Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/23**

Paper 2 **May/June 2017**

2 hours

No Additional Materials are required.

7787859395

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 **6** printed pages, **2** blank pages and **1** Insert.

DC (NF/SG) 130954/4
© UCLES 2017

CAMBRIDGE
International Examinations

[Turn over

Answer any **four** questions.

1 Jane is a schoolteacher with a regular income. She wishes to buy a car from a garage and requires credit because she has only a 25% deposit.

(a) **(i)** What is meant by *credit*? [1]

(ii) Describe **two** advantages to Jane of buying on credit. [4]

(iii) Outline **two** ways in which selling the car on credit **will not** benefit the garage. [4]

(b) Two weeks after buying the car, the engine breaks down. State **three** actions Jane can take. [3]

(c) The garage owners are in need of short term finance and long term capital.

(i) Should the garage owners apply for an overdraft? Justify your answer. [2]

(ii) Discuss **two** different sources of long term finance for the garage, which is a private limited company. Which one would you recommend? Give reasons for your answer. [6]

2 K and Company is a manufacturer of camping equipment.

(a) **(i)** What is meant by *manufacturer*? [1]

(ii) Do you think camping equipment is a human *want* or *need*? Give reasons for your answer. [3]

(b) Explain how transport would assist K and Company when **exporting** its camping equipment. [4]

(c) K and Company uses both sales promotion and advertising when selling its camping equipment.

(i) Explain the difference between *sales promotion* and *advertising*. [2]

(ii) Explain **two** factors, other than costs, that may influence the type of sales promotion used. [4]

(d) K and Company is investigating the possibility of selling online. Discuss whether or not it should sell its camping equipment in this way. Give reasons for your decision. [6]

© UCLES 2017

3 M Ltd manufactures toys in a factory.

Fig. 1 shows the pooling of risk in insurance.

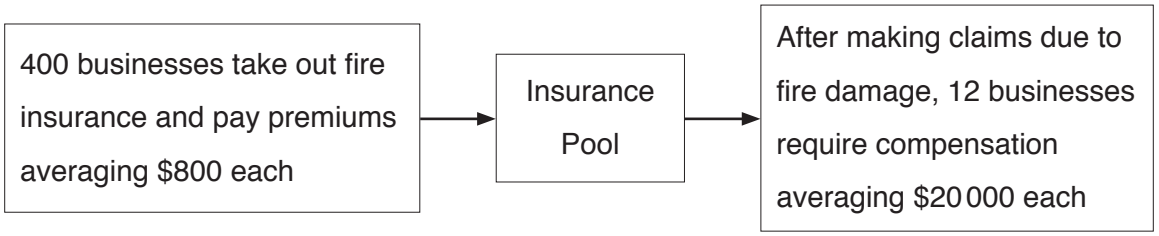


Fig. 1

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

(a) **(i)** Explain **two** reasons why M Ltd should take out insurance. [4]

(ii) Explain why it is important for an insurance company to operate *pooling of risk*. [4]

(b) Calculate the profit to the insurance company, before administrative costs, from the pooling of the risks shown in Fig. 1. Show your working. [3]

(c) M Ltd is reviewing its banking arrangements.

(i) Name **one** means of payment used by M Ltd to pay its employees. [1]

(ii) State and explain **one** means of payment used by a retail customer to pay M Ltd. [2]

(iii) The Finance Director wants to conduct most banking through the internet. Discuss whether or not a business, such as M Ltd, should use internet banking. Give reasons for your answer. [6]

4 K Transport Ltd (KTL) is a road haulage company operating nationwide. It uses its fleet of trucks to provide haulage services to its customers. Some customers' goods are transported in containers.

(a) **(i)** Name **one** transport document that KTL would use when moving goods for its customers. [1]

(ii) State **two** advantages to KTL's **customers** of using road transport. [2]

(b) KTL has decided to replace two trucks. Discuss whether it should lease or buy the new trucks. Which would you recommend? Give reasons for your choice. [6]

(c) One of KTL's main competitors for moving containers is rail transport. Do you think KTL should be concerned about this competition? Give reasons for your answer. [4]

(d) KTL wishes to improve its communication with its customers and is considering using emails and a website.

(i) Why would KTL use emails to contact customers about their deliveries rather than the telephone? [3]

(ii) Explain **two** benefits to KTL of using a website. [4]

© UCLES 2017

5 Peter, a sole trader, owns a business selling fruit and vegetables, some of which he grows himself. Fig. 2 shows some of his trading figures for the year:

Sales Turnover	$80 000
Gross Profit	$50 000
Net Profit	$30 000

Fig. 2

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

(a) (i) Calculate the total expenses of the business. Show your working. [2]

(ii) State **one** example of expenses that Peter might have. [1]

(iii) Explain **two** ways that Peter can improve his sales turnover. [4]

(b) Explain how Peter is concerned with trade. [3]

(c) (i) Peter's friend Henry has suggested that he joins Peter in the business and that they form a partnership. Discuss whether or not Peter should enter into a partnership with Henry. Give reasons for your opinion. [6]

(ii) Explain why a *deed of partnership* is important when setting up a partnership. [4]

6 D Warehouses Ltd (DWL) owns warehousing facilities in a major seaport. It offers both bonded and ordinary warehouses to its customers.

