages to Nina of being a sole trader. [4]

(b) **(i)** State **two** characteristics of street markets. [2]

(ii) Explain **one** advantage and **one** disadvantage of buying goods at street markets. [4]

(c) The van Nina uses to transport the clothing to and from the market needs to be replaced.

(i) Identify **one** internal source of finance Nina might use to purchase the new van. [1]

(ii) Explain **one** reason why Nina may **not** use internal sources of finance to purchase the new van. [3]

(d) Nina is considering the following external sources of finance to purchase the new van:

bank loan **leasing**

Discuss both of the sources of finance shown above. Which would you recommend? Give reasons for your answer. [6]

2 The table in Fig. 1 shows Country X's exports and imports for 2015. Country X's main exports are tea, textiles and tourism. Country X's main imports are insurance, cars and oil.

	Exports ($ million)	Imports ($ million)
Visible	400	600
Invisible	150	270

Fig. 1

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

(a) **(i)** State **two** benefits to Country X of international trade. [2]

(ii) Explain the difference between visible trade and invisible trade, giving one example of each for Country X. [4]

(b) **(i)** Calculate Country X's Balance of Payments for 2015. Show your working. [3]

(ii) Should the Government of Country X try to improve its Balance of Payments situation? Give reasons for your answer. [3]

(c) **(i)** Describe **one** means of electronic communication used in international trade. [2]

(ii) Rapid transfer of information is always important in international trade. Do you agree? Give reasons for your answer. [6]

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3 Imran and Khaled plan to set up a car repair business. They are unsure about whether to form a partnership or a private limited company.

(a) Explain **two** factors that Imran and Khaled should consider when deciding on the location for their car repair business. [4]

(b) **(i)** State **two** characteristics of a private limited company. [2]

(ii) Explain **two** risks to Imran and Khaled of setting up their business as a partnership. [4]

(c) Imran and Khaled have had a meeting with an adviser who has told them the importance of insurance and advertising for their business.

(i) Explain **one** reason why advertising is important for a business. [2]

(ii) State **two** advertising media that Imran and Khaled could use for their car repair business. [2]

(d) Assess the importance to Imran and Khaled of having insurance for their car repair business. [6]

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4 Brimstone is a manufacturer of electrical goods such as cookers and refrigerators. Brimstone sells its goods through wholesalers in the home market and abroad.

The pie chart in Fig. 2 shows the percentage of Brimstone's sales turnover in different parts of the world. Total sales in 2015 were $4 million.

Percentage of Brimstone's sales in different parts of the world in 2015

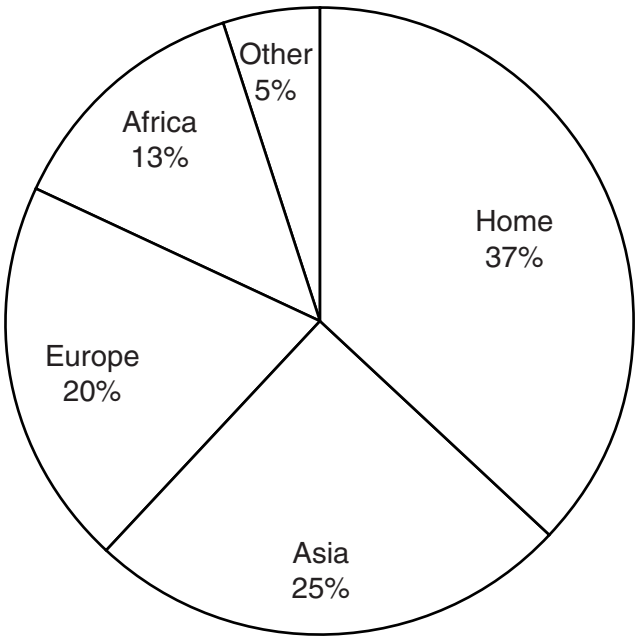


Fig. 2

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

(a) Calculate the value of Brimstone's sales in Asia in 2015. Show your working. [2]

(b) **(i)** State what is meant by a *manufacturer*. [2]

(ii) Explain **two** reasons why Brimstone sells its electrical goods through wholesalers. [4]

(c) Brimstone sells its goods through wholesalers in the home market and abroad.

To what extent is the home market important to Brimstone as a manufacturer of electrical goods? Give reasons for your answer. [6]

(d) Explain the purpose of the following documents, giving **one** circumstance in which Brimstone would use each of them:

(i) bill of lading [3]

(ii) credit note [3]

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5 Suraiya is the owner of a small grocery store. There is a large national grocery store within five kilometres of Suraiya's store.

(a) **(i)** Identify **two** reasons why customers might prefer to use the large national grocery retailer rather than Suraiya's store. [2]

(ii) Explain **two** reasons why providing a personal service is important to Suraiya's business. [4]

(b) The large national grocery retailer uses both bar-coding and EPOS. Explain what is meant by:

(i) bar-coding [2]

(ii) EPOS [2]

(c) Suraiya offers informal credit to her customers.

(i) Explain **one** benefit to Suraiya's **customers** of informal credit. [2]

(ii) Explain **one** drawback to **Suraiya** in offering informal credit. [2]

(d) The national grocery retailer allows customers to pay by debit card.

Discuss whether or not Suraiya should accept payments by debit card from customers. Give reasons for your answer. [6]

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6 Baba is a large fashion retailer with many branches. Baba imports all the clothing it sells from manufacturers in neighbouring countries. It uses its own vehicles to transport goods by road from these manufacturers to its central warehouse.

(a) (i) Explain **two** benefits to Baba of using its own transport vehicles. [4]

(ii) Explain why Baba uses a central warehouse. [4]

(b) Explain how Baba might be affected by each of the following:

(i) import tariffs [2]

(ii) import quotas [2]

(c) Baba has introduced a sales promotion in its stores:

SPECIAL OFFER

Spend More Than $40 and Obtain

5% Discount

BUY NOW

Fig. 3

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

(i) Calculate the amount paid by a customer who buys goods worth $120. Show your working. [2]

(ii) Discuss whether or not Baba should offer sales promotions to its customers. Give reasons for your answer. [6]

7 Orion Bank is a large retail bank. It has over 100 branches. Each branch has an ATM.

(a) (i) Identify **two** types of bank account that Orion Bank might provide for its customers. [2]

(ii) Explain **two** benefits to customers of using an ATM. [4]

(b) (i) Explain what is meant by a *direct debit*. [2]

(ii) Why do many companies use direct debits? [2]

(c) Should the customers of Orion Bank use internet banking? Discuss the advantages and disadvantages of using internet banking for the customers. Give reasons for your opinion. [6]

(d) Orion Bank wishes to introduce a new savings scheme for its customers. Should it use informative advertising? Give reasons for your answer. [4]

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8 Shufla Footwear is a shoe manufacturer. It employs 30 production workers. Workers specialise in different tasks, for example, cutting, shaping or stitching the shoes.

(a) **(i)** Using an example from Shufla, state what is meant by *specialisation*. [2]

(ii) Explain **one** advantage and **one** disadvantage to Shufla's **production workers** of specialisation. [4]

(b) Shufla sells 60% of its output through mail order.

Explain **two** benefits to Shufla of selling its shoes through mail order. [4]

(c) Shufla is facing competition from cheaper imports.

Explain **two** actions Shufla might take to remain competitive. [4]

(d) The issue of consumer protection has been discussed at a meeting of senior managers at Shufla.

Discuss whether or not senior managers at Shufla should consider protection of the consumer to be important. Give reasons for your opinion. [6]

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