Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

Paper 2 **October/November 2014**

2 hours

No Additional Materials are required.

3596096048

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 **7** printed pages, **1** blank page and **1** insert.

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Answer any **four** questions.

1 Fig. 1 is a diagram showing how goods are made.

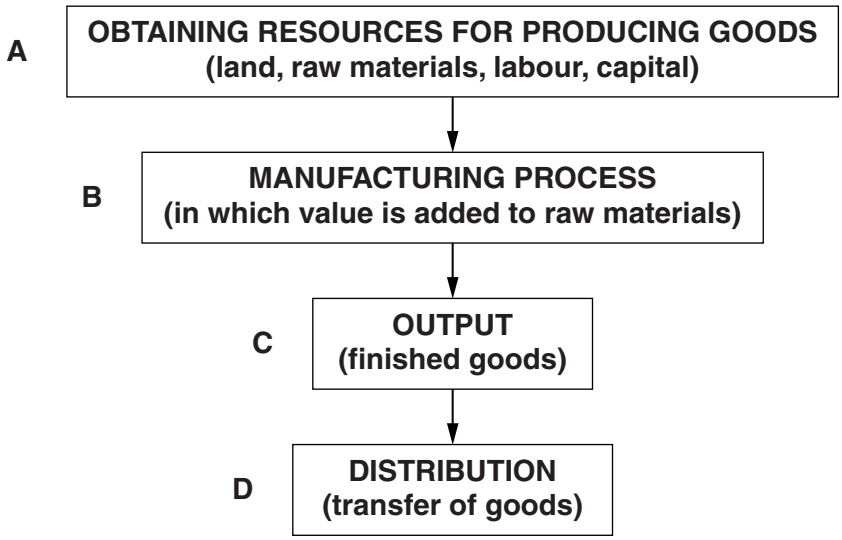


Fig. 1

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

(a) (i) What type of industry would be involved in **A**? [1]

(ii) State **two** ways in which value is added in **B**. [2]

(iii) Explain **two** ways in which aids to trade assist the distribution of goods. [4]

(b) Specialisation is likely to take place in the factory which is manufacturing goods. Explain **two** advantages of specialisation in the factory to the **manufacturer**. [4]

(c) Manufacturers could sell finished goods in the home market and in the global market. Is it more difficult to sell in the global market rather than in the home market? Give reasons for your answer. [6]

(d) A manufacturer based in London has sold a consignment of goods to a customer in Zambia. Describe a means of payment that would be used to pay for this consignment. [3]

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2 Home shopping is becoming more popular.

(a) **(i)** State **two** different types of home shopping. [2]

(ii) Discuss whether or not home shopping benefits retailers. Give reasons for your opinion. [6]

(b) State and explain **one** means of payment used by customers when shopping from home. [3]

(c) Companies offering home shopping services often use sales promotions and advertising devices.

(i) Explain what is meant by *sales promotion*, giving **two** examples. [4]

(ii) Give an example of a method of appeal that might be used by a company offering home shopping services. [1]

(d) Describe **two** ways in which companies offering home shopping services would send goods to customers. [4]

3 BB Pty Ltd is a private limited company that manufactures carpets. It wishes to expand.

(a) Recently the local council offered to locate BB Pty Ltd on a site on a large industrial estate on the edge of a town. Explain **two** factors that would encourage a manufacturing company like BB Pty Ltd to locate on the edge of a town instead of in the town centre. [4]

(b) **(i)** Explain why BB Pty Ltd has both a current account and a deposit account at its bank. [4]

(ii) In what circumstances might BB Pty Ltd require advice from its bank? [2]

(iii) Name **one** long-term source of finance BB Pty Ltd might obtain from its bank. [1]

(c) Why might it be necessary to place carpets in a warehouse after they have been manufactured? [3]

(d) Now that BB Pty Ltd wishes to expand, discuss whether or not the company should consider becoming a public limited company. Give reasons for your answer. [6]

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4 Fig. 2 shows documents used in a commercial transaction between Faria, a retailer and Kumal, a wholesaler.

