Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/23**

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

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Answer any **four** questions.

1 Pizza Perfect is owned by two brothers in partnership. They make pizzas which they sell to small specialist food shops and snack bars.

Pizzas are produced in a small factory using division of labour in the production process, as shown in Fig. 1.

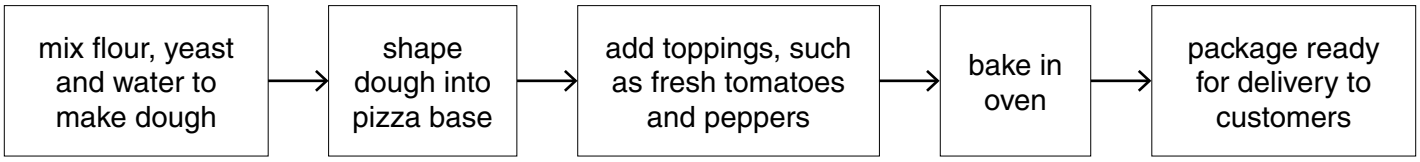


Fig. 1

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

(a) (i) State **two** advantages of using division of labour in a factory. [2]

(ii) Using examples from Fig. 1, explain how primary production and secondary production are interdependent. [4]

(iii) Give **two** ways in which Pizza Perfect adds value to its products. [2]

(b) The brothers are considering expanding their business by opening their own pizza takeaway called Pizza Perfect Takeaway.

(i) Explain **one** way in which the brothers might benefit from having a current account at a bank. [2]

(ii) Explain how Pizza Perfect Takeaway would benefit from accepting credit cards. [4]

(c) The bank manager has advised the brothers to change from being a partnership to being a private limited company. Discuss whether or not the brothers should do this. Give reasons for your answer. [6]

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2 Lowprice is a multinational company with over 1500 supermarkets in nine different countries. Lowprice is considering expanding into a new country and opening supermarkets in five large cities.

(a) (i) Explain what is meant by *multinational*. [2]

(ii) Identify **two** factors Lowprice should consider before locating in a new country. [2]

(b) Discuss whether or not a government should encourage multinational retailers, such as Lowprice, to locate in their country. Give reasons for your answer. [6]

(c) If Lowprice expands into the new country it will need to consider both warehousing and transportation.

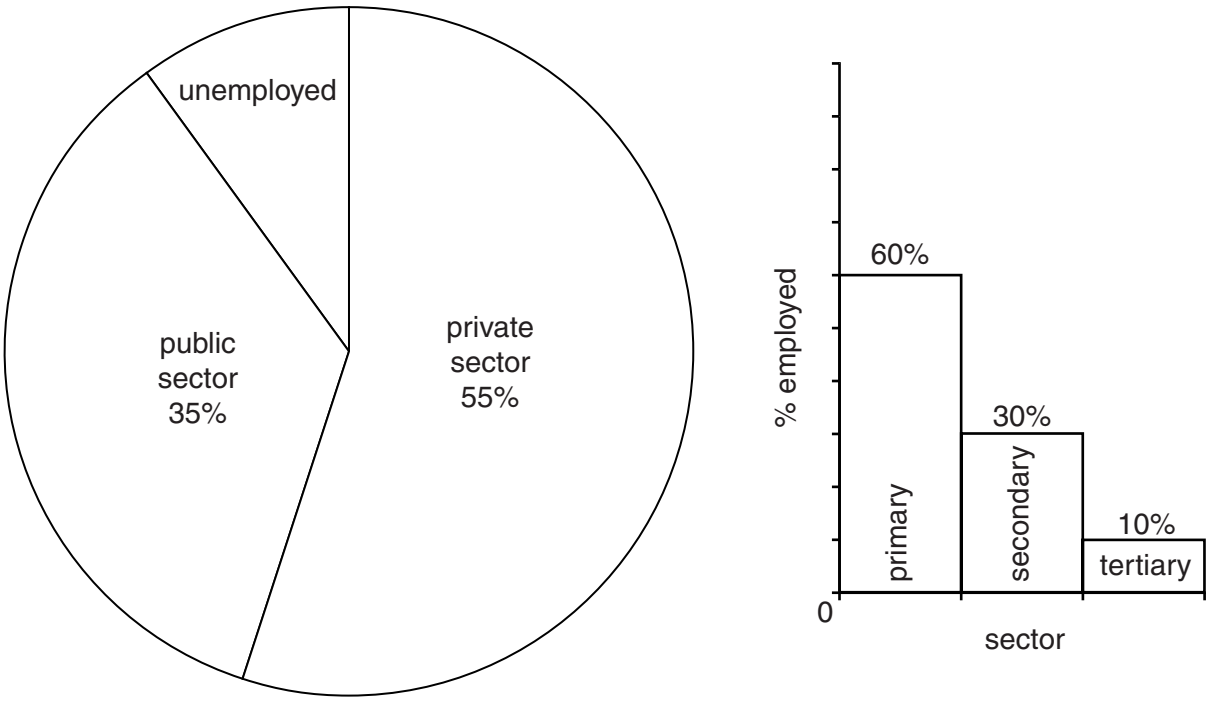
(i) Explain **two** benefits to Lowprice of setting up regional distribution centres to supply the supermarkets in the new country. [4]

(ii) Explain **two** reasons why Lowprice would use road transport to move its goods from the regional distribution centres to its supermarkets. [4]

(iii) Delivery notes would be used when transporting goods from the regional distribution centres to the supermarkets. State **two** purposes of a delivery note. [2]

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3 Fig. 2 shows information about the employment of workers in a country in 2015.



