

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/02**

Paper 2

October/November 2005

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

Answer any **four** 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 **7** printed pages and **1** blank page.



Answer any **four** questions.

1 Fig. 1 shows a chain of production for clothing.



**Fig. 1**

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

- (a) (i) Identify **X** in this chain of production. [1]  
 (ii) Identify the primary producer. [1]
- (b) Define:  
 (i) manufacturer [2]  
 (ii) consumer. [2]
- (c) Explain how the value of the clothing increases at each stage of production. [4]
- (d) Is specialisation important for a clothing manufacturer?  
 Explain your answer. [6]
- (e) How might consumers protect themselves against unfair trading practices by retailers? [4]

- 2 (a) Explain why the retail trade attracts many people wishing to set up small businesses. [4]
- (b) Name **three** important factors to consider when deciding on the location of a small retail business. Give a reason for each of your choices. [6]
- (c) (i) Which **two** of the following would be of benefit to a small-scale retailer? Give **two** reasons for each of your choices.

**AFTER-SALES SERVICE**

**ELECTRONIC POINT OF SALE (EPOS)**

**PACKAGING OF GOODS**

**LOYALTY CARDS**

[6]

- (ii) Explain why the two you have **not** chosen from the list above would be of little benefit to a small-scale retailer. [4]

- 3 Tan Enterprises is a small trading company selling computer accessories by mail order. In response to an enquiry, a parcel containing sample computer disks, a price list and catalogue was sent to the customer.

- (a) Explain what is meant by an enquiry. [2]

- (b) A few days later the customer contacted Tan Enterprises to say that the price list was not in the parcel.

Explain how you would overcome this problem, mentioning **one** method of communication you might use. [3]

- (c) The customer decided to purchase items from the catalogue.

- (i) Explain why documents are completed when goods are purchased. [4]

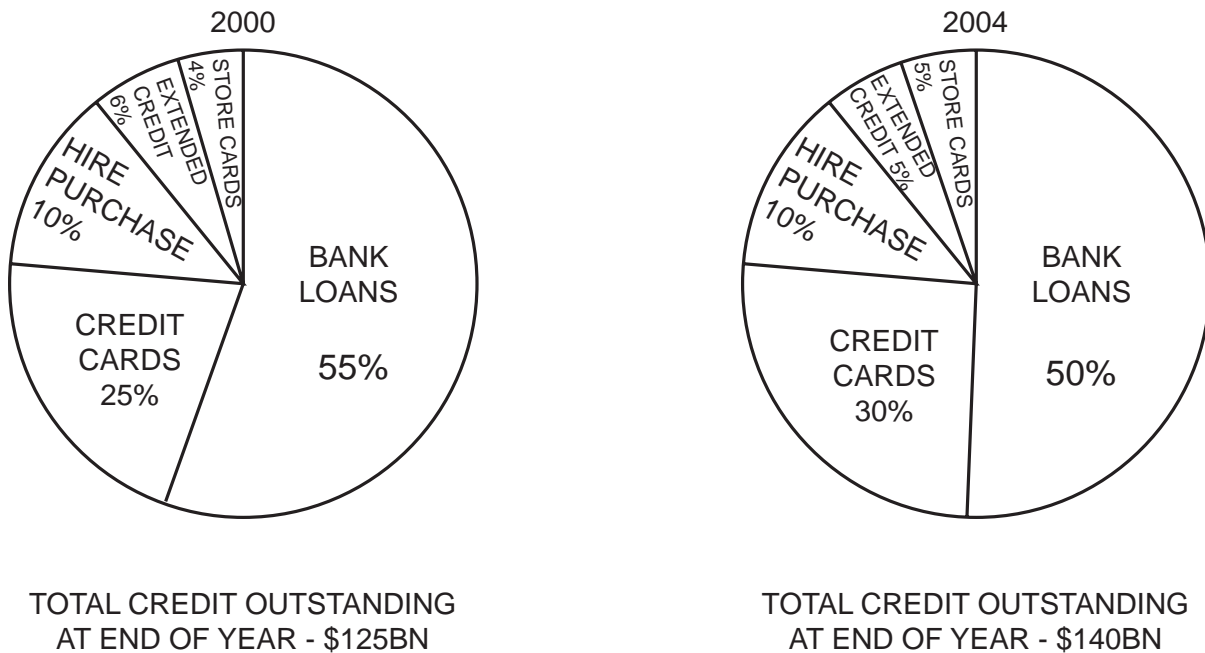
- (ii) Name **two** documents which will be used in this transaction. [2]

- (iii) Should Tan Enterprises offer the customer trade discount and cash discount for this transaction? Give reasons for your answer. [5]

- (iv) Name **two** methods of payment, through a commercial bank, the customer might use to pay for the goods. Give a reason for each of your choices. [4]

- 4 Fig. 2 shows two pie charts relating to the types of credit used between 2000 and 2004.

