



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/02**

Paper 2

**October/November 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 Fig. 1 shows an extract from an article about people working in the fishing industry.

**Many people work in the fishing industry or in jobs connected with it. Abdul works as a fisherman for a fishing company. Phil has a job in the fish processing factory. Asram owns a wholesale company which buys canned fish from the fish processing factory. Silvia is the manager of a small shop which sells fish. Brian delivers fish from the factory to the shop. Rita works as a clerk in the bank where the fishing company has its bank account.**

**Fig. 1**

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

- (a) (i) Identify a primary occupation given in Fig. 1. [1]  
 (ii) Identify a tertiary occupation given in Fig. 1. [1]
- (b) Explain the differences between primary and secondary occupations. [3]
- (c) Should the fish processing factory sell through Asram's wholesale company or should it sell directly to shops? Give reasons for your recommendation. [4]
- (d) Silvia is planning a new advertising campaign for the shop.  
 (i) Would posters and leaflets be more effective than television? Give reasons for your opinion. [3]  
 (ii) State **two** methods of sales promotion that Silvia might also use. [2]
- (e) How might the bank that Rita works for assist the fishing company to run its business? [6]

2 Several types of retailers are located in a shopping centre, as shown in Fig. 2.



Fig. 2

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

- (a) Explain what is meant by the term *shopping centre*. [2]
- (b) Explain how a hypermarket differs from a supermarket. [4]
- (c) State **two** advantages **to the consumer** of each of the following:
- (i) department stores. [2]
  - (ii) multiple chains. [2]
- (d) Is it better for unit retailers to be located in a shopping centre or to be located along a busy street in the Central Business District (CBD)? Give reasons for your answer. [4]
- (e) