Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/21**

Paper 2 **October/November 2016**

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.

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CAMBRIDGE
International Examinations

Answer any **four** questions.

1 Joshua owns a small fishing boat and earns money by catching fish. He sells the fish at the local street market and also to his friend, Abel, who owns a restaurant. Joshua buys fishing nets when they need to be replaced.

(a) (i) State **two** features of street markets. [2]

(ii) Name **two other** types of small-scale retailer. [2]

(b) (i) Joshua is involved in primary production. Name the other **two** types of production. [2]

(ii) Is Joshua involved in trade? Give reasons for your answer. [4]

(c) A wholesaler has contacted Joshua. Explain **two** services a wholesaler might provide to Joshua. [4]

(d) Both Joshua and Abel are sole traders. Abel has suggested that he and Joshua form a partnership.

Discuss whether or not Joshua and Abel should form a partnership. Give reasons for your answer. [6]

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2 Miss Patel has received a bank statement for September 2016, as shown in Fig. 1.

		Debit $	Credit $	Balance $
September 1	Balance			300.00
September 5	Cheque 143	125.00		175.00
September 12	Cheque 145	250.00		75.00 OD
September 14	Credit		175.00	100.00
September 22	Bank Giro		1000.00	1100.00
September 26	Standing Order	200.00		900.00
September 29	Cheque 144	180.00		

Fig. 1

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

(a) **(i)** Explain the entry on September 12. [2]

(ii) Explain what is meant by a *standing order*. [2]

(iii) Calculate the balance as at September 29. [2]

(b) Explain **two** ways in which Miss Patel would use the bank statement shown in Fig. 1. [4]

(c) Miss Patel has a credit card. She pays 3% monthly interest on the balance outstanding at the end of each month. At the end of September 2016 she had an outstanding balance of $300.

(i) State **two** advantages to Miss Patel of using a credit card to purchase goods. [2]

(ii) Calculate the interest Miss Patel will pay on her September 2016 credit card balance. Show your working. [2]

(d) The bank used by Miss Patel offers internet banking and also banking using her local branch. Discuss whether or not Miss Patel needs both. Give reasons for your answer. [6]

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[Turn over

3 Desiree is a sole trader who owns a flower shop. She buys the flowers from a wholesaler and designs and arranges them for special occasions, such as birthdays and weddings. Many of her customers place orders through the shop's website.

(a) Explain **two** factors that would have influenced Desiree when deciding where to locate her flower shop. [4]

(b) Explain **two** reasons why Desiree buys her flowers from a wholesaler. [4]

(c) Explain how Desiree might add value to the flowers she buys. [2]

(d) Explain **one** advantage and **one** disadvantage to Desiree of receiving orders through the shop's website. [4]

(e) Desiree pays a courier to deliver her flowers, by van, to customers. She charges customers extra for this service. Desiree is considering buying a van so that she can deliver the flowers herself.
Discuss whether or not Desiree should deliver the flowers herself or continue to use the courier. Give reasons for your answer. [6]

4 Veenu owns a small printing business. She employs two workers who operate the printing machines. The business prints commercial documents such as invoices, advice notes and delivery notes.

(a) (i) State **two** items of information contained on an invoice. [2]

(ii) Explain the difference between an advice note and a delivery note. [2]

(b) (i) Explain why Veenu needs Employer's Liability Insurance. [2]

(ii) Explain why Veenu **cannot** insure against the failure of her business. [4]

(c) Veenu gives cash discounts to some of her customers.

(i) Explain what is meant by a *cash discount*. [2]

(ii) State **two** advantages to Veenu of giving cash discounts. [2]

(d) Using examples, discuss how important rapid and accurate communication is to the success of Veenu's business. Give reasons for your answer. [6]

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5 AAA is a large chain of department stores. It has branches in cities all over the country.

