Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE **7100/22**

Paper 2 **October/November 2017**

2 hours

No Additional Materials are required.

6482027761

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.

© UCLES 2017

CAMBRIDGE
International Examinations

Answer any **four** questions.

1 HJ Industries Ltd manufactures low-value plastic products used in plumbing, such as pipes. Production was organised using division of labour.

(a) (i) What is meant by *division of labour*? [1]

(ii) State **two** advantages of division of labour to HJ Industries Ltd. [2]

(iii) Do you think that there are any **disadvantages** of division of labour **to workers** in HJ's factory? [3]

(b) Explain **two** reasons why HJ Industries Ltd would export these plastic products using containers. [4]

(c) HJ Industries Ltd imports most of the raw materials needed to make plastic products. Explain how HJ would benefit if **most** of its raw materials came from another country in the same trading bloc as they are. [4]

(d) HJ Industries Ltd has won a 5-year contract from a company in a country 2000 km away. Discuss whether or not HJ should build a factory in that country to complete the contract. Give reasons to justify your answer. [6]

2 Fig. 1 shows a summary of the balance sheet of O Industries which is a public limited company.

	$m		$m
Fixed assets	15.6	Current liabilities	6.2
Current assets	8.4	Non-current liabilities	14.3
		Retained profit (earnings)	3.5
Total assets	24.0	Capital employed	24.0

Fig. 1

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

(a) Explain **two** benefits to O Industries of being a public limited company. [4]

(b) (i) State **two** examples of current assets. [2]

(ii) Do you think that the working capital of this company is satisfactory? Justify your answer. [4]

(c) O Industries wishes to acquire a new building, costing $1.7 million.

(i) Under which heading on the balance sheet would this building appear? [1]

(ii) Explain why an overdraft would **not** be a suitable source of finance for acquiring the new building. [3]

(iii) Discuss **two** sources of finance available to O Industries for acquiring the new building. Which would you recommend? Give reasons for your answer. [6]

© UCLES 2017

3 Jane owns a small shop selling food. She is located on the outskirts of a large town. There is a supermarket 3 km from her shop. Fig. 2 shows one of the products she sells.

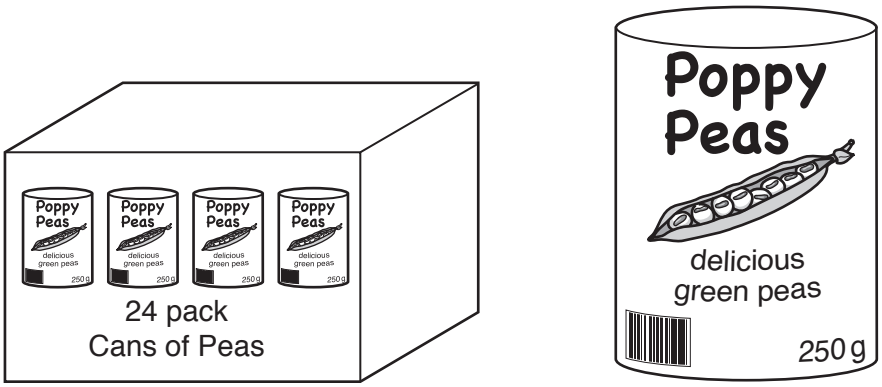


Fig. 2

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

(a) (i) Identify the brand name of the peas. [1]

(ii) Jane uses a mark-up of 30% on all canned food. A box of 24 cans of peas costs her $14.40. Calculate how much she will sell each can for. Show your working. [3]

(iii) The cans of peas are bar-coded. State **two** functions of a bar code. [2]

(b) Explain why you think consumers continue to buy from Jane rather than from the supermarket. [4]

(c) Explain **two** reasons why consumer protection is important. [4]

(d) The supermarket is part of a nationwide chain. At present each store has deliveries of goods directly from manufacturers. Discuss whether or not the supermarket chain should open regional distribution centres. Give reasons for your answer. [6]

4 Andrew Malik works for an accounting firm and travels frequently to meet clients.

(a) (i) Andrew has a credit card. State **two** circumstances when he might use the credit card when travelling with his job. [2]

(ii) Explain **two** advantages to Andrew of also having a debit card. [4]

(iii) Identify **one** way in which Andrew might benefit from using a loyalty card. [1]

(b) Andrew's firm provides insurance to cover its employees.

(i) Describe **two** types of insurance that the employer may provide for Andrew. [4]

(ii) Do you think that bad management can be insured against? Give reasons for your answer. [3]

(c) Andrew's employer is taking out a new fire insurance policy. Discuss whether or not his employer should approach an insurance company directly or use an insurance broker. Give reasons for your answer. [6]

© UCLES 2017

5 After seeing a newspaper advertisement, Maryam has decided to buy a television costing $700 from a large retail store. She has a 20% deposit and will have to borrow the remaining 80%. The television is guaranteed for two years.

(a) State **two disadvantages** of using newspaper advertising. [2]

(b) Explain **two** reasons why many customers would prefer to shop for a television at a large-scale retailer rather than a small-scale retailer. [4]

(c) What is meant by the term *guarantee*? [1]

(d) The same retail store is selling a computer to Fabrice for $1200. Fig. 3 shows three possible purchase options for this computer.

