UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/21**

Paper 2 **October/November 2011**

2 hours

Additional Materials: Answer Booklet/Paper

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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.

This document consists of **8** printed pages.

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1 Fig. 1 shows three extracts from newspapers relating to the supply of liquid natural gas (LNG).

Australia to be Asia's main liquid natural gas supplier. New LNG project to create nearly 15 000 jobs in Australia's primary industries.

COUNTRY	OUTPUT OF LNG Million tonnes per year
Australia	60
Qatar	48
Indonesia	21
Nigeria	11
Russia	10
Total output	150

Multinational companies are very involved in developing the liquid natural gas industry in many countries.

Fig. 1

Use the newspaper extracts shown in Fig. 1 to help you to answer the following questions.

(a) (i) Calculate Australia's total percentage share of the output of liquid natural gas per year. Show your working. [2]

(ii) Explain what is meant by a *primary industry*. [2]

(iii) Developments such as this liquid natural gas project will make Australia and some Asian countries **interdependent**. What does this mean? [2]

(b) Explain the reasons why some countries have many primary industries whereas other countries have large-scale manufacturing industries. [6]

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

(ii) Discuss whether or not the involvement of multinational companies would be beneficial or a threat to a country's economy. Give reasons for your opinion. [6]

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2 Shopping centres may be located either in the centres of large cities or on land between areas of large-scale population.

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

(ii) State **two** reasons why many consumers like to use shopping centres. [2]

(iii) Explain **two** reasons why shopping centres have both small-scale retailers and large-scale retailers. [4]

(b) "Shopping centres and large-scale retailers have reduced the trade of small-scale retailers. Despite this, small-scale retailers still survive."

Discuss this statement, showing why the small-scale retailer is still important in the retail trade of many countries. [6]

(c) Shops are located in many areas:

- along busy streets in the Central Business District
- in the centres of towns and cities
- in the middle of residential areas
- in small villages.

In which shopping area listed above would you be **most** likely to find each of the following? Give a reason for each of your answers.

(i) A speciality shop selling expensive clothing for men. [2]

(ii) A self-service store selling food and other essential goods. [2]

(iii) A branch of a multiple chain store selling shoes. [2]

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3 Betty and Bobby own a factory making kitchenware for export to shops in European countries.

(a) State and explain **two** difficulties Betty and Bobby may have when exporting to European countries. [4]

(b) To what extent is it important that Betty and Bobby have a warehouse as part of their business? Give reasons for your opinion. [6]

(c) Betty and Bobby make payments and receive payments in a number of ways.

direct debit **electronic transfer** **credit transfer** **cheque**

Which of the methods of payment listed above would be the **most** suitable for each of the following transactions? Give a reason for each of your answers.

(Do not use the same method of payment more than once.)

(i) Payment for a large consignment of kitchenware supplied to one of the European shops. [2]

(ii) Wages to their workers. [2]

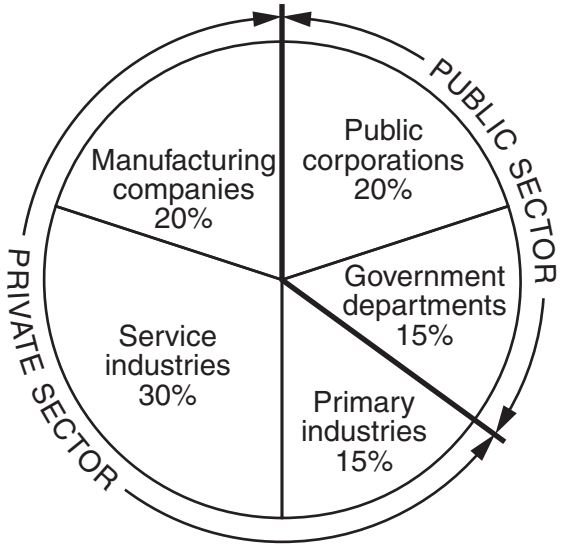
(iii) Payment for components supplied to their factory by a local supplier. [2]

(d) Betty and Bobby received a supply of components from a local supplier. Part of the consignment was faulty. Mentioning any documents involved, explain how Betty and Bobby would deal with this problem. [4]

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4 Jacqueline Chang produces and sells a range of office furniture and equipment.
She wishes to increase her sales and also her profit.

