Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

8526555667 5

COMMERCE **7100/23**

Paper 2 Written **May/June 2020**

2 hours

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **12** pages. Blank pages are indicated.

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1 Fig. 1.1 shows some Balance of Payments data for country A in 2018 and 2019. Country A specialises in electronics and tourism.

Year	Visible balance ($m)	Invisible balance ($m)	Current account balance ($m)
2018	–2500	–1450	**?**
2019	+1000	**?**	+1500

Fig. 1.1 Balance of Payments 2018 and 2019

Use Fig. 1.1 to help you answer the following questions.

(a) (i) Calculate the current account balance in 2018. Show your working.

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..... [2]

(ii) Calculate the invisible balance in 2019. Show your working.

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..... [2]

(b) Fig. 1.1 has headings for visible balance and invisible balance.

State whether these transactions should be recorded in the visible balance or the invisible balance.

(i) A company in country A buys computer tables from another country.

..... [1]

(ii) Tourists from another country pay their hotel bills in country A.

..... [1]

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(c) Explain **two** measures the government of country A can take to reduce its Balance of Payments deficit.

1 .....

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2 .....

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..... [4]

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

Tourism is an example of

secondary production **OR** tertiary production.

Tourists can collect their mail from any post office in a country by using

airmail **OR** poste restante. [2]

(e) Country A is involved in home trade as well as importing and exporting. Discuss how important transport is in the chain of distribution.

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..... [6]

[Total: 18]

2 Esah is going to start a business, as a sole trader, selling packets of sweets from a kiosk in a shopping centre. She is going to obtain her supplies from a cash and carry warehouse.

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

1 .....

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2 .....

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3 .....

..... [3]

(b) Explain **two** advantages of being a sole trader.

1 .....

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2 .....

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..... [4]

(c) Should Esah have used a wholesaler instead of a cash and carry warehouse to obtain her supplies of sweets? Give reasons for your answer.

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..... [3]

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(d) Esah is going to use a mark-up of 20% on each packet of sweets. A packet of sweets costs her $1. Calculate the selling price for a packet of sweets. Show your working.

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..... [2]

(e) Esah's new kiosk opened today. She has decided to do some promotion on customers' first purchases. Discuss whether she should use a prize draw competition, or coupons offering 10% discount. Which would you recommend? Give reasons for your answer.

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..... [8]

[Total: 20]

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[Turn over

3 Fig. 3.1 shows Zaka making an electronic transfer of money.



Fig. 3.1 Electronic transfer of money

Use Fig. 3.1 to help you answer the following questions.

(a) Identify the type of wallet shown in Fig. 3.1.

..... [1]

(b) Explain what is meant by *electronic transfer*.

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..... [2]

(c) Would Zaka's friend prefer to receive money by electronic transfer rather than a cheque? Give reasons for your answer.

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(d) Discuss the importance of the mobile/smartphone as a multi-functional tool. Give reasons for your answer.

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..... [6]

[Total: 12]

4 AA plc is an airline company that flies planes between five cities in Asia. It has announced plans to buy three new planes, using long-term finance, to operate new routes to other cities. The company is concerned that this will affect its profits.

(a) What is the difference between long-term and short-term finance?

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..... [2]

(b) Do you think a loan is the best way to buy the new planes? Give reasons for your answer.

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(c) Explain **one** impact that more flights will have on the environment.

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(d) Discuss the importance to a company of making profits. Give reasons for your answer.

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[Total: 14]

5 Fig. 5.1 shows an example of the pooling of risk used to calculate insurance premiums.

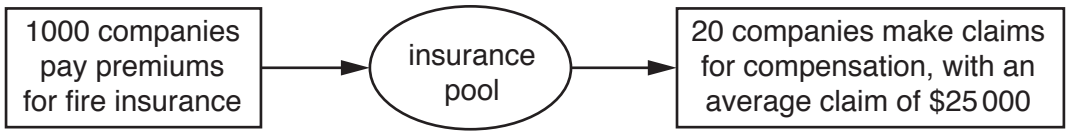


Fig. 5.1 Pooling of risk

Use Fig. 5.1 to help you answer the following questions.

(a) Calculate the insurance premium the insurance company would charge each company for fire insurance. Show your working.

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..... [3]

(b) Explain **one** purpose of insurance, apart from providing compensation.

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..... [2]

(c) Which of these statements about insurance are true and which are false?

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

	TRUE	FALSE
Customers can make payment for insurance premiums by hire purchase.		
Fidelity guarantee insurance covers losses by fire.		
Insurance claims are calculated by an insurance assessor.		

[3]

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(d) Evaluate the insurance principles of utmost good faith and indemnity when making an insurance claim. Which do you think is the more important insurance principle? Give reasons for your answer.

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[Total: 16]

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