

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/02

Paper 2

October/November 2006

Additional Materials: Answer Booklet/Paper

2 hours

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **four** questions.
The businesses described in this question paper are entirely fictitious.
At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **6** printed pages and **2** blank pages.



Answer any **four** questions.

1 Commerce may be defined as trade and aids to trade.

- (a) Explain **one** reason why trade is important to any country. [2]
- (b) Explain why the number of people employed in commercial services has increased in many countries in recent years. [4]
- (c) Broadway Pty Ltd manufactures shoes for both its home and the overseas market. Giving examples, explain how communication might assist Broadway Pty Ltd in its business. [6]
- (d) The following article appeared in a magazine:

Sammar is a small village. There is no bank. It does not have any factories. There is a small harbour for fishermen and tourist boats. It has a few small shops, a post office which opens once a week and a small airstrip. Most people use bicycles and motorbikes and own small boats.

Some people think Sammar is not concerned with Commerce.

Fig. 1

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

How far do you think this article is correct in saying that Sammar is not concerned with Commerce? Give reasons for your answer. [8]

2 Many people use Internet banking and automatic teller machines (ATMs).

(a) Explain the advantages of Internet banking to:

(i) the customer [4]

(ii) the bank. [4]

(b) (i) Banks provide customers with plastic cards to use in ATMs. Name **one** type of card and state its purpose. [2]

(ii) Why do many banks provide ATMs for use by customers? [4]

(c) A bank wishes to publicise its services to obtain new customers. It could use the following methods:

leaflets and booklets

sponsorship of sports events

national newspapers

television campaign

posters

the Internet

financial magazines

Should the bank use all or some of these methods? Give reasons for your answer. [6]

3 Mr Shah is an independent wholesaler who owns a small cold storage business specialising in the storage and supply of fish and fish products.

(a) Explain how warehousing assists the storage of products which are produced seasonally. [3]

(b) Many small independent wholesalers have stopped trading. Explain why this has happened. [4]

(c) Mr Shah needs to promote his business to his retail customers.

(i) Why should he consider advertising in trade magazines? [2]

(ii) Describe **one** method of sales promotion he might use for his business. [3]

(d) Mr Shah wishes to buy a small van to deliver the fish and fish products to retailers. Discuss the advantages and disadvantages of this proposal? Will his business benefit from owning a small van. Give reasons for your answer. [8]

- 4 The newspaper extract below concerns a chain of large supermarkets.

Paradise Supermarkets has reported a 10% increase in its pre-tax profits for 2005 from 2004's record figure of \$150m. The Chairman, Mr Peter Jabbar, said that this success was due to the Board of Directors' decision to buy direct from suppliers and to computerise many of its operations.

Fig. 2

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

- (a) Explain **two** features of a supermarket. [4]
- (b) Calculate the pre-tax profits for Paradise Supermarkets for 2005. Show your working. [2]
- (c) Explain why Paradise Supermarkets decided to buy most of its supplies direct from suppliers. [6]
- (d) (i) Describe **two** ways in which Paradise Supermarkets might have computerised its operations. [4]
- (ii) Would computerising its operations be of benefit to Paradise Supermarkets' customers? Give reasons for your opinion. [4]
- 5 Mr Jones is making several purchases using different types of credit.
- (a) Name **two** advantages to Mr Jones of buying on credit. [2]
- (b) State, with reasons, the most suitable type of credit for purchasing each of the following:
- (i) a microwave oven; [3]
- (ii) a new van costing \$15000; [3]
- (iii) four shirts. [3]
- (c) After two weeks' use, the microwave oven did not work properly. Should the retailer replace the microwave oven? Give reasons for your opinion. [3]
- (d) Unfortunately, the van was involved in an accident a year after it was bought. Explain how Mr Jones would make an insurance claim for the van. Mention any insurance principles which apply to this claim. [6]

- 6 A country which is a member of a trading bloc has the following Balance of Trade figures with other member countries for a four-month period, January to April.

	JANUARY	FEBRUARY	MARCH	APRIL	TOTAL
EXPORTS	\$350m	\$300m	\$300m	\$450m	(i)
IMPORTS	\$300m	\$320m	\$340m	(ii)	\$1360m
AMOUNT	\$50m	-\$20m	(iii)	\$50m	(iv)
SURPLUS OR DEFICIT	surplus	deficit	X	Y	deficit

Fig. 3

Use the table given above in Fig. 3 to help you to answer the following questions.

- (a) (i) Calculate the figures labelled (i), (ii), (iii) and (iv) and write these answers in your answer book. [4]
- (ii) Is X a surplus or a deficit? [1]
- (iii) Is Y a surplus or a deficit? [1]
- (b) Distinguish between the Balance of Trade and the Balance of Payments. [4]
- (c) (i) In what way is the customs authority of the country involved with these Balance of Trade figures? [2]
- (ii) Describe **two** other functions of a customs authority. [4]
- (d) The country has a \$20m deficit in February. Should the government take action to improve its trading position? Give reasons for your answer. [4]

- 7 Jabatan Ltd is a public limited company building and servicing small boats. The company wishes to open a boatyard in another country.
- (a) Explain what is meant by a public limited company. [4]
 - (b) Why should Jabatan Ltd issue ordinary shares rather than obtain a bank loan to build the new boatyard? [4]
 - (c) Jabatan Ltd could use either an overdraft or trade credit to buy regular supplies of fibre glass. Which would you recommend? Give reasons for your answer. [3]
 - (d) Describe **three** factors Jabatan Ltd should take into account when considering the location of a new boatyard in another country. [9]
- 8 Mrs Awan owns a small business selling sewing machines and other sewing items. She buys from wholesalers and manufacturers on credit. Until recently, her customers paid for goods using cash or cheques. She decided last year to accept credit cards in payment for goods.
- (a) Explain **three** advantages to Mrs Awan of owning a small business. [6]
 - (b) Why is it better for Mrs Awan to purchase her supplies on credit from wholesalers and manufacturers rather than for cash? [4]
 - (c) Give **two** benefits to Mrs Awan of being paid in cash. [2]
 - (d) Mrs Awan has now found that the amount of goods sold to customers using their credit cards has increased. Should Mrs Awan be concerned about this? Give reasons for your answer. [8]

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