The pie chart in Fig. 2 shows how her sales for 2010 are divided between different sectors of the economy.



Sales Pattern for 2010

Fig. 2

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

(a) **(i)** Distinguish between the public sector and the private sector of an economy. [4]

(ii) Giving an example, explain what is meant by a *service industry*. [2]

(b) Jacqueline Chang's total sales for 2010 were $5m.

(i) Calculate the percentage of total sales to the public sector. Show your working. [2]

(ii) Calculate the value of sales made to primary industries. Show your working. [2]

(c) Jacqueline Chang wishes to increase her sales. Explain **three** ways in which she might achieve this. [6]

(d) If Jacqueline Chang increases her sales, will her net profit also increase? Give reasons for your answer. [4]

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5 A clothing manufacturer in Hong Kong is going to send a consignment of his products to an overseas buyer, using a container. He has not yet decided whether to use air or sea transport for this consignment.

(a) Explain **two** reasons for using containers to send the clothing abroad. [4]

(b) Name a trade document issued by the carrier to the exporter when goods are sent by **air** transport. [1]

(c) **(i)** Name a trade document issued by the carrier to the exporter when goods are sent by **sea** transport. [1]

(ii) State **two** purposes of this trade document. [2]

(d) Explain **three** factors that the manufacturer should consider when deciding whether to use air transport or sea transport for this consignment. [6]

(e) The clothing manufacturer has always found overseas buyers himself.

Should he now consider using an intermediary such as an export merchant?
Give reasons for your answer, mentioning any additional information you might need to help you decide. [6]

6 Mrs Sabah has a small shop selling glassware and china. She wishes to buy new stock.

(a) **(i)** Name **one** commercial document she will complete when buying new stock and say why she would use it. [2]

(ii) Why will Mrs Sabah be given trade discount by suppliers? [2]

(iii) Explain why it is important for Mrs Sabah to buy on credit when purchasing her stock from suppliers. [4]

(b) Mrs Sabah could purchase from wholesalers and directly from manufacturers. Should she do both? Give reasons for your answer. [6]

(c) Mrs Sabah is a sole trader. Explain why being a sole trader is a riskier form of business organisation than setting up a private limited company with her husband. [6]

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7 Fig. 3 shows an advertisement that has been placed in a newspaper by a small company called TVS. It offers aerial and digital television services.



Fig. 3

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

(a) State **three** reasons why TVS needs to advertise. [3]

(b) **(i)** Identify **one** example of informative advertising given in Fig. 3. [1]

(ii) Identify **one** example of a sales promotion method given in Fig. 3. [1]

(c) Explain what is meant by a *quotation.* [2]

(d) The advertisement states "credit available". State and explain **one** example of credit likely to be available to customers. [3]

(e) The advertisement shows **three** ways of contacting TVS.

Which method of communication would be the **most** effective to find out further details about the services offered by this company? Give reasons for your answer. Explain why you would not use the other two methods of communication. [6]

(f) TVS uses newspaper advertising and has a website.

(i) Why should TVS **not** use television advertising? [2]

(ii) Name **one** other advertising medium it might use to give information about its services. Give a reason for your choice. [2]

8 Hunter Airservices Ltd operates a fleet of small aircraft. It flies tourists and business people from the country in which it is based to neighbouring countries.

The company wishes to expand its business.

(a) **(i)** Why should Hunter Airservices Ltd issue ordinary shares rather than obtain a bank loan to finance the building of a new aircraft hangar? [4]

(ii) Why might Hunter Airservices Ltd make use of an overdraft to buy fuel for its aircraft? [4]

(b) Hunter Airservices Ltd's business affects the Balance of Payments of the country in which it is based.

(i) Explain the term *Balance of Payments.* [3]

(ii) Explain how Hunter Airservices Ltd's business affects the Balance of Payments of the country in which it is based. [3]

(c) To what extent is it important that Hunter Airservices Ltd has insurance cover? Give reasons for your answer. You should mention in your answer examples of business risks that apply. [6]

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