Retail store	**Online seller**	**Hire purchase**
$1200	$1120	$300 deposit
5% cash discount	$15 delivery charge	20 instalments of $75

Fig. 3

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

(i) If making his purchase decision on price alone, would Fabrice purchase the computer from the retail store or the online seller? Use numerical data to help you to justify your answer. [4]

(ii) Explain in what circumstances Fabrice would choose the hire purchase option. [3]

(e) Discuss whether or not the retail store should use *informative* and *persuasive advertising* to increase its sales of computers. Give reasons for your opinion. [6]

6 T Transport (TT) is an international freight forwarding business that moves goods around the world.

(a) (i) A freight forwarder is an intermediary in foreign trade. Give **one other** example of an intermediary. [1]

(ii) Apart from transport, state **three** services offered by a freight forwarder. [3]

(b) (i) Explain **two** reasons why communication is important to a freight forwarder operating in the global economy. [4]

(ii) Do you think TT should use the internet as its main means of communication? Give reasons for your answer. [4]

(c) TT operates in a freeport. Explain what is meant by a *freeport.* [2]

(d) A customer of TT wishes to send regular shipments of high quality sports equipment to another country 3000 km away. Discuss whether or not the equipment should be sent by sea or by air. Give reasons for your choice. [6]

© UCLES 2017

7 The graph in Fig. 4 shows the value of visible and invisible **exports** for Country A for 2011–2016.

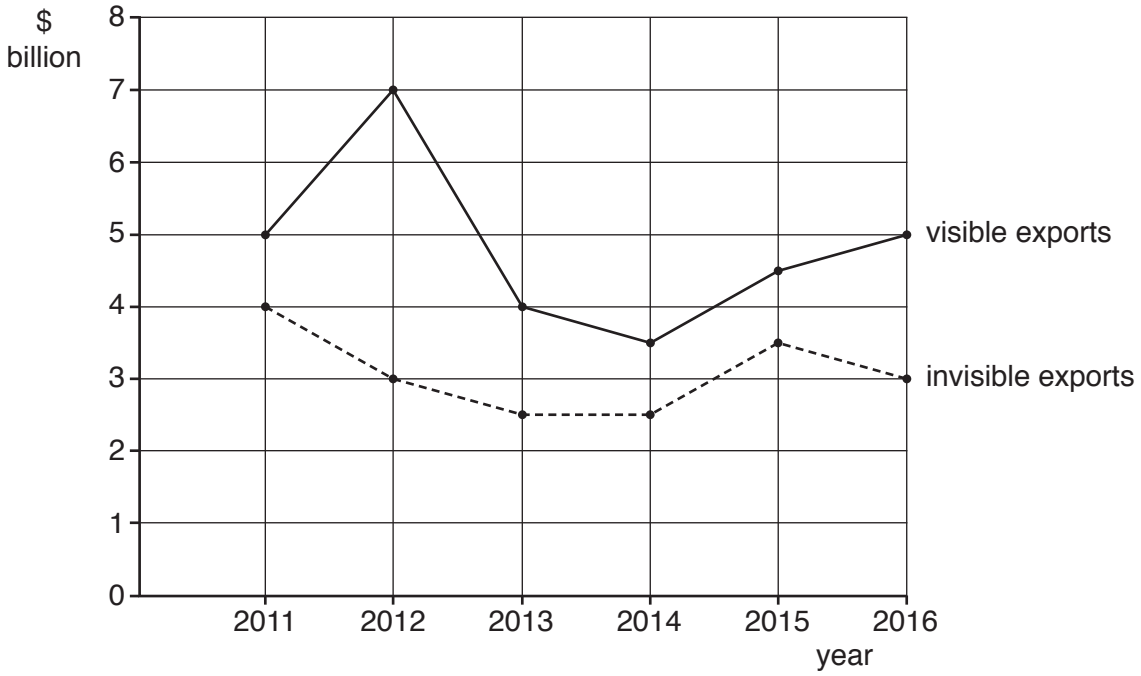


Fig. 4

Use the information in Fig. 4 to help you answer the following questions.

(a) Explain the difference between visible and invisible exports, giving an example of each. [4]

(b) **(i)** In which year did Country A export the most? [1]

(ii) The total of visible and invisible imports for Country A in 2016 was $6.5 billion. Use Fig. 4 to calculate the Balance of Payments for Country A in 2016. Show your working. [3]

(c) A recent discovery of iron ore has been made in the country. This ore will be exported to many countries.

(i) Explain **two** effects on the Balance of Payments of the development of mines to extract the ore. [4]

(ii) State **two** suitable methods of transport for delivering the ore to a port 250 km from the mines. [2]

(d) The government of Country A may decide to let a multinational mining company own and develop the mine. Discuss whether or not the government should allow this to happen. Give reasons for your opinion. [6]

© UCLES 2017

[Turn over

8 Robert is a sole trader who owns a shop selling motorcycles.

(a) **(i)** State **two** features of a sole trader. [2]

(ii) Why is a sole trader a more risky form of business than a private limited company? [4]

(b) Robert offers a repair service for motorcycles. Discuss whether or not this would be beneficial to his business. [4]

(c) Another motorcycle business nearby operates a franchise.

(i) Explain what is meant by a *franchise*. [3]

(ii) State **one** difference between a sole trader and a franchise. [1]

(d) Discuss whether or not branding is the most important factor when selling motorcycles. Give reasons for your answer. [6]

© UCLES 2017

BLANK PAGE

© UCLES 2017

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2017