### COMPOSITION OF CONSUMER CREDIT



**Fig. 2**

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

- (a) (i) Calculate the percentage of total credit taken by customers using credit cards and store cards in 2000. Show your working. [2]
- (ii) Calculate the amount owed at the end of 2004 by customers using credit cards. Show your working. [2]
- (b) State **two** ways in which Hire Purchase differs from Extended Credit (Deferred Payments). [4]
- (c) Giving reasons for each of your choices, recommend the most suitable type of credit given in Fig. 2 for each of the following purchases: [3]
- (i) a new car [3]
- (ii) payment of a hotel bill. [3]
- (d) Explain why the use of credit for the purchase of goods and services has increased. [6]

- 5 Mrs Chang owns a general wholesale business.
- (a) Explain why a warehouse is important for Mrs Chang's business. [6]
- (b) The business is facing competition from manufacturers selling directly to retailers.  
Explain why many manufacturers now sell directly to retailers. [5]
- (c) Mrs Chang is considering how to overcome the competition from manufacturers selling directly to retailers. She has decided to offer a cash and carry service.
- (i) What is meant by cash and carry? [2]
- (ii) Do you think this would be a good course of action for Mrs Chang? Give reasons for your answer. [3]
- (iii) State and explain **two** actions Mrs Chang might take to survive this competition. [4]
- 6 Ben Rasheed owns a multiple chain of shops selling ice-cream and soft drinks.
- (a) Explain **two** advantages of operating his business as a multiple chain. [4]
- (b) Ben wants to expand his business and is considering two options.
- OPTION 1:** opening more shops in a neighbouring country
- OPTION 2:** forming a partnership with Sonia and Gregory Khan who own a group of sandwich bars
- (i) Explain **three** difficulties for Ben of trading in the neighbouring country. [6]
- (ii) Consider the advantages and disadvantages of forming the partnership with Sonia and Gregory Khan. [6]
- (iii) Advise Ben on which of the two options he should choose. Give reasons for your advice. [4]

7 Fig. 3 shows a newspaper advertisement for motor insurance.

**SALAMA INSURANCE BROKERS**

Why pay more for your insurance? We offer discounts for motorists aged over 21 and 50% no claims discount for having no accidents.

COMPLETE THE FORM BELOW FOR AN INSTANT QUOTATION  
and send to Salama Insurance Brokers, 435 Any Road, Anytown.

---

Name ..... Tel No .....

Address .....

Occupation ..... Age .....

Claims .....

Comprehensive/Third Party/Third Party Fire and Theft cover

Make of car ..... Model .....

cc ..... Value ..... Year .....

**Fig. 3**

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

- (a) Name **one** principle of insurance a motorist should consider when completing the form in Fig. 3. Give reasons for your answer. [4]
- (b) Why has Salama Insurance Brokers asked for the following information:
- (i) age of motorist [3]
- (ii) details of the car? [3]
- (c) Salama Insurance Brokers has offered a motorist insurance cover at a premium of \$1100. Calculate how much the motorist would pay if she was eligible for the no claims discount. Show your working. [2]
- (d) Explain the role of the insurance broker in arranging motor insurance. [4]
- (e) Salama Insurance Brokers is well known in its local area. It now wishes to extend its business and become known for its services nationwide. How might Salama Insurance Brokers achieve this? [4]

- 8 Mr Azam owns a successful transport business delivering a variety of goods around his own country.
- (a) Discuss the advantages and disadvantages to Mr Azam of having his own delivery vehicles. [8]

- (b) Mr Azam owns the following types of transport:

**CONTAINER LORRY**

**DELIVERY VAN**

**REFRIGERATED LORRY**

**HEAVY GOODS VEHICLE**

State, with a reason in each case, the type of transport he would use for transporting the following goods:

- (i) vegetables from local farms to a processing factory [2]
- (ii) a large consignment of electrical goods from the manufacturer to a port for export. [2]
- (c) Mr Azam wishes to obtain two more delivery vans.

He does not have enough capital to buy new delivery vans. He is considering the following options.

**OPTION 1:** buying two secondhand vans using retained profits

**OPTION 2:** obtaining a bank loan to buy two new vans

**OPTION 3:** leasing two vans from a leasing company

Advise Mr Azam on which might be the best option for him. Give reasons for your choice, explaining why you have rejected the other two options. [8]

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