Total working population: 43 million

Fig. 2

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

(a) (i) Explain what is meant by the *public sector*. [2]

(ii) Calculate the percentage and actual number of people who were unemployed in 2015. Show your working. [3]

(b) (i) State **two** types of business activity that are in the primary sector. [2]

(ii) Using Fig. 2, explain **two** reasons why the primary sector is important to the country. [4]

(iii) Using Fig. 2, explain possible reasons why the tertiary sector of this country is so small. [3]

(c) Many businesses in the private sector are franchise businesses. Discuss whether or not a franchise is a good way of setting up a new business from the point of view of the person purchasing the franchise (franchisee). Give reasons for your answer. [6]

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4 Easybuy is a small mail order company. It sells well-known brands of clothing.

(a) **(i)** Explain what is meant by *mail order*. [2]

(ii) State **two** advantages to customers of buying goods through mail order. [2]

(b) Explain why it is important for Easybuy to sell well-known brands of clothing. [4]

(c) Orders from customers are received at Head Office and goods are despatched from Easybuy's warehouse.

(i) Explain how Easybuy's customers might use electronic methods of communication when purchasing goods. [4]

(ii) Identify **two** non-electronic methods of communication that Easybuy might use to communicate with its customers. [2]

(d) Easybuy's sales are increasing and it is considering buying the clothing it sells directly from overseas manufacturers rather than from wholesalers in its home country. Discuss the advantages and disadvantages of doing this. Do you think Easybuy should consider making this change? Give reasons for your answer. [6]

5 Woodside makes garden furniture for sale in its home market. The business is now considering selling its products to an importer located in a freeport area in another country.

(a) **(i)** Identify **two** difficulties a company might face when exporting its products. [2]

(ii) Explain **two** benefits to Woodside of exporting its products. [4]

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

(ii) Explain **one** benefit to the importer of being located in a freeport. [2]

(c) The owners of Woodside have insured against fire and theft. Identify and explain **two other** risks against which Woodside might insure. [4]

(d) Woodside is going to use containers to send its products to the importer in the other country. Discuss whether or not using containers is the best way to send the garden furniture to the importer. Give reasons for your answer. [6]

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6 Fig. 3 shows an advertisement for a new washing powder. The advertisement has been placed in a national newspaper.



Fig. 3

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

(a) (i) Identify **two** ways in which the advertisement shown in Fig. 3 is persuasive. [2]

(ii) A customer bought **two** boxes of ZAPPO in April. Calculate how much they saved. Show your working. [2]

(iii) Calculate the percentage price reduction for a box of ZAPPO in April. Show your working. [2]

(b) Explain how the following documents might be used by a manufacturer when selling to wholesalers:

(i) invoice [2]

(ii) statement of account. [2]

(c) (i) Explain **two** reasons why a manufacturer needs to advertise its products. [4]

(ii) Discuss whether or not advertising in a national newspaper is the best method for promoting ZAPPO. Give reasons for your answer. [6]

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7 Mr Akhtar owns a small shop selling computers. He imports computers directly from the manufacturer and he sells the computers with a mark-up of 50%.

(a) Explain what is meant by the term *mark-up*. [2]

(b) To what extent is Mr Akhtar involved in trade? Give reasons for your answer. [4]

(c) Explain **two** ways in which Mr Akhtar's business might be affected by consumer protection laws. [4]

(d) **(i)** Identify **two** after-sales services that Mr Akhtar might offer his customers. [2]

(ii) Explain **one** reason why a business might offer after-sales services to its customers. [2]

(e) Mr Akhtar can purchase the computers more cheaply if he buys them in bulk. He is considering how to finance this purchase and could use either an overdraft or retained profit. Discuss these two possible sources of finance. Which would you recommend Mr Akhtar to use? Give reasons for your answer. [6]

8 Ali owns a small toy manufacturing company. The company is involved in commerce and uses many of the aids to trade.

(a) **(i)** Explain what is meant by *commerce*. [2]

(ii) Insurance, and banking and finance are examples of aids to trade. Identify **two other** aids to trade. [2]

(iii) Explain why banking and finance is an important aid to trade for Ali's manufacturing company. [4]

(b) Retailers sometimes ask Ali for trade credit.

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

(ii) Should Ali give trade credit to retailers? Give reasons for your answer. [4]

(c) There has been a fire at Ali's factory and he needs to make an insurance claim. Which insurance principles are the most important to Ali when making a claim? Using examples, give reasons for your answer. [6]

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