



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/02**

Paper 2

**May/June 2008**

**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 (a) Using examples, explain why consumers have both needs and wants. [4]
- (b) Some people are primary producers. Other people are involved in secondary production. Giving an example of each, explain the differences between these kinds of production. [6]
- (c) Is there a need for both producers and consumers in the global economy? Give reasons for your answer. [6]
- (d) How has the increased use of computers changed the ways in which producers communicate with consumers in the global economy? [4]

2 Consumers often need protection from suppliers of goods and services.

- (a) Explain why consumer protection is needed. [4]
- (b) State and explain **two** ways in which governments and non-governmental organisations might offer protection to consumers. [4]
- (c) Mrs Lara buys most of her food in a small corner shop. She has noticed that she paid 40c for a can of beans but that the supermarket nearby is selling the same brand of beans for 30c.
- (i) Why is the supermarket able to sell cans of beans more cheaply? [4]
- (ii) Why are many shoppers like Mrs Lara willing to pay higher prices in the small corner shop? [4]
- (d) It is important that the owner of the small corner shop is insured.

Explain this statement, naming **two** risks against which the owner of the small corner shop should be insured. [4]

3 The diagram in Fig. 1 shows four channels of distribution.

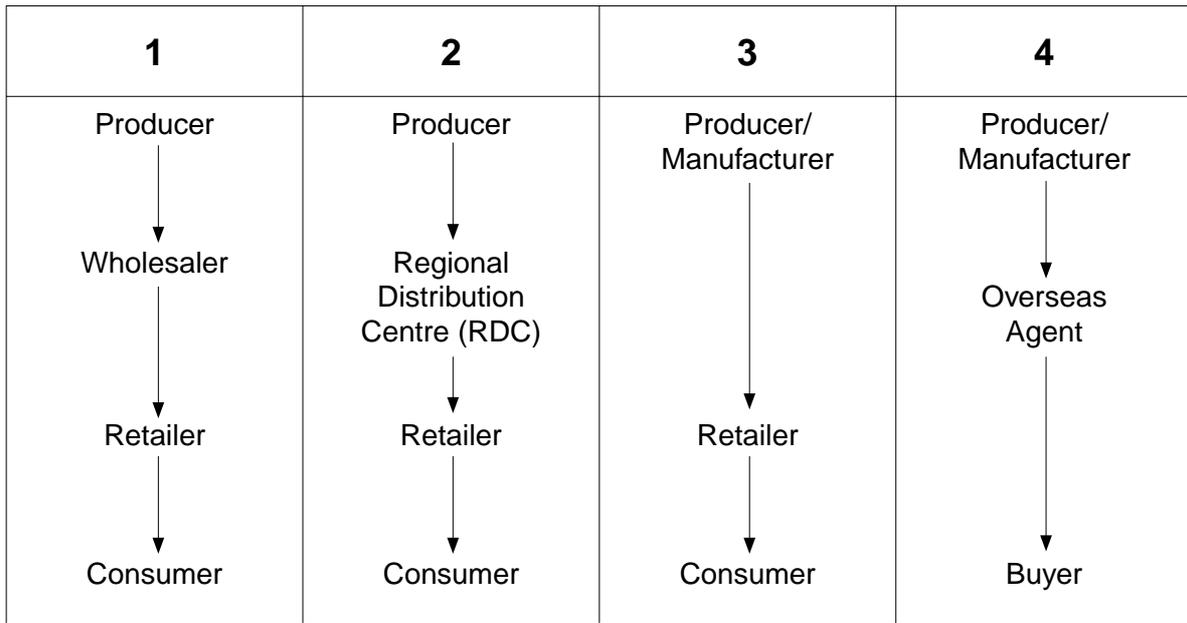


Fig. 1

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

- (a) Which channel of distribution would be **most** suitable for each of the following products? Give a reason for **each** of your choices.
- (i) matches which are sold by many small-scale retailers. [2]
- (ii) bread. [2]
- (b) What is the role of the overseas agent in distribution channel 4? [3]
- (c) (i) Name **one** type of shop that would have a Regional Distribution Centre. [1]
- (ii) Why is a Regional Distribution Centre important to this type of shop? [3]
- (d) Name and explain the functions of **one** of the commercial documents used when a producer sells goods to a wholesaler. [3]
- (e) A wholesaler is used in distribution channel 1. Explain why a wholesaler is **not** needed in many other channels of distribution. [6]

4 Mr Patel is considering setting up a business selling car tyres and batteries. He could establish himself as a sole trader or he could take out a franchise with a large tyre and battery company which offers franchise agreements.

