UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/02**

Paper 2 **October/November 2010**

2 hours

Additional Materials: Answer Booklet/Paper

8367250174

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **four** questions.

The businesses described in the 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.

DC (SJF5556/KN) 13373/6
© UCLES 2010

UNIVERSITY of CAMBRIDGE
International Examinations

1 The diagram below shows how human needs and wants are satisfied.

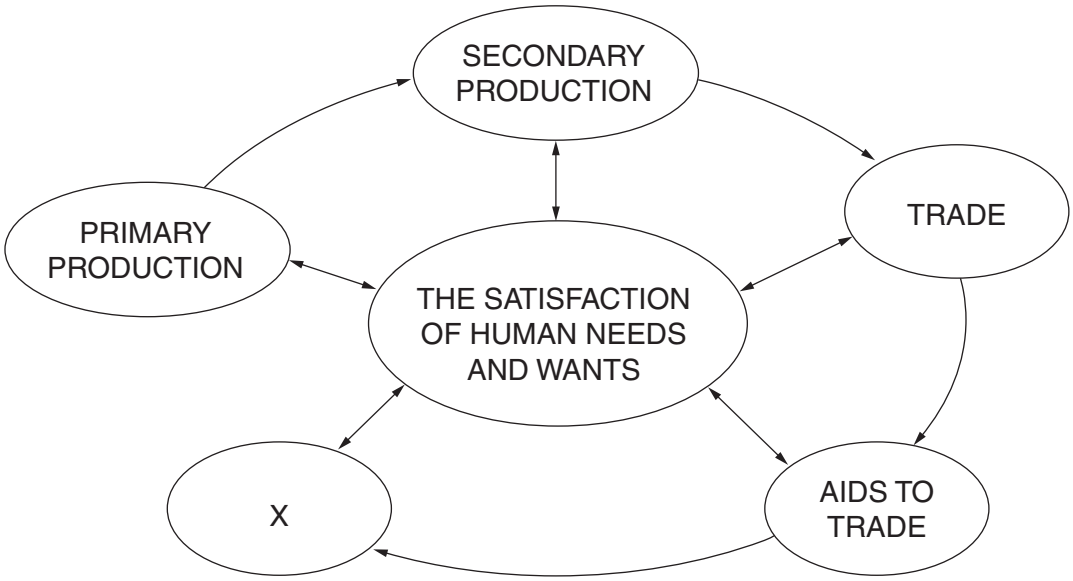


Fig. 1

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

(a) (i) Identify X in the diagram. [1]

(ii) Using examples of each, distinguish between a human need and a human want. [4]

(b) Explain why primary production and secondary production are interdependent. [4]

(c) (i) What is meant by the term *trade*? [2]

(ii) What are the **purposes** of the aids to trade? [3]

(iii) "Trade, both home and international, helps to satisfy human needs and wants".

To what extent do you agree with this statement? Give reasons for your answer. [6]

© UCLES 2010

2 **(a)** What are the differences between small-scale retailers and large-scale retailers in terms of:

(i) their location [3]

(ii) the goods they offer to consumers? [3]

(b) Mrs Habib, a small-scale retailer, is faced with competition from a large-scale retailer.

(i) Suggest **two** actions she might take. [2]

(ii) Mrs Habib has decided not to open another shop. Explain a possible reason for this decision. [2]

(c) **(i)** Large-scale retailers computerise many of their operations. Describe **two** ways in which these retailers make use of computers. [4]

(ii) Is computerisation by large-scale retailers likely to benefit their customers?

Give reasons for your answer. [6]

© UCLES 2010

[Turn over

3 Mr Brahmin has received a credit card statement. An extract of this is shown below.

ORION BANK	**YOUR CREDIT CARD STATEMENT**	
Mr J Brahmin	**Account Summary**	
	Credit Limit	$10 000
	Interest rate per month	20%
Statement date 1 October 2010	Previous Balance	$500
	Debits	$250
Card Number 1234 5678 9012 3456	Credits	$500
	New Balance	**$250**
Payment to be credited by 17 October 2010	**Minimum Payment**	**$10**

Your Transaction Details

Transaction Date	**Details**	**Amount**
08 September 2010	Millers Stores	$20
10 September 2010	Bestever Superstores, Billchester	$100
12 September 2010	Payment – thank you	$500CR
16 September 2010	Port Campbell Motor Inn, Campbell Town	$90
18 September 2010	BP Service Station, Mansfield	$40

Fig. 2

Use the credit card statement shown in Fig. 2 to help you to answer the following questions.

(a) (i) What is Mr Brahmin's credit limit? [1]

(ii) What rate of interest is charged? [1]

(iii) What is the minimum amount Mr Brahmin must pay on 17 October? [1]

(iv) Explain the entry made on 12 September 2010. [2]

(v) Mr Brahmin pays $250 to the credit card company on 15 October. How much interest will he pay? Give a reason for your answer. [2]

(b) (i) State **two** advantages to Mr Brahmin of using a credit card to make purchases. [2]

(ii) State **two** reasons why using a credit card to make purchases may be risky. [2]

(c) Many customers use debit cards to pay for goods and services. Is this method of payment beneficial for traders? Give reasons for your answer. [3]

(d) Mr Brahmin also uses Internet banking. Explain the advantages of Internet banking to:

(i) the customer, Mr Brahmin [3]

(ii) the bank. [3]

© UCLES 2010

4 Vinjay Singh owns a small business selling bicycles.

(a) Explain **one** advantage and **one** disadvantage of owning your own business. [4]

(b) Would the following help Vinjay Singh to sell his bicycles? Give reasons for your opinion.

