

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/01

Paper 1

October/November 2004

Additional Materials: Answer Booklet/Paper

2 hours 30 minutes

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 on both sides of the paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **five** questions.

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.

The businesses described in this question paper are entirely fictitious.

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



- 1 (a) Explain why communication is important for an international company operating in world markets. [5]
- (b) Name **three** methods of communication which an international company might use in its operations and show in what circumstances they might be used. [9]
- (c) Explain why it is more difficult to operate in world markets than in the home market. [6]
- 2 Mr Mohammed owns a small shop selling electrical goods. He has experienced three problems.
- PROBLEM 1 Several cheques, presented by customers, have been dishonoured by his bank.
- PROBLEM 2 Cash has been stolen by one of his workers.
- PROBLEM 3 A multiple chain store selling electrical goods has recently opened nearby.
- (a) (i) State **three** reasons why cheques might be dishonoured. [3]
- (ii) Explain how he might overcome the problem of dishonoured cheques. [3]
- (b) (i) Name the insurance cover Mr Mohammed should have to protect himself against dishonest employees. [1]
- (ii) Describe the procedure for taking out such insurance cover. [6]
- (c) (i) Why might the opening of the multiple chain store be a problem for Mr Mohammed? [3]
- (ii) Explain **two** actions Mr Mohammed might take to deal with this problem. [4]
- 3 Explain briefly what is meant by each of the following and show how an exporter of computers might make use of each of them:
- (a) agents [5]
- (b) air waybills [5]
- (c) container lorries [5]
- (d) packaging. [5]
- 4 (a) Explain the importance of the following to the business traveller:
- (i) credit cards [6]
- (ii) mobile phone (cellphone). [4]
- (b) How does air transport assist the business traveller? [4]
- (c) In what circumstances might a business prefer to pay a debt:
- (i) by cash rather than by cheque [3]
- (ii) by direct debit rather than by cheque? [3]

- 5 The following advertisements have been placed by two companies in competition with one another.

<p>BIG GEORGE STORES</p> <p>announces the opening of its new superstore in</p> <p>GREENDALE</p> <p>at 2 pm on Monday, 6 December</p> <p>by Peter George Chairman, Big George Stores</p> <p>Offers and bargains in all departments changing each day</p> <p>Free gifts for the first 100 customers</p>	<p>AHMED ENTERPRISES</p> <p>SPECIAL OFFERS</p> <p>for this month</p> <p>available in all branches</p> <p>in men's and women's clothing, children's toys, furniture, cosmetics and gifts</p> <p>Extended opening hours Free car parking</p> <p>COME QUICKLY WHILE STOCKS LAST</p>
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Fig. 1

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

- (a) (i) Identify **two** examples of competitive advertising given in the advertisements in Fig. 1. [2]
- (ii) Identify **two** examples of informative advertising given in the advertisements in Fig. 1. [2]
- (b) Explain the advantages to the consumer of competition between producers of similar products. [6]
- (c) These two advertisements were placed in a newspaper. Explain **two** benefits of using newspaper advertising. [4]
- (d) Some producers may take part in collective advertising.
- (i) Explain what is meant by collective advertising. [4]
- (ii) Suggest an example of a collective advertising slogan. [2]

- 6 The following commercial documents have been used in a commercial transaction between a manufacturer and a retailer.

CHANG ENTERPRISES 75 River Valley Road Singapore 678453	
ORDER FORM	
Please supply to:	Order No: 3456
Feng & Solomon 244 East Coast Road Singapore 564310	Date: 1-11-04
<hr/>	
Please supply:	\$
4 suitcases Cat S227 @ \$90 each	360
4 holdalls Cat H453 @ \$50 each	200
6 knapsack bags K540 @ \$20 each	120
11 trolley cases T346 @ \$40 each	440
	<u>1120</u>
	<u>\$1120</u>
Signed <i>S. Feng</i>	
Director	

