UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/21**

Paper 2 **October/November 2012**

2 hours

Additional Materials: Answer Booklet/Paper

3942421173

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 **6** printed pages and **2** blank pages.

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1 Windworth Ltd is a small company making and selling wooden windows. It uses division of labour in its production process as shown in Fig. 1.

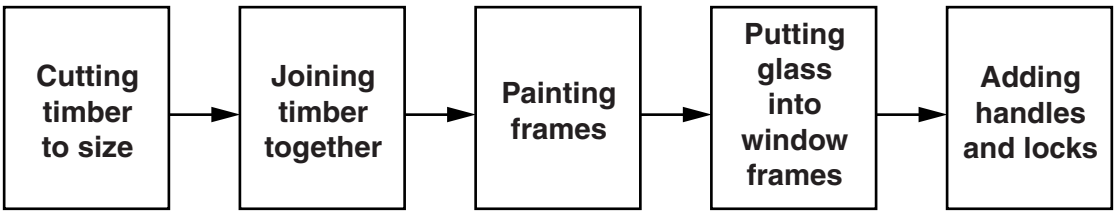


Fig. 1

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

(a) **(i)** In what stage of production is Windworth Ltd's business? [1]

(ii) Identify **two** ways from Fig. 1 in which Windworth Ltd adds value to the timber. [2]

(b) State **two** advantages of division of labour to Windworth Ltd. [2]

(c) Explain how Windworth Ltd would make use of banking to assist its business. [6]

(d) Windworth Ltd needs to sell its windows. Discuss some selling techniques it might use. Which would you recommend? Give reasons for your answer. [6]

(e) Explain how Windworth Ltd might distribute its windows to local customers. [3]

2 Bonusprice is a multiple chain store selling men's and women's clothing nationwide. Bodelight is a unit retailer in a small town, also selling men's and women's clothing.

(a) Explain what is meant by:

(i) a *multiple chain store* [4]

(ii) a *unit retailer*. [4]

(b) State **two** reasons why there are many unit retailers. [2]

(c) 'Multiple chain stores are likely to be more successful than unit retailers'. Discuss this statement. Do you agree? Give reasons for your opinion. [6]

(d) Bonusprice is facing competition from Superfashion, another nationwide multiple chain. Explain what actions Bonusprice might take. [4]

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3 The car industry is dominated by multinational companies.

(a) **(i)** Explain the term *multinational company*. [2]

(ii) Give **one** example of a multinational car company. [1]

(b) Why are multinational companies so important in the car industry? [4]

(c) 'Commerce links the car industry with the consumer'. Is this statement true? Give reasons for your answer. [6]

(d) Cars are advertised for sale.

(i) Explain why cars are often advertised on television. [3]

(ii) Many devices are used within advertisements. Describe **two** examples of advertising devices used when advertising cars. [4]

4 Aziz's first job is working for a company that sells computer software by mail order.

(a) **(i)** Explain the term *mail order*. [2]

(ii) Explain why the location of this business is not as important as the location of a shop. [3]

(iii) State **three** reasons why a warehouse is necessary for this mail order business. [3]

(b) 'Good communication is important if sales are to increase'. Explain this statement. Do you agree? Give reasons for your answer. [6]

(c) Aziz has no money. The following methods of credit are available to him:

hire purchase **credit card** **informal credit** **extended credit**

Which method of credit listed above would be most suitable for him to purchase each of the following items? Give a reason for each of your choices.

(i) Clothing from a department store. [2]

(ii) Food from the shop at the end of the street. [2]

(iii) A five year-old car. [2]

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5 The graph in Fig. 2 shows the values of visible imports and visible exports for Country X during the period 2006 to 2011.