- **After sales service**
- **Brand names**
- **Buying bicycles in bulk** [6]

(c) In many countries traders are required to take account of the need for consumer protection. How might Vinjay Singh's business be affected by this requirement? [4]

(d) Many of the bicycles that Vinjay Singh sells are manufactured in other countries. Explain why it is difficult to import bicycles from other countries. [6]

© UCLES 2010

[Turn over

5 The advertisement below is for a franchise.

CHEEKY CHOOKS SNACK BARS

The way to a successful small business.

If you have determination, business ability and $30 000 to invest, we will provide you with a franchise that works. We will provide regular supplies of quality products and a fully-equipped retail unit. We will give help and advice to start.

For more information:

telephone the Franchise Manager on 01234 567899

or visit our website: www.cheekychooks.com

Fig. 3

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

(a) What is meant by a *franchise*? [3]

(b) (i) Who is the franchisor in the advertisement shown in Fig. 3? [1]

(ii) Identify **two** services offered by the franchisor in the advertisement shown in Fig. 3. [2]

(c) Explain how offering franchises helps to reduce the costs to Cheeky Chooks Snack Bars of expanding its business. [4]

(d) Anna is thinking of starting a small business selling food. She has savings of $20 000 and is able to obtain a bank loan of up to another $20 000. She is considering the following two options:

Option 1 setting up her own business in some empty premises with an annual rent of $5000

Option 2 applying for a Cheeky Chooks Snack Bars franchise.

Which would you advise? Give reasons for your choice. [6]

(e) If Anna wanted more information about the advertisement, which would be the better means of communication to use?

- **Telephone the Franchise Manager**
- **Visit the Cheeky Chooks website**

Give reasons for your opinion. [4]

© UCLES 2010

6 Fig. 4 shows the pooling of risk in insurance.

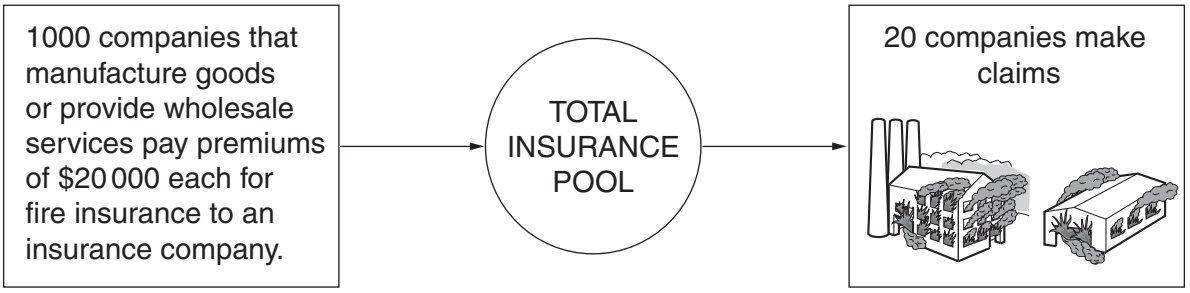


Fig. 4

Use the diagram in Fig. 4 to help you to answer the following questions.

(a) What is meant by the term *pooling of risk*? [3]

(b) Calculate the total premiums paid by the 1000 companies for fire insurance. Show your working. [2]

(c) **(i)** Is it important for these 1000 companies to have fire insurance? Give reasons for your answer. [6]

(ii) Twenty companies make claims. Explain **one** insurance principle that applies when making a claim. [3]

(d) Some of the 1000 companies are manufacturers and some are wholesalers.

(i) State **two** services provided by wholesalers to manufacturers. [2]

(ii) Explain **two** functions of a warehouse that is owned by a wholesaler. [4]

© UCLES 2010

7 Wahab Enterprises is a large export business dealing in a wide range of goods. It hires trucks to move goods within the country and uses air transport to send goods to customers in other countries.

(a) How does Wahab Enterprises contribute to its country's Balance of Trade? [2]

(b) State **two** reasons why Customs officials may inspect the goods that Wahab Enterprises exports. [2]

(c) Is it better for Wahab Enterprises to hire trucks rather than own trucks? Give reasons for your answer. [6]

(d) Why does Wahab Enterprises use air transport to send goods to customers in other countries? [3]

(e) Wahab Enterprises is concerned about its annual rate of turnover.

(i) What is meant by *the rate of turnover*? [2]

(ii) Using the following figures, calculate Wahab Enterprises' annual rate of turnover.

Show your working.

Turnover	$40m
Gross Profit	25% of turnover
Cost of Average Stock held sold at Cost Price	$6m

[5]

8 A multinational motor manufacturer based in USA has decided to build a factory in a developing country. The company plans to manufacture a new model of motor car in this country.

(a) Explain what is meant by a multinational manufacturer. Give an example. [4]

(b) Will the developing country benefit from the multinational manufacturer building its factory there? Give reasons for your answer. [6]

(c) Recommend **two** advertising media that might be used by the company to launch their new model of motor car. Give reasons for **each** of your choices. [6]

(d) Apart from advertising, explain **two** other ways in which the company might attempt to increase sales of the new car. [4]

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.

University of 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.