CHANG ENTERPRISES 75 River Valley Road Singapore 678453	
INVOICE	
Supply to:	Invoice No: 98A2 Order No: 3456
Feng & Solomon 244 East Coast Road Singapore 564310	Date: 20-11-04 Terms: 2% 7 days
<hr/>	
Particulars	Net Price
	\$
4 suitcases Cat S227 @ \$90 each	360
4 holdalls Cat H453 @ \$50 each	200
6 knapsack bags K540 @ \$20 each	120
11 trolley cases T346 @ \$40 each	440
	<u>1120</u>
Less 25% Trade Discount	<u> </u> E & OE

Fig. 2

Use the documents shown in Fig. 2 to help you to answer the following questions.

- (a) Name and explain the purpose of **one** document which might be used before the order is placed. [2]
- (b) Explain **two** differences between the order and the invoice. [4]
- (c) Why is there a signature on the order? [1]
- (d) (i) The manufacturer allows 25% trade discount on the total amount of the invoice.
Calculate the total amount owing on the invoice after trade discount. Show your working. [3]
- (ii) The manufacturer also allows cash discount of 2% for settlement within 7 days.
Calculate the amount that the retailer pays if the invoice is paid within 7 days. Show your working. [3]
- (iii) In what circumstances might the retailer **not** wish to take advantage of the cash discount offered? [2]
- (e) Explain the benefits to the retailer of purchasing directly from the manufacturer. [5]

7 Fabrice, Charlene and Joseph own a printing business. They are in partnership.

- (a) Explain **two** advantages of operating the business as a partnership. [4]
- (b) Fabrice, Charlene and Joseph share the profits in the ratio 7 : 3 : 2. The total profits for one year are \$120 000.
- (i) Calculate how much each partner receives. Show your working. [3]
- (ii) Suggest possible reasons for Fabrice receiving a greater share of the profits than the other two partners. [2]
- (c) Fabrice, Charlene and Joseph are thinking of expanding their business. There are three options available:
- OPTION 1 to look for a sleeping partner
- OPTION 2 to apply to the bank for a loan
- OPTION 3 to change their business into a private limited company.
- (i) Discuss the advantages and disadvantages of each of the three options. [9]
- (ii) Which **one** of the options would you recommend? Give reasons for your choice. [2]

8 Much freight is moved around the world in **bulk carriers**, in **tankers** and inside **containers**. Between neighbouring countries, **ro-ro ferries** are often used to move freight.

- (a) Giving examples of the types of goods carried in each, explain what is meant by:
- (i) bulk carriers [3]
 - (ii) tankers. [3]
- (b) Explain **three** reasons why the transport of goods inside containers has increased. [6]
- (c) Describe the advantages and disadvantages of using ro-ro ferries for the transport of freight between neighbouring countries. [8]

9 A country's privatised water supply is now owned by a public limited company, Water Services Ltd. It aims to modernise the water supply of the country.

- (a) Explain what is meant by the term 'privatised'. [2]
- (b) Explain **two** features of a public limited company. [4]
- (c) Explain how the modernisation of the water supply might be financed by Water Services Ltd. [4]
- (d) In November 2004, the Finance Director of Water Services Ltd reported the information in Fig. 3 to the Board of Directors.

Turnover was \$55bn, a 10% increase on November 2003
The amount of working capital available to pay short-term debts is causing concern

Fig. 3

- (i) Explain the term 'turnover'. [2]
 - (ii) Calculate the total turnover of Water Services Ltd in November 2003. Show your working. [2]
 - (iii) Give **one** example of a possible short-term debt for Water Services Ltd. [1]
 - (iv) Explain in what ways the amount of working capital available to Water Services Ltd might be increased. [5]
- 10 (a) Explain the purposes of a wholesale warehouse in the chain of distribution. [10]
- (b) Why is warehousing important to the following:
- (i) a manufacturer of seasonal products [3]
 - (ii) an importer of tea who then re-exports it? [3]
- (c) Why should a supermarket operating in a shopping centre have a small warehouse as part of the premises? [4]

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