Cambridge
O Level

**Cambridge International Examinations**
Cambridge Ordinary Level

| | |
|---|---|
| CANDIDATE NAME | |
| CENTRE NUMBER | |
| CANDIDATE NUMBER | |

*7977955918815*

**COMMERCE** **7100/22**

Paper 2 Written **May/June 2018**

**2 hours**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The businesses described in this Question Paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

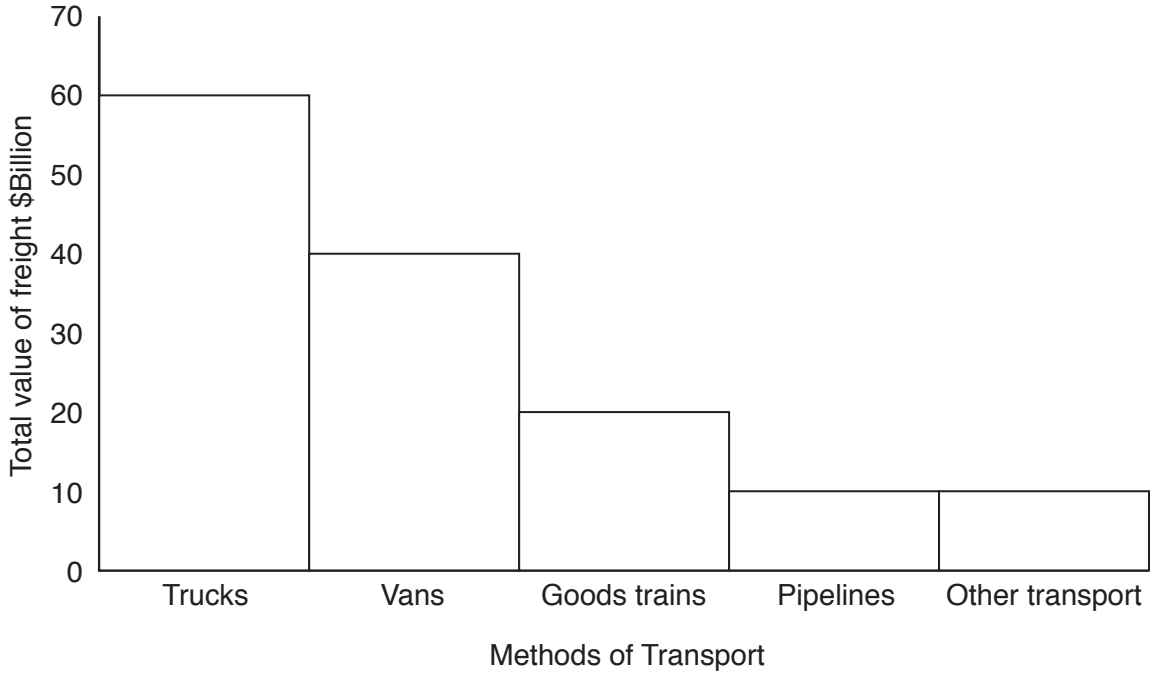
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CAMBRIDGE
International Examinations

**1** Fig. 1 shows the total value of freight moved by different methods of transport in home trade.

**Fig. 1 Home trade freight**




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

**(a)** Which method of transport would a business use to move each of the following?

**(i)** flowers to a customer in the same town

.....[1]

**(ii)** offshore oil to the mainland

.....[1]

**(b) (i)** Calculate the total value of freight carried by trucks and vans. Show your working.

.....

.....

.....[2]

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**(ii)** Explain **one** environmental effect of the increased use of road transport for deliveries of goods ordered online.

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.....

.....[3]

**(c) (i)** Suggest **one** method of transport used to carry freight that is **not** named in Fig. 1.

.....[1]

**(ii)** Circle the correct answer to complete each of the following sentences.

Transport is

a direct service **OR** a commercial service.

A commercial document used in the home trade is

a bill of lading **OR** a consignment note. [2]

**(d)** Evaluate whether or not a business should have its own fleet of vans to make deliveries.

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.....[6]

**[Total: 16]**

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**[Turn over**

**2** The advertisement in Fig. 2 has been placed in a local newspaper.

**Fig. 2 Local newspaper advertisement**

**ABC SHOPPING CENTRE**

1 July 2018

**GRAND OPENING**

at 9.00 am

***Many opening day sales promotions***

DO NOT MISS OUT!

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

**(a)** State **two** features of a shopping centre.

**1** .....

.....

**2** .....

.....[2]

**(b)** Should the owner of ABC Shopping Centre have advertised its opening in a local newspaper?

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.....[4]

**(c)** Describe, using an example, **one** type of sales promotion that would be suitable to use at the grand opening.

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.....[2]

**(d)** Many of the shopping centre's customers use both debit and credit cards to pay for goods and services. Evaluate which method of payment would be better to purchase a fridge freezer.

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.....[6]

**[Total: 14]**

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**[Turn over**

**3** Fig. 3 shows part of the balance sheet for AAA Ltd, a toy manufacturer. AAA Ltd is a private limited company.

**Fig. 3 Balance Sheet**

BALANCE SHEET FOR AAA LTD AS AT 31 DECEMBER 2017

| | **$000s** |
|---|---|
| Fixed (non-current) assets | 350 |
| Current assets | 150 |
| Current liabilities | 90 |
| Working capital | **?** |
| | 410 |
| Financed by: | |
| Bank loan | 120 |
| Share capital | **?** |

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

**(a) (i)** Define *liabilities*.

.....

.....[1]

**(ii)** Calculate the value of the following as at 31 December 2017. Show your working.

working capital

.....

.....

.....

.....

share capital

.....

.....

.....

.....

[4]

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**(b)** Do you think current assets are more important than fixed (non-current) assets to a business? Justify your answer.

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.....[4]

**(c)** AAA Ltd wants to promote one of its toys using competitive advertising. Explain why competitive advertising might be used.

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.....[3]

**(d)** Some of the directors of AAA Ltd want to convert to a public limited company.
Discuss whether or not AAA Ltd should remain as a private limited company or convert to a public limited company. What course of action would you recommend? Give reasons for your answer.

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**[Total: 20]**

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**4** There are many types of warehouses used in home and international trade.

**(a)** Which of these statements about warehouses are TRUE and which are FALSE

Tick (✓) TRUE or FALSE in the correct column.

| | TRUE | FALSE |
|---|---|---|
| Cash and carry warehouses offer self-service wholesaling. | | |
| Manufacturers' warehouses would be used to store raw materials and finished goods awaiting sale. | | |
| Regional distribution centres are located at seaports for efficient distribution of goods. | | |

[3]

**(b)** Explain how warehousing is used for

**(i)** seasonal production

.....

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.....[2]

**(ii)** price stability

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.....[2]

**(c) (i)** Many businesses use overseas agents to sell goods on their behalf. Discuss whether or not a business should use agents when selling overseas. Give reasons for your answer.

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.....[6]

**(ii)** Describe **one** trade restriction that might affect the work of an agent in international trade.

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.....[2]

**[Total: 15]**

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**5** Mena has bought a new car and needs motor vehicle insurance. She knows that she has to contact an insurance broker or an insurance company to arrange insurance.

**(a)** Describe **two** suitable methods of communication Mena could use to find out more about insurance.

1 .....

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2 .....

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.....[4]

**(b)** Identify **and** explain **one** insurance document needed for motor vehicle insurance.

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.....[3]

**(c)** Discuss whether Mena should use an insurance broker or contact an insurance company to obtain motor vehicle insurance. Which one should she use? Give reasons for your answer.

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.....[8]

**[Total: 15]**

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