Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/21**

Paper 2 **October/November 2014**

2 hours

No Additional Materials are required.

0824616963

READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer any **four** questions.

The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **6** printed pages, **2** blank pages and **1** insert.

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CAMBRIDGE
International Examinations

Answer any **four** questions.

1 Cam Tools uses division of labour in its factory to manufacture spades and other garden tools.

(a) Explain what is meant by a factory. [2]

(b) In what ways does the production of spades and other garden tools satisfy human wants and needs? [3]

(c) State **one** way in which value may be added to a spade before it is sold to a consumer. [1]

(d) **(i)** Explain a possible chain of distribution that Cam Tools might use to sell its spades. [4]

(ii) Explain why Cam Tools will need a warehouse. [4]

(e) Assess the arguments for and against the use of division of labour to manufacture spades and other garden tools. Should Cam Tools use division of labour? Give reasons for your answer. [6]

2 A construction company is planning to build a retail shopping centre on the outskirts of a large town.

(a) **(i)** State **two** features of an out-of-town retail shopping centre that would attract customers. [2]

(ii) Explain **two** reasons why most shopping centres consist of **both** large-scale and small-scale retailers. [4]

(b) Explain **two** ways of increasing sales turnover that retailers in the shopping centre might use. [4]

(c) **(i)** State **one** business risk against which the construction company might insure. [1]

(ii) Explain why the construction company would not be able to insure itself against business failure. [3]

(d) Should the retail shopping centre use informative and persuasive advertising when it opens? Give reasons for your opinion. [6]

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3 Baseway is a multinational company that operates fast-food restaurants through franchises.

The pie chart in Fig. 1 shows the ownership, in percentages, of fast-food restaurants in Country A.

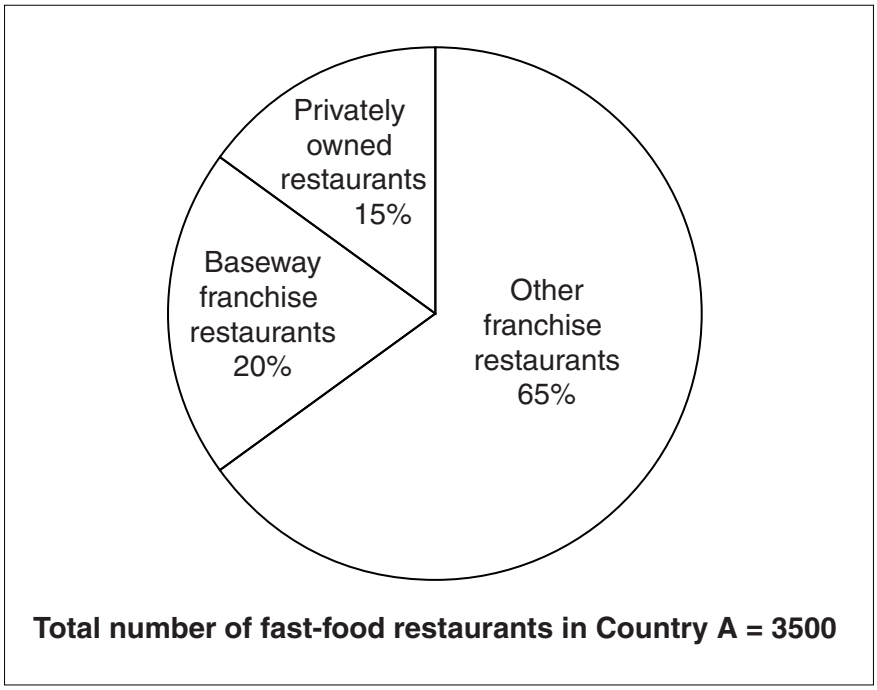


Fig. 1

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

(a) Calculate how many fast-food restaurants are operated by Baseway in Country A. Show your working. [2]

(b) **(i)** State **one** advantage of using a franchised fast-food restaurant for **customers** of Baseway. [1]

(ii) Explain how Baseway, as the franchisor, could assist its franchisees to run their fast-food restaurants. [3]

(c) Should Baseway buy directly from manufacturers rather than through wholesalers? Give reasons for your answer. [4]