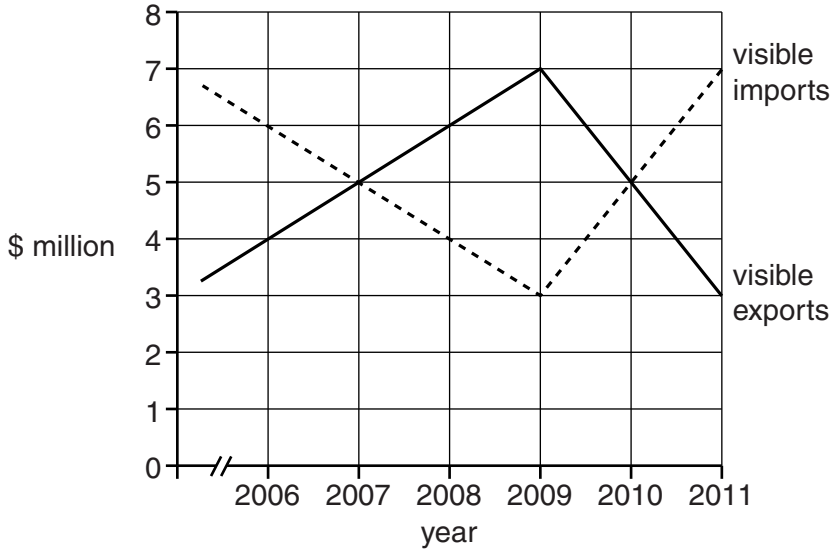


Fig. 2

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

(a) **(i)** Identify **one** year when visible imports and visible exports were of equal value. [1]

(ii) Calculate the Balance of Trade in 2009. Show your working. [2]

(b) Explain the term *visible exports*. [2]

(c) Comment on the changes in the Balance of Trade between 2009 and 2011. Should the government of Country X be concerned about these figures? Using evidence from Fig. 2, give reasons for your answer. [6]

(d) Explain **two** ways in which a country might increase its exports. [4]

(e) **(i)** The country also publishes Balance of Payments figures. How do these figures differ from Balance of Trade figures? [2]

(ii) Explain how customs authorities are involved with the Balance of Payments of Country X. [3]

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6 Susan has recently left college. She plans to start up a business as a sole trader making and selling cushions and curtains. She will be using a rented shop near her home.

(a) Explain **one** advantage and **one** disadvantage to Susan of running her new business as a sole trader. [4]

(b) State **two** promotional methods Susan could use to help her to sell her cushions and curtains. [2]

(c) Would selling online assist Susan's business? Explain **two** reasons for your answer. [4]

(d) Susan visited her local bank.

(i) Explain how Susan's bank might help to **finance** her business. [4]

(ii) The bank has suggested to Susan that she should consider setting up her business as a private limited company. Will this benefit Susan's business? Give reasons for your answer. [6]

7 Many people, businesses and international traders insure against risk.

(a) (i) Name **two** risks against which international traders should insure. [2]

(ii) To what extent do businesses need to be insured against risk? Give reasons for your answer. [6]

(b) What advice would you give to people who made the following statements? In each case, give any general insurance rules or principles that apply.

(i) My factory is worth $1.5m. If it were destroyed by fire, I would like to build a larger one, so I have insured it for $2m. [3]

(ii) I have just taken out an insurance policy on my house. It was cheaper than I expected but I forgot to tell the insurance company about the additional rooms I added last year. [3]

(iii) Trade is not very good. I think I need to insure against business failure. [3]

(iv) I sold my business last month but I have not cancelled the insurance policy on it. [3]

8 A wholesaler sells to many retailers. These retail customers are offered trade credit and trade discount by the wholesaler.

(a) State **two** other services offered by the wholesaler to the retail customers. [2]

(b) Distinguish between trade credit and trade discount. [3]

(c) The following documents are used between the wholesaler and his retail customers.

order form **delivery note** **invoice** **statement of account** **credit note**

(i) Which document is completed by the retail customer? [1]

(ii) Which document is used when an overcharge is made? [1]

(iii) Which document shows transactions for a trading period? [1]

(d) The wholesaler has supplied goods to a retail customer together with the invoice shown in Fig. 3.

INVOICE

To: J Biggs … **Terms: 5% 30 days**

Quantity	Catalogue Number	Description	Unit Price $	Cost $
1000 boxes	BV19	Chocolate biscuits	4	4000
				Trade discount 20%

Fig. 3

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

(i) The retail customer paid $3200 on the invoice six weeks after she received it. Explain why she paid $3200 rather than $3040. [3]

(ii) When the retail customer unpacked the biscuits, many of the biscuits were broken.

State **three** actions she should take. [3]

(e) The wholesaler is considering selling directly to consumers who would have membership cards for his warehouse.

Should the wholesaler sell to both retail customers and directly to consumers? Give reasons for your answer. [6]

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