Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

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.

This document consists of **7** printed pages, **1** blank page and **1** Insert.

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CAMBRIDGE
International Examinations

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Answer any **four** questions.

1 Fig. 1 shows a chain of production for oil in a country.

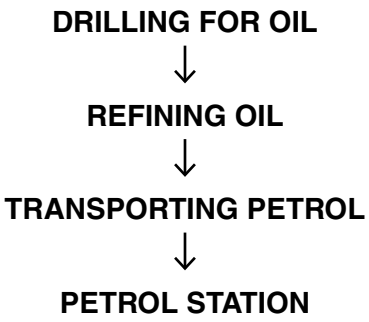


Fig. 1

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

(a) **(i)** Which activity in Fig. 1 is an example of secondary industry? [1]

(ii) Explain how the petrol station is dependent upon the other two sectors of production. [2]

(b) Advertising is an important aid to trade for the oil industry.

(i) Explain **two** reasons why advertising is important for the oil industry. [4]

(ii) Suggest **one** advertising medium that a local petrol station might use. Give reasons for your answer. [3]

(c) The country is considering joining a trading bloc. It believes that this will improve its Balance of Payments.

(i) State **four** items in a country's Balance of Payments. [4]

(ii) Discuss whether or not the country should join a trading bloc. Give reasons for your answer. [6]

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2 AAA is a traditional wholesaler. It sells goods to retailers and directly to the public. AAA offers trade credit to retailers.

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

(ii) Explain **one** advantage and **one** disadvantage to AAA of offering trade credit. [4]

(iii) Explain why AAA would send a statement of account to its regular trade customers. [4]

(b) Fig. 2 shows an invoice issued by AAA.

AAA
Any Place
Anytown

INVOICE

Joe's Corner Store
Anywhere

Quantity	**Description**	**Cost**
20 cases	Sliced peaches @ $50 per case	$1000
	Less 20% trade discount	

Fig. 2

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

(i) Calculate how much Joe's Corner Store owes AAA for the sliced peaches. Show your working. [2]

(ii) Four damaged cases of sliced peaches have been returned to AAA. Calculate how much Joe's Corner Store now owes AAA. [2]

(c) Discuss whether or not it is better for AAA to continue to operate as a traditional wholesaler or to change to being a cash and carry warehouse. Give reasons for your answer. [6]

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3 A large shopping centre will have many different types of retailers.

(a) **(i)** State **two** types of retailer that might be found in a large shopping centre. [2]

(ii) Explain **two** advantages to consumers of using shopping centres. [4]

(b) Wholesalers are middlemen in the chain of distribution.

(i) Explain what is meant by the *chain of distribution*. [2]

(ii) Describe **two** services (other than trade credit) that wholesalers might provide for small-scale retailers in the shopping centre. [4]

(c) A large hypermarket is about to open on the other side of the town from the large shopping centre.

(i) Identify **two** characteristics of a hypermarket. [2]

(ii) Assess the likely effects on local retailers of the opening of the new hypermarket. Give reasons for your answer. [6]

4 BBB Fashions is a public limited company. It is a manufacturer of fashion clothing for women. It sells its products in both the home market and the export market.

(a) **(i)** Explain **one** advantage to BBB Fashions of being a public limited company. [2]

(ii) Explain **one** advantage to shareholders of owning shares in a public limited company. [2]

(b) **(i)** Explain **two** differences between a home market and an export market. [4]

(ii) Identify **two** methods of transport BBB Fashions might use when exporting its products. [2]

(c) Explain **two** ways BBB Fashions might promote its products in the home market. [4]

(d) Assess the importance of communication between BBB Fashions and its retailers to the success of the company in both its home market and its export market. Give reasons for your answer. [6]

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5 CCC Insurance provides insurance services. It insures 500 businesses against the risk of flooding.

Fig. 3 shows the pooling of risk for flood insurance.