(a) Name **three** features of a sole trader business which makes it different from any other form of business organisation. [3]

(b) Explain what is meant by the term *franchise agreement*. [3]

(c) Why does the large tyre and battery company offer franchises rather than operate its own retail outlets? [4]

(d) Mr Patel has the following two options:

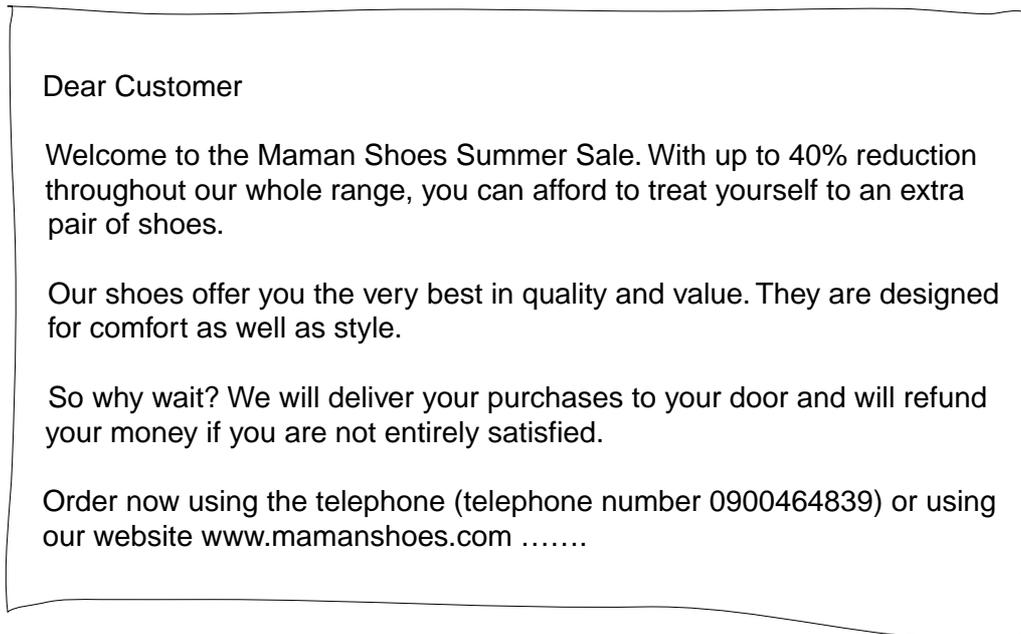
- set up as a sole trader;
- become a franchise.

Discuss **both** these options. Which would you recommend? Give reasons for your choice. [6]

(e) Mr Patel will need to advertise his new business in his local area.

Suggest the **best** way to do this. Give reasons for your choice. [4]

- 5 Fig. 2 is an extract taken from a mail order catalogue for a range of shoes.



**Fig. 2**

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

- (a) Identify **two** phrases or statements mentioned in Fig. 2 used to persuade customers to buy. [2]
- (b) Mrs Singh has decided to order a pair of shoes using the website. Explain why is this a better method of ordering the shoes than using the telephone. [4]
- (c) Mrs Singh is ordering a pair of shoes which originally cost \$90. There is a 30% reduction in the price. Calculate how much she will pay. Show your working. [3]
- (d) (i) Mrs Singh pays when she orders the goods. She might use a:  
**credit card** or **debit card**.  
Which would you recommend? Give reasons for your choice. [3]
- (ii) Why would Mrs Singh **not** use cash to pay for the shoes? [2]
- (e) What are the advantages to Maman Shoes of organising its business as a mail order company? [6]

- 6 The increased importance of international trade has resulted in the global economy.
- (a) Explain the term *international trade*. [2]
- (b) To what extent has international trade resulted in the growing interdependence of countries? Give reasons for your answer. [6]
- (c) Many countries are concerned about the growth of free trade in the global economy.
- (i) What is meant by the term *free trade*? [2]
- (ii) What measures might countries take to protect themselves against free trade? [6]
- (d) Mr Ahman has purchased goods costing \$500 000 from another country. He needs to pay his supplier.
- Explain how a commercial bank might assist Mr Ahman with this transaction. [4]
- 7 A multiple chain operating as a public limited company has decided to open three new shops in different parts of the country. The company will need additional finance to purchase the shops and also to pay for all the shop fittings.
- (a) Explain what is meant by the term *multiple chain*. [4]
- (b) The following sources of finance are available to the multiple chain:
- bank loan      overdraft      ordinary shares      trade credit**
- Which source of finance would you recommend:
- (i) to purchase the shops? [3]
- (ii) to pay for the shop fittings? [3]
- Give reasons for **each** of your choices.
- (c) Explain why the Board of Directors of the multiple chain will need to consider the following when choosing methods of finance:
- (i) interest rates which may be charged. [2]
- (ii) security or collateral to be provided. [2]
- (iii) the period of repayment. [2]
- (d) The multiple chain has some retained profits. Should the company use these funds to help pay for the new shops and shop fittings? Give reasons for your opinion. [4]

- 8 The advertisement in Fig. 3 is for a warehouse.

**BEWISE WAREHOUSE**

**Secure space for perfumes at the city airport.**  
**Suitable for air freight companies moving dutiable goods overseas.**  
**Bottling and packing facility available.**  
**Samples may be removed under Customs supervision.**  
**Space available immediately.**  
**Low charges.**  
**Contact .....**

**Fig. 3**

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

- (a) (i) What type of warehouse is described in the advertisement? [1]  
(ii) Name **two** statements in the advertisement which support your choice. [2]
- (b) State **three** general functions of any warehouse. [3]
- (c) Explain how a warehouse assists a producer of goods required by customers only at certain times of the year. [4]
- (d) Do importers require warehouses? Give reasons for your answer. [4]
- (e) Explain how an airport authority assists air freight companies to function effectively in international trade. [6]

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