(a) **(i)** Identify **two** advantages to AAA of being a large chain of department stores. [2]

(ii) Explain **two** disadvantages to consumers of using department stores. [4]

(b) Mr Yip wants to buy a new washing machine. He has chosen to buy from AAA because it has a wide range of brands to choose from and the stores also offer very good after-sales service.

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

(ii) Identify **two** after-sales services AAA might provide to Mr Yip after he buys the washing machine. [2]

(c) Mr Yip has to decide how to finance the purchase of the washing machine. He could use his AAA store card or hire purchase.
Discuss whether or not he should use his store card or hire purchase. Recommend which finance option he should use. Give reasons for your answer. [6]

(d) Explain **two** ways in which AAA may be affected by consumer protection laws. [4]

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6 An and Bo have a business decorating and furnishing homes and offices. They understand the importance of good communication with suppliers and customers.

(a) (i) Name **two** telecommunication services. [2]

(ii) Describe **one** postal service that An and Bo might use to contact customers. [2]

(b) (i) Explain **two** reasons why An and Bo need to promote their business. [4]

(ii) Fig. 2 shows three sales promotions offered by An and Bo.

CHOOSE ONE OF OUR SPECIAL SALES PROMOTIONS!

10% VOUCHER

If you spend more than **$2000!**

OR

Free dining table of your choice with orders over $5000!

OR

2 years' **INTEREST FREE CREDIT** FOR ORDERS RECEIVED THIS YEAR!

Fig. 2

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

Mr Allen is a customer who has decided to spend $10 000 on decorating and furnishing his home. Discuss each of the three sales promotions shown in Fig. 2. Which sales promotion would he be most likely to take? Give reasons for your answer. [6]

(c) An's and Bo's business does not have enough working capital.

(i) Explain what is meant by *working capital*. [2]

(ii) Explain the importance of working capital to An's and Bo's business. [4]

7 BBB is a manufacturer of kitchen tools. It sells online and to speciality stores in the home market.

(a) (i) Explain **two** advantages to BBB of selling its kitchen tools online. [4]

(ii) State what is meant by a *speciality store*. [1]

(b) BBB's rate of stock turnover is 3.

(i) Explain what is meant by *rate of stock turnover*. [2]

(ii) Is the rate of stock turnover important to a business? Give reasons for your answer. [3]

(c) BBB is considering exporting its kitchen tools for the first time.

(i) Discuss whether or not BBB should export its kitchen tools. Give reasons for your answer. [6]

(ii) Explain **two** functions of custom authorities that may affect BBB if it decides to export its kitchen tools. [4]

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8 CCC provides warehousing for other businesses. It has a number of warehouses in different parts of the country. These include bonded warehouses close to the country's main port.

Fig. 3 shows the range of warehouses provided by CCC.

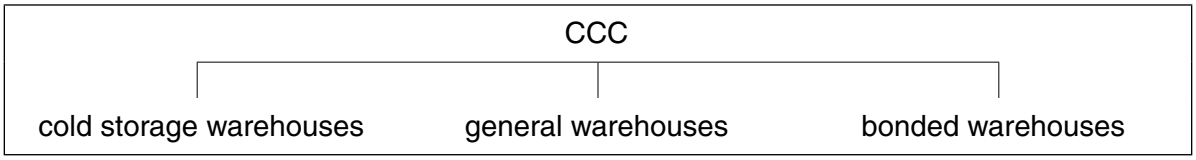


Fig. 3

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

(a) State **two** functions of a warehouse. [2]

(b) Giving a reason for **each** of your choices, identify which warehouse, shown in Fig. 3, would be used to store each of the following products:

(i) meat [2]

(ii) motorcycles [2]

(c) Explain **two** benefits of a bonded warehouse to an importer. [4]

(d) **(i)** CCC is considering opening another cold storage warehouse. It could locate this warehouse in the centre of a farming area or close to the country's main port. Discuss both locations. Which location would you recommend? Give reasons for your answer. [6]

(ii) Using examples, explain how cold storage warehouses help seasonal production. [4]

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