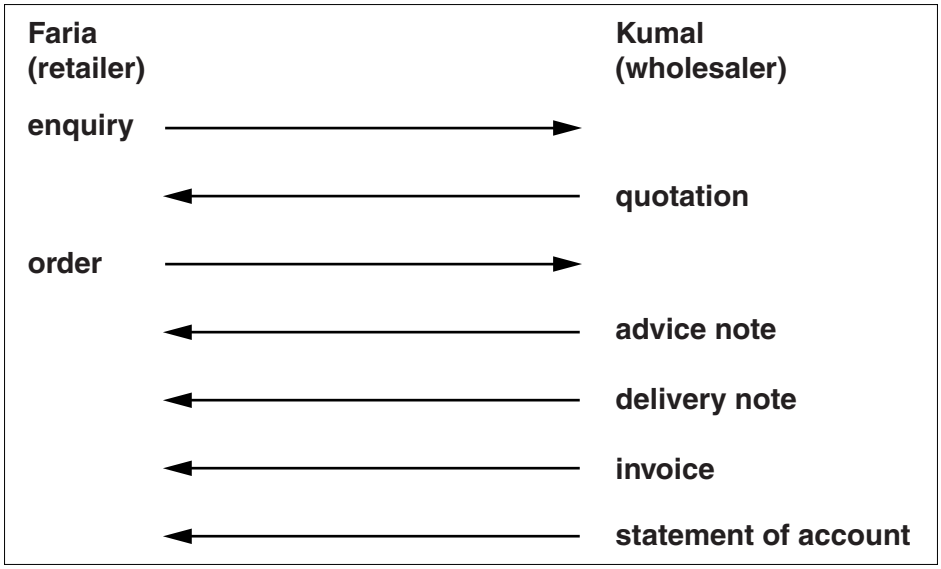


Fig. 2

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

(a) Why is Faria sent a quotation? [2]

(b) **(i)** Identify, from Fig. 2, which document informs Faria that goods have been sent. [1]

(ii) State **three** purposes of the statement of account. [3]

(c) Transactions between wholesalers and retailers are usually based *on credit terms*. Explain why placing an order *on credit terms* is important to Faria. [4]

(d) Discuss whether or not it is important to use documents in a commercial transaction. Give reasons for your answer. [6]

(e) Explain why Faria purchases goods from a wholesaler rather than from manufacturers. [4]

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5 The retail trade consists of many small-scale shopkeepers, several types of large-scale retailers and an increasing number of online retailers.

(a) (i) State **two** functions of any type of retailer. [2]

(ii) Give **one** example of a **type** of large-scale retailer. [1]

(iii) Explain **two** reasons for the success of large-scale retailers in many countries. [4]

(b) All retailers require insurance.

(i) What is the purpose of insurance? [4]

(ii) An online retailer has recently taken out fire insurance to cover a warehouse valued at $400 000. The premium is $28 a year for each $50 000 of cover. Calculate the premium. Show your working. [3]

(iii) Insurance is based on *the pooling of risk*. Does *pooling of risk* influence the level of insurance premium paid? Give reasons for your answer. [6]

6 Tippo Industries makes office furniture and supplies it directly to customers in its local area.

(a) Is it important for Tippo Industries to supply the furniture directly to customers? Give reasons for your answer. [3]

(b) State **two** methods of communication that Tippo Industries would use when handling orders and show when each would be used. [4]

(c) Explain why consumer protection might be important to the customers of Tippo Industries. [4]

(d) (i) Why would informal credit **not** be offered by Tippo Industries to its customers? [2]

(ii) State **one other** type of credit that would be offered by Tippo Industries to its customers. [1]

(e) Tippo Industries has always used local transport firms to make its deliveries. Discuss whether or not it should continue to do this or purchase its own fleet of vans to make deliveries instead. Give reasons for your recommendation. [6]

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7 Yobe Ltd makes doors and windows. The company trades in its home market and also exports to many countries.

(a) What is the purpose of trade? [2]

(b) Yobe Ltd has seen a fall in sales revenue recently in its home market.

(i) State **one** possible reason for this fall in sales revenue. [1]

(ii) Describe **two** possible ways in which Yobe Ltd might improve its sales revenue in its home market. [4]

(c) Describe a possible chain of distribution Yobe Ltd might use when selling to customers in other countries. [3]

(d) Explain why it is important for Yobe Ltd to advertise using the Internet. [4]

(e) Yobe Ltd's products for export are usually transported in containers. Assess the use of containerisation for exporting Yobe Ltd's doors and windows. [6]

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8 Fig. 3 is a table showing what is included in the price of a litre of petrol costing $3.

crude oil	**$0.65**
refining costs	**$0.20**
oil company's profit	**$0.60**
marketing and distribution costs	**$0.25**
garage profit	**$0.10**
tax	**$1.20**

Fig. 3

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

(a) (i) What is the cost of refining each litre of petrol? [1]

(ii) Calculate the tax paid as a percentage of the total cost of a litre of petrol. Show your working. [2]

(iii) State **three** items that marketing and distribution costs are likely to include. [3]

(b) Many garages make small profits on selling petrol. Explain how they are able to survive in business. [4]

(c) Explain how oil companies affect the Balance of Payments of countries in which they operate. [4]

(d) Oil companies use several types of transport to move their products.

goods train pipeline road tanker tanker (ship)

Which **types** of transport would be most suitable to move crude oil from an oil field in one country to an oil refinery in another country? Give reasons for your answer. [6]

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