Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/21**

Paper 2 **October/November 2015**

2 hours

No Additional Materials are required.

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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 Cuddles Ltd is a public limited company making and selling a range of prams and pushchairs. It sells to retail stores in its home country and online to individual customers all over the world.

(a) Identify **one** sector of production that Cuddles Ltd is concerned with. [1]

(b) Explain **two** advantages to Cuddles Ltd of being a public limited company. [4]

(c) Explain **one** difficulty Cuddles Ltd may have when selling online to individual customers all over the world. [2]

(d) **(i)** Explain the purposes of **two** commercial documents Cuddles Ltd would use when selling to retail stores in its home country. [4]

(ii) Why is it important for these retail stores to offer after-sales service on the prams and pushchairs sold? [3]

(e) Cuddles Ltd is considering selling to retail stores in other countries. Discuss whether or not it should do this. Give reasons for your opinion. [6]

2 Fairway Logistics is an international transport company based in South Africa. It has depots in Cape Town and Johannesburg.

(a) Fairway Logistics owns a bonded warehouse and takes part in the entrepôt trade.

(i) What is meant by the *entrepôt trade*? [1]

(ii) Why does Fairway Logistics need a bonded warehouse? [2]

(b) Fairway Logistics uses the following methods of transport:

road **ship** **air freight**

Which would be the best method of transport for each of the following? Give **one** reason for each of your choices.

(i) A consignment of bananas from Cape Town to London. [2]

(ii) A packet of diamonds from Johannesburg to Rome. [2]

(c) **(i)** Discuss whether or not it is better to send a consignment of electronic goods from Cape Town to Sydney, Australia, using a container ship rather than air freight. Give reasons for your answer. [6]

(ii) Name **one** transport document needed when sending goods abroad and explain its purpose. [3]

(d) Explain **two** reasons why Fairway Logistics is unlikely to use rail transport. [4]

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3 The two chains of distribution shown in Fig. 1 may be used by a supermarket chain.

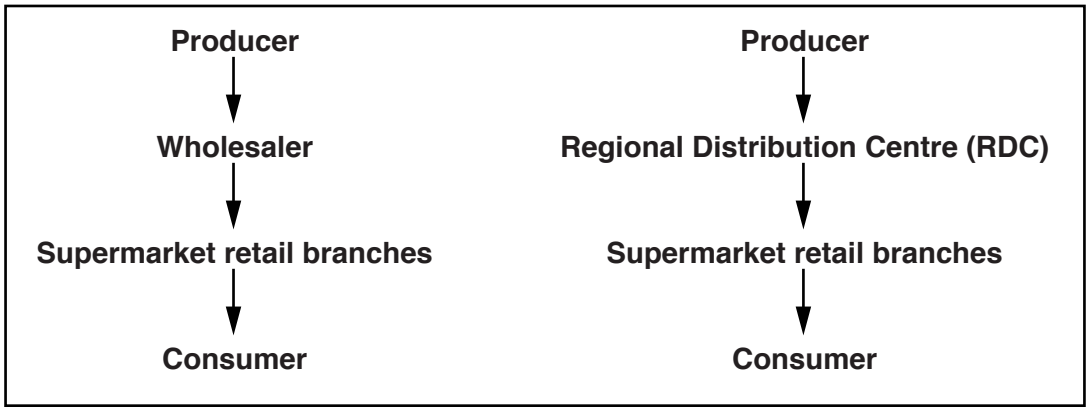


Fig. 1

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

(a) (i) Explain what is meant by a *supermarket chain*. [2]

(ii) What is a *consumer*? [1]

(iii) Describe **two** services offered to a **producer** by a wholesaler. [4]

(b) Discuss the two chains of distribution shown in Fig. 1. Which would be more suitable for the supermarket chain? Give reasons for your answer. [6]

(c) The supermarket chain sells many types of pre-packaged biscuits.

(i) Explain why biscuits need packaging. [4]

(ii) A consumer purchased a packet of biscuits which was found to be out-of-date. State **three** actions the consumer might take. [3]

4 Salim, an employee of Sphi Ltd, was killed in an accident at work. Sphi Ltd's insurance company paid compensation of $800 000 to Salim's family. Salim also had life insurance cover totalling $180 000.