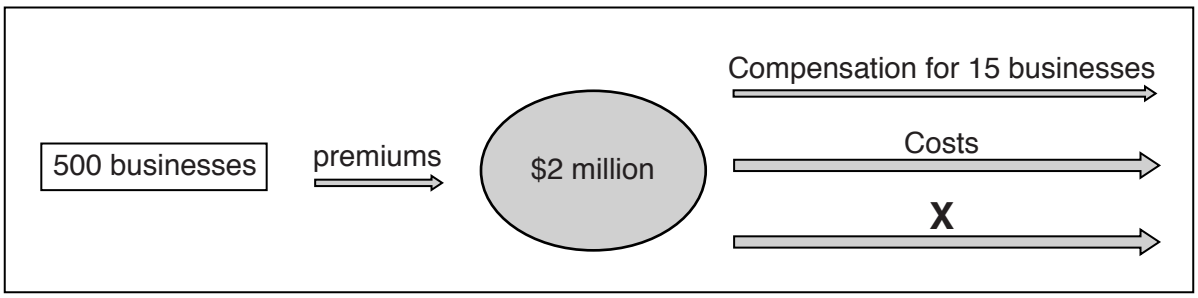


Fig. 3

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

(a) (i) Using Fig. 3, explain what is meant by *pooling of risk*. [3]

(ii) Calculate the average premium paid by each one of the 500 businesses. Show your working. [2]

(iii) Identify examples of **two** possible costs in Fig. 3. [2]

(iv) Identify **X** in Fig. 3. [1]

(b) State **four** actions businesses would need to take when making a claim. [4]

(c) Explain **one** way in which CCC Insurance is productive. [2]

(d) CCC Insurance could use the following different means of payments to collect premiums:

- cheques
- direct debits
- debit card
- credit card.

Which **two** means of payment would be **most** suitable for collecting premiums? Give reasons for your answer. [6]

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6 DDD Enterprises exports leather goods to customers in other countries.

(a) (i) State which method of transport would be most suitable to send the leather goods to customers. Give reasons for your answer. [4]

(ii) Explain **one** reason why customs officers might inspect the leather goods that DDD Enterprises exports. [2]

(iii) Explain why methods of payment might cause difficulty when exporting goods to other countries. [4]

(b) The management of DDD Enterprises is considering manufacturing its own leather goods. It will need to invest $200 000 in machinery.

(i) Discuss **two** sources of finance that the management of DDD Enterprises should consider for purchasing the machinery. Which would you recommend? Give reasons for your answer. [6]

(ii) Explain **two** reasons why leasing the machinery might be a better option for DDD Enterprises. [4]

7 Nasreen has owned a hairdressing salon for the last five years. She knows that hairdressing is a very competitive market and she is always worried about the survival of her business.

(a) Explain **two** actions Nasreen might take to help her hairdressing salon survive in a very competitive market. [4]

(b) A customer has complained that she has been injured by a faulty hairdryer in Nasreen's salon. State **four** actions that the **customer** should take. [4]

(c) A well-known hairdressing business is offering franchise opportunities. Nasreen is considering whether or not a franchise is the best option for her business.

(i) Identify **two** characteristics of a franchise. [2]

(ii) Discuss whether or not Nasreen should change her salon to a franchise. Give reasons for your answer. [6]

(d) Nasreen sells many beauty products at her salon. State **four** reasons why these beauty products are packaged. [4]

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8 EEE Minerals Ltd is a multinational mining business with coal mines in many countries. Some parts of the mining industry are in the public sector and some are in the private sector.

(a) **(i)** Mining is a primary industry. Explain what is meant by a *primary industry*. [2]

(ii) Explain **two** differences between the public sector and the private sector. [4]

(b) Discuss whether or not multinationals, such as EEE Minerals, benefit the countries in which they are located. Give reasons for your answer. [6]

(c) EEE Minerals moves its coal by rail to seaports.

(i) Is rail the best way to move coal? Give reasons for your answer. [4]

(ii) Describe **two** services offered at seaports for handling goods. [4]

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