(d) Explain why there are many multinational franchises in the fast-food restaurant business. [4]

(e) Baseway is a multinational company. Discuss whether or not its trading activities are likely to benefit Country A. Give reasons for your answer. [6]

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[Turn over

4 Amrit is a cattle farmer.

(a) (i) Amrit buys cattle feed. State and briefly describe **two** commercial documents that would be used after the order for cattle feed has been placed. [4]

(ii) Explain how Amrit would use communication to assist him to sell his cattle. [2]

(b) (i) Explain how communication would assist Amrit to sell his cattle. [4]

(ii) Why would Amrit use a trade journal to advertise his cattle for sale rather than a newspaper? [3]

(iii) State **one** other advertising medium Amrit might use to advertise his cattle. [1]

(c) As a cattle farmer, Amrit is a primary producer. To what extent is he also involved in commerce? Give reasons for your opinion. [6]

5 Pushalong is a successful freight forwarding agent. It is used by many traders when they import freight. Pushalong owns aircraft and a fleet of trucks.

(a) (i) Define the term *freight*. [1]

(ii) State **three** functions of a freight forwarding agent. [3]

(b) Explain how a commercial bank might assist Pushalong with giving and receiving payments. [4]

(c) State **two** reasons why the volume of goods carried by air transport continues to increase. [2]

(d) (i) Discuss whether or not Pushalong should continue to use its own transport or should hire transport when required. Mentioning any further information you might need, give reasons for your answer. [6]

(ii) Explain **two** possible reasons why Pushalong does not own ships. [4]

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6 Fig. 2 shows a country's Balance of Payments figures for three years.

	2011 $bn	2012 $bn	2013 $bn
Exports	**700**	**600**	**600**
Imports	**600**	**640**	**B**
Balance of payments	**100**	**A**	**–80**
Surplus or deficit	**X**	**deficit**	**deficit**

Fig. 2

Use Fig. 2 to help you to answer the following questions.

(a) (i) Is **X** a surplus or a deficit? [1]

(ii) Calculate the figures labelled **A** and **B**. Write the answers in your answer book. [2]

(b) The country has a deficit on its Balance of Payments figures in both 2012 and 2013. Should the government of the country introduce restrictions on foreign trade or not? Give reasons for your answer. [6]

(c) (i) State **three** services offered at seaports to exporters. [3]

(ii) Explain how the containerisation of goods assists exporters. [4]

(iii) Explain how the functions of Customs Authorities are linked to international trade. [4]

7 A speciality store has opened on a busy street.

(a) (i) State **one** characteristic of a speciality store. [1]

(ii) How does a speciality store differ from a department store? [2]

(b) Many of the functions within the speciality store are computerised. Describe **two** ways in which this business makes use of computers. [4]

(c) In what circumstances would the owner of the business use a telephone rather than email to contact a customer? Give reasons for your answer. [4]

(d) Why should the owner of the speciality store consider protection of the consumer to be important? [3]

(e) The owner of the speciality store has decided to accept credit cards as a means of payment. Will this benefit the business or not? Give reasons for your answer. [6]

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8 Penny wishes to open a sports shop. Two empty shops are available as shown in Fig. 3.

SHOP A	SHOP B
In busy town centre **Many office workers at lunchtime** **Close to health clubs and a gym** **No other sports shop nearby** **Selling price $400 000** **Equipment and stock $50 000**	**In out-of-town shopping centre** **Good car parking and road access** **Close to sports centre** **Another sports shop in shopping centre** **Three-year lease costing $100 000** **plus conversion costs of $30 000** **Equipment and stock $40 000**

Fig. 3

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

(a) Which shop, A or B, would you recommend Penny to choose? Give reasons for your answer, saying why you have rejected the other shop. [6]

(b) Penny will be the owner of the business. Describe the risks involved in setting up this business as a sole trader. [4]

(c) **(i)** Explain **two** reasons why it is important that Penny should insure her business. [4]

(ii) Name **one** document Penny should complete when applying for insurance. [1]

(iii) Why might it be better to arrange insurance directly with an insurance company rather than use an insurance broker? [2]

(d) Name **one** source of finance that could be suitable for Penny to use to set up her business. Give reasons for your choice. [3]

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