(a) (i) Name the type of insurance Sphi Ltd would have in order to provide insurance cover for its workers. [1]

(ii) Calculate the total amount of money Salim's family would receive. Show your working. [2]

(b) (i) State **four** stages in the process of making an insurance claim. [4]

(ii) Explain how the principle of indemnity applies when making an insurance claim. [3]

(c) Salim's wife is a customer of the Orion Bank. Explain **two** ways in which the Orion Bank may assist her. [4]

(d) Salim worked on the production line in the factory at Sphi Ltd. Discuss the advantages and disadvantages to **factory workers** of working on a production line. Are the advantages greater than the disadvantages for the factory workers? Give reasons for your answer. [6]

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5 Betsy Phiri runs a business selling silk clothing. She is looking for ways to increase her turnover. She has seen the advertisement shown in Fig. 2.

LEASE FOR SALE

Unit 24 Archer Shopping Mall

$200 000 for the ten-year term

Contact Suleiman Enterprises
suleiman2@m.mail.com or telephone 123456789

Fig. 2

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

(a) (i) What is meant by *turnover*? [1]

(ii) Betsy hopes to increase her weekly turnover to $4 500 a week. Calculate her annual turnover if she were to be successful. Show your working. [2]

(b) (i) Explain **two** benefits to Betsy's business of locating in the Archer Shopping Mall. [4]

(ii) Why would Betsy contact the owner of Suleiman Enterprises by telephone rather than email to arrange to see Unit 24? [3]

(c) Betsy has decided to purchase the lease. She has $20 000 but will need to borrow the rest of the money. Assess the sources of finance that might be available to Betsy. Which would you recommend? Give reasons for your answer. [6]

(d) Explain **two** ways, apart from moving to the Archer Shopping Mall, in which Betsy might try to improve the turnover of her shop. [4]

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6 A European vehicle manufacturer has agreed a $70 million export order to supply trucks to a road haulage company based in a country in Asia.

(a) Explain why rapid communication was important when negotiating this order. [4]

(b) Explain **one** way in which Customs Authorities would be involved in this order. [2]

(c) **(i)** Explain why distance is an important factor to consider when exporting goods such as trucks. [4]

(ii) Name **one other** factor that should be considered when exporting the trucks. [1]

(d) Explain how the $70 million order would affect the Balance of Payments of the Asian country. [3]

(e) The road haulage company could pay for the trucks in the following ways:

credit card **documentary credits** **electronic transfer**

Discuss each method of payment. Which would you recommend? Give reasons for your answer. [6]

7 Perry plans to open a café called Perry's Pantry, selling sandwiches, burgers, cakes and drinks.

(a) Perry has designed the advertisement shown in Fig. 3.

PERRY'S PANTRY

Opening 20 November

Lots of good food. First drink free.

Fig. 3

(i) Suggest **one** possible advertising medium for this advertisement. [1]

(ii) Discuss whether or not this advertisement is likely to be successful. Give reasons for your answer. [6]

(b) Perry investigated the possibility of taking a franchise. He decided against it. Explain **two** possible reasons for his decision. [4]

(c) Explain why Perry will need storage in his café. [4]

(d) Explain why Perry has decided **not** to offer credit to his customers. [3]

(e) Perry's sandwiches cost him $1 to make. He wants a mark-up of 90%. How much should he charge for his sandwiches? Show your working. [2]

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8 Fizz Ltd is a multiple chain store which specialises in children's clothing.

(a) (i) State **one** characteristic of a multiple chain store, other than specialisation. [1]

(ii) Why is Fizz Ltd likely to buy most of its stock directly from manufacturers? [4]

(iii) How does warehousing assist Fizz Ltd to maintain supplies to its shops? [2]

(b) Explain why Fizz Ltd accepts many different means of payment from customers. [4]

(c) Why do customers buying from stores, such as Fizz Ltd, require consumer protection? [3]

(d) Fizz Ltd sells through outlets located in town centres as well as online. Discuss whether or not Fizz Ltd should continue to sell in this way. Give reasons for your answer. [6]

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