Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

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 **5** printed pages, **3** blank pages and **1** Insert.

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CAMBRIDGE
International Examinations

Answer any **four** questions.

1 Fig. 1 shows the three sectors of production.

primary sector	secondary sector	tertiary sector

Fig. 1

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

(a) To which sector of production does rice growing belong? [1]

(b) **(i)** Explain **one** way in which the secondary sector is dependent on the primary sector. [2]

(ii) Explain how warehousing might assist secondary production. [4]

(c) The tertiary sector consists of commercial services and direct services.

(i) Giving an example, explain *direct services*. [3]

(ii) Explain **two** reasons why the number of people employed in the tertiary sector has increased in many countries. [4]

(iii) Discuss the extent to which the tertiary sector helps primary producers. Give reasons for your answer. [6]

2 Pete operates a mobile shop selling fruit and vegetables from a van that he owns.

(a) **(i)** A mobile shop is a small-scale retailer. Give **one** other type of small-scale retailer. [1]

(ii) State **three** advantages to Pete of operating his business as a sole trader. [3]

(b) Explain why Pete needs to insure his van. [4]

(c) Pete offers informal credit to some of his customers.

(i) Explain what is meant by *informal credit*. [2]

(ii) Explain how offering credit may affect Pete's business. [4]

(d) Pete's mobile shop is facing competition from other retail outlets. Discuss the actions that Pete might take to help his business survive this competition. Which would you recommend? Give reasons for your answer. [6]

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3 Country X has the trade figures shown in Fig. 2.

	$ billion
Exported goods	**250**
Imported goods	**300**
Exported services	**200**
Imported services	**250**

Fig. 2

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

(a) Give **one** example of an exported service. [1]

(b) Calculate the Balance of Payments for Country X. Show your working. [3]

(c) **(i)** Use Fig. 2 to suggest **two** reasons why Country X has a Balance of Payments problem. [2]

(ii) Explain **two** effects on Country X of importing more than it exports. [4]

(iii) The Government of Country X needs to find ways of improving its Balance of Payments. It is considering the following options:

- applying to join a free trade group of countries
- giving grants to home industries to encourage them to produce more goods for export
- introducing quotas on certain imported products
- raising import duties on all goods.

Which **two** of these options would you recommend? Give reasons for your choices. [6]

(d) Explain how a bonded warehouse would assist an importer. [4]

4 Marco owns a restaurant specialising in seafood meals in a well-known seaside holiday town.

(a) **(i)** State **one** advantage to Marco of specialising in seafood meals. [1]

(ii) Is Marco giving a commercial service to his customers? Give reasons for your answer. [3]

(b) Why is it important for Marco to have a website? [4]

(c) State and explain **two** types of consumer protection Marco must take account of as the owner of a restaurant. [4]

(d) Explain **one** reason why Marco accepts payment by credit card from his customers. [2]

(e) Marco's restaurant is making good profits. Discuss the best ways of maintaining these profits. Give reasons for your answer. [6]

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[Turn over

5 Some of Dove Bank's customers operate franchises as franchisees for franchise companies.

(a) Explain **one** difference between a franchisee and a franchise company. [2]

(b) (i) Why will many of Dove Bank's customers use Internet banking? [4]

(ii) Explain the importance to Dove Bank's customers of having regular bank statements. [4]

(c) Pia is a sole trader managing her own successful cleaning business.

(i) Why does Pia issue invoices to customers when managing her business? [3]

(ii) Name **one other** commercial document that Pia might use. [1]

(iii) Pia is considering taking a franchise in Dainty Dusters, a well-known franchise company in the cleaning industry. Should she take this franchise or continue managing her existing business? Give reasons for your opinion. [6]

6 Renco is a private limited company selling and maintaining agricultural machinery and tractors.

(a) (i) Mr Gamba decided to buy a tractor. Its cash price was $16 000. He decided to buy the tractor on hire purchase. He paid a 25% deposit and 24 monthly instalments of $580. Calculate how much more he paid on hire purchase than if he had paid the cash price. Show your working. [4]

(ii) State **two** differences between hire purchase and deferred payments. [4]

(b) (i) Mrs Guruve bought a plough. Its cash price was $10 000. She was given a discount of 2% on the purchase price. Calculate how much she paid. Show your working. [2]

(ii) Explain the benefits **to Renco** of customers paying by cash rather than hire purchase. [3]

(iii) What name is given to discount offered to traders? [1]

(c) Renco is planning to expand its business by opening two new branches. It needs finance.

Its Board of Directors is considering the following two options:

- changing from a private limited company to a public limited company
- borrowing from a commercial bank.

Discuss both options. Which would you recommend? Give reasons for your choice. [6]

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7 The products shown in Fig. 3 are sold in the Mero chain of supermarkets.

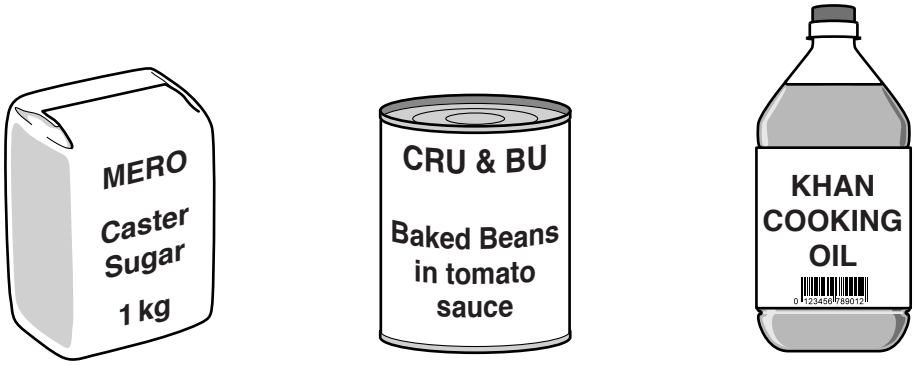


Fig. 3

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

(a) Identify **one** type of packaging shown in Fig. 3. [1]

(b) **(i)** Why does Mero sell own brand products? [2]

(ii) All the products in Fig. 3 are branded. Explain the importance of branding goods. [4]

(c) Khan cooking oil is bar-coded. Why are products bar-coded? [3]

(d) Mero uses self-service in all its supermarkets. Explain the advantages of self-service **to Mero's customers**. [4]

(e) Mero is planning a new advertising campaign. Discuss whether or not it is better to advertise on television rather than to use national newspapers or billboards. Give reasons for your answer. [6]

8 Hesdene is a wholesale company that distributes its goods by road using its own trucks. It is privately owned. Some of its customers are public sector organisations.

(a) Explain **two** advantages to Hesdene of using road transport to distribute goods. [4]

(b) **(i)** Giving an example, explain what is meant by *privately owned*. [3]

(ii) State **one** characteristic of a public sector organisation. [1]

(iii) Explain **one** advantage of public sector organisations **to consumers**. [2]

(c) One of Hesdene's trucks has been stolen. Describe **two** of the insurance principles involved when making a claim. [4]

(d) Some of Hesdene's customers are now buying their supplies directly from producers rather than using wholesalers. Discuss whether or not Hesdene is likely to be able to stop this trend. Give reasons for your answer. [6]

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