



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/02

Paper 2

May/June 2007

2 hours

Additional Materials: Answer Booklet/Paper

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 **7** printed pages and **1** blank page.



Answer any **four** questions.

- 1 The table in Fig. 1 shows the value of production for a country for the last three years.

	2004 \$m	2005 \$m	2006 \$m
Agriculture	150	180	190
Mining	50	60	50
Manufacturing	200	210	260
Construction	100	100	120
Tertiary activities	250	250	320
Direct services	150	200	260
TOTAL PRODUCTION	900	1000	1200

Fig. 1

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

- (a) Agriculture and mining are examples of what kind of industry? [1]
- (b) Calculate the percentage increase in the value of total production between 2005 and 2006. [2]
- (c) (i) Giving an example, explain what is meant by the term *tertiary activities*. [3]
(ii) Giving an example, explain what is meant by the term *direct services*. [3]
- (d) Discuss **two** trends in the value of production figures shown above. [6]
- (e) Are manufacturing and tertiary activities inter-related and dependent on one another? Give reasons for your opinion. [5]

2 Frank and Polly work from home. They sell CDs and DVDs using a mail order catalogue. Most of their sales are paid for by credit card.

- (a) Explain why a catalogue is essential for their mail order business. [3]
- (b) (i) Explain why their customers prefer to pay by credit card rather than by other means of payment. [4]
 (ii) State **two** disadvantages to Frank and Polly of accepting payment by credit card. [2]
- (c) Frank and Polly wish to sell their products on the Internet. Should they do this? Give reasons for your opinion, mentioning any problems they may have in setting up an Internet-based business. [6]
- (d) Frank and Polly expect their business to expand. Will they need a warehouse? Give reasons for your answer. [5]

3 Fatima has had a bank current account for several years.

- (a) State **three** advantages to Fatima of having a bank current account. [3]
- (b) Fatima wishes to undertake 24-hour banking. Is she able to do this? Give reasons for your answer. [5]
- (c) Fatima is able to use the following bank services to pay bills:

BANK DRAFTS

CHEQUES

CREDIT TRANSFERS

DIRECT DEBITS

State, with reasons, which bank service Fatima should use to pay each of the following:

- (i) mortgage payments which vary with changes in interest rates. [3]
- (ii) settlement of a hotel bill. [3]
- (iii) payment for a secondhand car when she is not known to the seller. [3]
- (d) Fatima has an overdraft facility on her bank current account. Her recent bank statement shows that she is \$2000 overdrawn.

The following transactions have taken place since the bank statement was issued:

- her salary of \$1800 per month has been credited to her account
- a cheque for \$50 has been debited from her account
- a cheque for \$500 has been paid into her account.

Calculate the balance on her bank current account. Show your working. [3]

4 The advertisement in Fig. 2 is for a garage.

HANDYMOTORS LTD
Fenybont
Anytown

handymotors@orion24.com

Servicing – Repairs – Bodywork – Exhausts – Tyres – Batteries

Tel/Fax 01691468392 Mobile 0783031529

CARS FOR SALE – 10% discount for payment within 7 days

All cars sold with 12 months warranty

Stock changing daily

Friendly, local service

Fig. 2

Use this advertisement to help you to answer the following questions.

- (a) Is this advertisement shown in Fig. 2 persuasive or informative? Using the data given in the advertisement, give reasons for your answer. [4]
- (b) (i) Why might a customer prefer to telephone the garage rather than send an email? [2]
(ii) Why would Handymotors Ltd publish its mobile telephone number? [2]
- (c) (i) Mr Sharif bought a car from Handymotors Ltd. It cost \$40 000.
How much would Mr Sharif pay if he paid for the car within 7 days? Show your working. [2]
(ii) Should Handymotors Ltd continue to offer discount for prompt payment? Discuss the advantages and disadvantages, giving reasons for your opinion. [6]
(iii) How would Mr Sharif be protected as a consumer if the car developed a fault? [4]

5 Riaz Storage Ltd owns a distribution business with several warehouses, including a cold storage warehouse. It supplies retailers throughout the country using its own road transport.

(a) Explain how Riaz Storage Ltd contributes to trade within the country. [4]

(b) The cold storage warehouse is used to store fruit which is produced seasonally. Explain how this warehouse assists seasonal production. [4]

(c) Riaz Storage Ltd uses the following documents when trading:

DELIVERY NOTE	CONSIGNMENT NOTE	INVOICE
ORDER	QUOTATION	STATEMENT OF ACCOUNT

Which **three** of these documents would Riaz Storage Ltd use when selling goods to a retailer who purchases on a regular basis? Give **one** reason for each of your choices. [6]

(d) Riaz Storage Ltd has decided to sell overseas. The company is considering the following options:

Option 1 **making use of agents**

Option 2 **setting up distribution centres in individual countries**

Consider the advantages and disadvantages of each option. Which would you recommend? Give reasons for your choice. [6]

6 Mrs Zahir owns a small factory. She wishes to obtain insurance cover.

(a) Describe **three** risks against which Mrs Zahir should insure. [6]

(b) Why is an insurance company able to afford to cover risks better than Mrs Zahir, who is seeking insurance cover? [3]

(c) In connection with insurance, explain the term *non-insurable risk*. [3]

(d) The following statements have been made to Mrs Zahir about insurance cover:

- 'an insurance agreement is a contract providing financial compensation'
- 'you can insure the same risk with two or more insurance companies'
- 'you can insure anything you own'

Discuss these **three** statements, mentioning any insurance principles which apply. Are these statements true? Give reasons for your answer. [8]

7 Fig. 3 shows four business cards.



Fig. 3

Use the information given in the business cards in Fig. 3 to help you to answer the following questions.

- (a) Identify the **two** types of business organisation labelled **A** and **C**. [2]
- (b) Who are the owners of **B** and **D**? [2]
- (c) Explain how the following business organisations are financed:
- (i) Amos Patel [2]
 - (ii) Cosmos Ltd. [2]
- (d) Ming and Mohammed are considering moving to new premises. Explain the factors they should take into consideration when deciding where to relocate their business. [6]
- (e) Cosmos Ltd's head office is at Bridge Industrial Park. It has factories in several other Asian countries so can be classed as a multinational company. Evaluate the benefits and the disadvantages to the countries where it is located. [6]

8 A shipping and forwarding agent has offices in a busy freeport in a country which belongs to a trading bloc.

(a) Briefly explain the terms:

(i) *shipping and forwarding agent* [3]

(ii) *freeport* [3]

(b) (i) What is meant by a *trading bloc*? [2]

(ii) Explain the advantages to the country of belonging to this trading bloc. [4]

(c) The shipping and forwarding agent needs to send a consignment of goods to a company 200 km from the port.

ROAD and **AIR** transport are both available. Which would you recommend? Give reasons for your choice. What additional information would you need to make a more informed choice? [8]

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