UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/22**

Paper 2 **October/November 2013**

2 hours

Additional Materials: Answer Booklet/Paper

1400403807

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 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.

This document consists of **7** printed pages and **1** blank page.

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1 Sari and Ismail have opened a shop selling computers. They also repair customers' computers. They work in the tertiary sector of production.

(a) (i) What is meant by *the tertiary sector*? [2]

(ii) Name **one** other sector of production. [1]

(b) Sari is responsible for sales. Ismail does the accounts and specialises in repairing customers' computers.

(i) Explain **one** advantage to the **customers** of Ismail specialising in repairing their computers. [2]

(ii) Explain **one** advantage to the **business** of Sari specialising in sales. [2]

(c) At the end of the first year of trading, Sari and Ismail's business showed the following trading figures:

cost of sales	**$25 000**
income from computer repairs	**$12 000**
income from computer sales	**$44 000**

Fig. 1

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

(i) Calculate the total sales revenue. Show your working. [2]

(ii) Calculate the gross profit. Show your working. [2]

(iii) State what additional information Sari and Ismail would need to calculate their net profit. [1]

(iv) Explain **one** reason why it is important that Sari and Ismail make a profit from their business. [2]

(d) The income from computer repairs is far less than the income from sales. Do you think that Ismail should stop specialising in repairs and help Sari with sales? Give reasons for your answer. Mention any additional information you might need to give a more informed opinion. [6]

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2 Busybuy Stores is a large retailing business with supermarkets in many parts of a country. It has regional distribution warehouses and its own fleet of delivery vehicles. It also offers an online shopping service to customers.

As part of its expansion plans, Busybuy Stores has decided to build a new supermarket near the town of Ishi on the site marked **Y** shown on the map in Fig. 2.

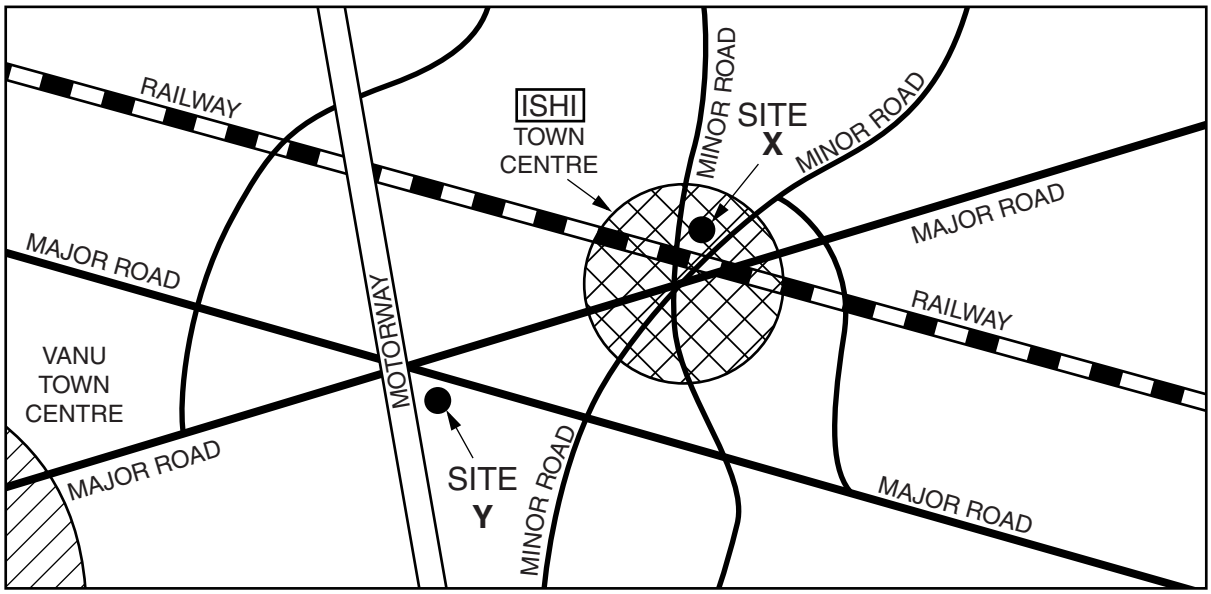


Fig. 2

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

(a) Explain what is meant by *a supermarket.* [4]