(a) (i) What is meant by a *warehouse*? [1]

(ii) Explain **two** differences between a *bonded warehouse* and an *ordinary warehouse*. [4]

(iii) Apart from collecting import duty, describe **two** other functions of a customs officer at a seaport. [4]

(b) DWL imports bulk food, such as flour and sugar, which is then sold to supermarkets. Jenni is a major customer of DWL.

(i) Is it an advantage to DWL to import food in bulk? Give reasons for your opinion. [3]

(ii) If the import duty on sugar is $0.02 per kg, calculate how much duty is due on 10 000 kg. Show your working. [2]

(c) Jenni is considering opening a cash and carry warehouse. Discuss whether she should open one or not. Give reasons for your decision. [6]

© UCLES 2017

7 Fig. 3 shows a map of a **country** that produces hardwood timber for both domestic use and to export. The country imports manufactured goods and basic foodstuffs.

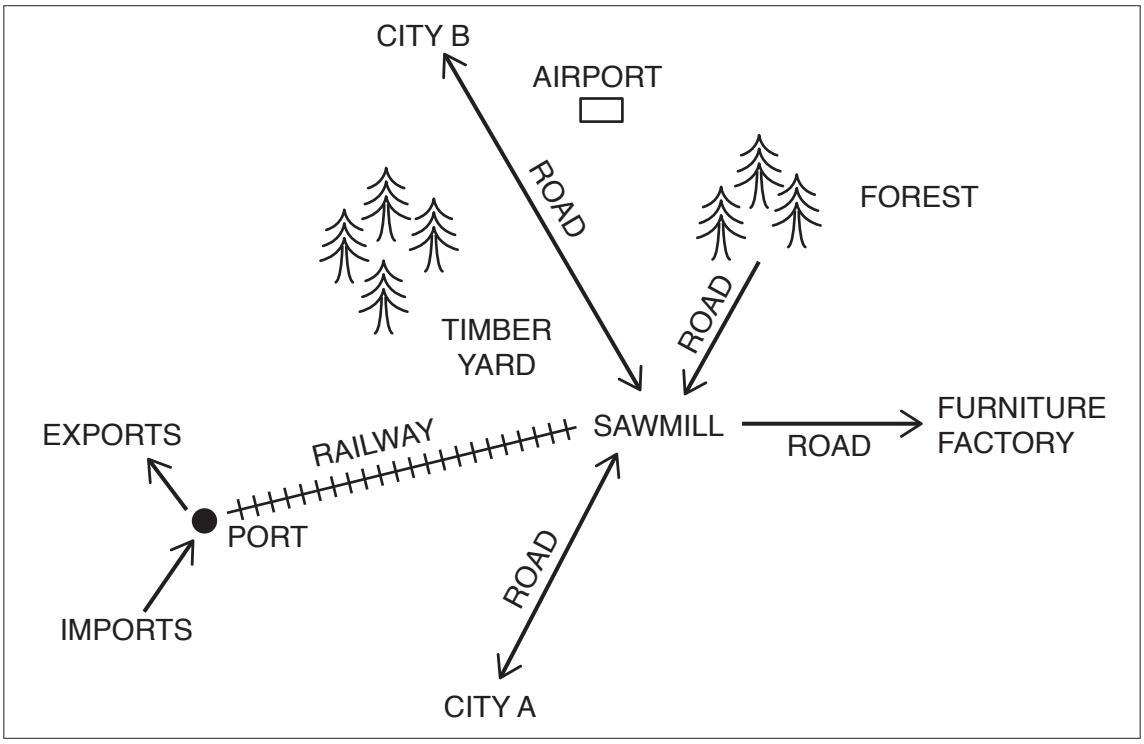


Fig. 3

Use the map in Fig. 3 to answer the following questions.

(a) Identify **one** example of secondary production in Fig. 3. [1]

(b) State **two** services provided by a port authority to enable ships to operate in the port. [2]

(c) **(i)** Why do you think that the railway was built from the sawmill to the port, but not to the airport? [3]

(ii) Explain why the roads shown in Fig. 3 are important to the sawmill. [4]

(d) The furniture factory is part of a multinational company. Explain **two** advantages to this country of a multinational furniture factory being located there. [4]

(e) The government of this country is facing a large deficit on its Balance of Payments. Evaluate **three** actions that the government might take to solve this problem. Justify your opinions. [6]

© UCLES 2017

8 T Traders is a wholesaler that imports jewellery from around the world. Its offices are near an airport. It sells to many types of retailer, including department stores.

(a) Identify a suitable channel of distribution for this jewellery. [2]

(b) Is it beneficial for T Traders to be located near to an airport? Give reasons for your opinion. [4]

(c) One of T Traders' main customers is D Department Store.

(i) Explain **two** features of a department store. [4]

(ii) Name **one** document used by D Department Store when buying jewellery from T Traders. [1]

(iii) T Traders allows its customers 30% trade discount. Calculate how much D Department Store will pay for a ring with a list price of $500. Show your working. [3]

(d) D Department Store is considering buying directly from overseas manufacturers instead of through T Traders. Discuss whether or not D Department Store should make this change. Give reasons for your opinion. [6]

© UCLES 2017

BLANK PAGE

© UCLES 2017

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2017