(b) Explain **two** reasons why Site **Y** is a more suitable site for the new supermarket than Site **X**. [4]

(c) Identify another type of large-scale retailing for which Site **X** might be more suitable. Give a reason for your answer. [2]

(d) Explain **two** advantages to Busybuy Stores of owning its own fleet of vehicles. [4]

(e) Should Busybuy Stores develop its online shopping service to customers rather than continuing to build new supermarkets? Give reasons for your opinion. [6]

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3 Takunda Ltd sells its fizzy drinks in bulk to wholesalers and large-scale retailers all over the country.

(a) Explain how Takunda Ltd would make use of the following to assist its business:

(i) warehousing [3]

(ii) banking [3]

(b) 'Branding and packaging are essential for the fizzy drinks that Takunda Ltd sells'. Discuss this statement. Is it true? Give reasons for your answer. [6]

(c) 'Wholesalers break bulk'

(i) State what is meant by this. [1]

(ii) Show why this service is important to many retailers. [3]

(iii) Explain **two other** services offered by wholesalers to **retailers**. [4]

4 Makore Ltd is a public limited company trading in a number of markets. It sells electronic toys. Many of its customers are private limited companies.

(a) (i) State **two** characteristics of public limited companies that do **not** apply to private limited companies. [2]

(ii) State **two** characteristics of private limited companies that do **not** apply to public limited companies. [2]

(b) The shareholders of all companies have limited liability. Why is limited liability important to shareholders? [3]

(c) Explain the benefits to Makore Ltd of trading in a number of markets. [4]

(d) Makore Ltd has seen a rise in profits over the last year.

(i) State **three** possible reasons for Makore Ltd's rise in profits over the last year. [3]

(ii) The directors of Makore Ltd wish to maintain this rise in profits. They are considering some of the following options:

- offering more products
- opening sales offices in more countries
- increasing the money spent on advertising and sales promotion.

Consider these options. Recommend a possible course of action to the directors. Give reasons for your recommendation. [6]

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5 Tresum Ltd is a manufacturer of motor vehicle parts. Most of its products are exported. Last year the value of the total sales of the company was $210m, of which export sales were $180m.

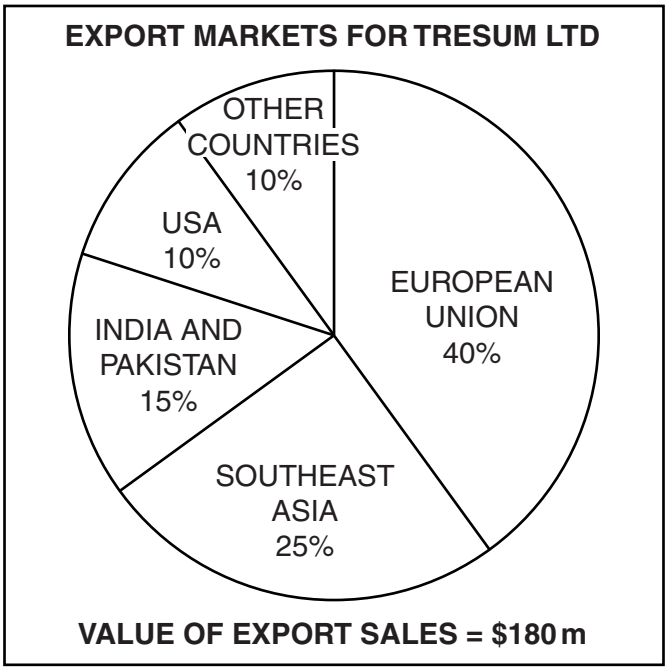


Fig. 3

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

(a) (i) Which area was the largest export market for Tresum Ltd? [1]

(ii) Calculate the total value of export sales to Southeast Asia. Show your working. [2]

(iii) Calculate the total value of sales Tresum Ltd made in its **home market**. Show your working. [2]

(b) Explain how Tresum Ltd will contribute to the Balance of Trade in the country in which it is based. [2]

(c) Some of the countries to which Tresum Ltd exports may introduce import quotas. Explain the possible effects on Tresum Ltd's business. [3]

(d) Tresum Ltd exports its motor vehicle parts in containers. Explain **two** benefits to Tresum Ltd of using containers for its exports. [4]

(e) Tresum Ltd wants to expand into other markets. It has always found overseas buyers for itself. Should the company now consider using intermediaries such as brokers and factors? Give reasons for your answer. [6]

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6 A manufacturer based in a city in the centre of a country is selling a large consignment of furniture to a retailer located in a town 450 kilometres from the manufacturer.

(a) Identify **two** commercial documents that would be used **by the manufacturer** in this transaction and explain when each would be used. [4]

(b) **(i)** Describe **two** business risks against which the manufacturer might insure. [4]

(ii) Name **two** documents that would be completed when taking out insurance cover. [2]

(c) The following methods of transport are available to the manufacturer within this country.

AIR **ROAD** **RAIL**

Discuss which method of transport would be most suitable to move this large consignment of furniture to the retailer. Give reasons for your choice. [6]

(d) The consignment has been delayed. Explain how the manufacturer would inform the retailer of this delay. Give reasons for your answer. [4]

7 **(a)** Mrs Ho wishes to buy a home cinema system costing $5000.

Explain the advantages to Mrs Ho of the following means of payment:

(i) paying cash [2]

(ii) using a credit card [2]

(iii) buying it on hire purchase. [2]

(b) What factors would you need to take into account when deciding which of these means of payment to recommend to Mrs Ho? [4]

(c) Mr Bin wishes to buy a car. He could finance the payment by using either a loan or an overdraft. Discuss both sources of finance. Which would you recommend to him? Give a reason for your choice. [6]

(d) Miss Zile has used a debit card to pay for goods in a multiple chain store.

Explain the benefits **to the multiple chain store** of accepting debit cards for purchases. [4]

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8 Fig. 4 shows a box of chocolate cakes.

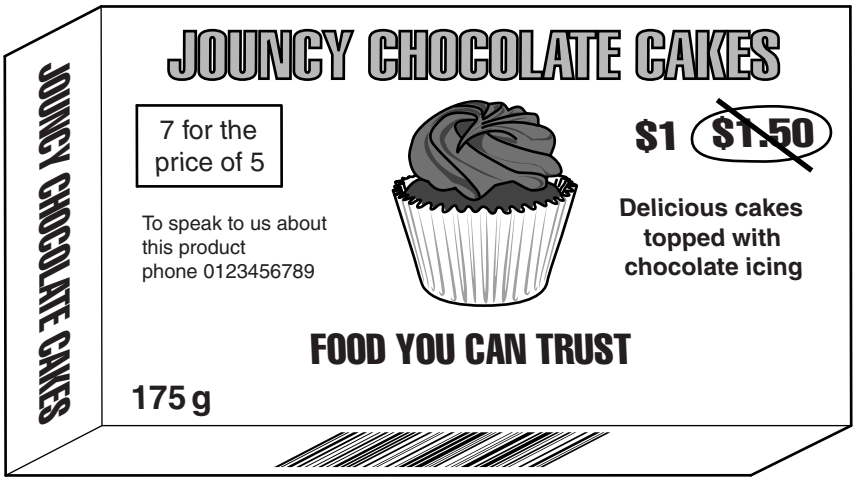


Fig. 4

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

(a) Identify, from Fig. 4, an example of:

(i) sales promotion [1]

(ii) persuasive advertising. [1]

(b) Explain why the advertising on the packet of chocolate cakes is **not** an example of collective advertising. [2]

(c) The packaging contains a bar code. State **two** functions of a bar code. [2]

(d) A customer bought a packet of the chocolate cakes. There were only six in the packet. Explain what actions he should take. [4]

(e) Advertisers make use of devices. Giving an example, explain what is meant by an advertising device. [4]

(f) How important is it to advertise and promote goods in order to sell them? Give reasons for your answer. [6]

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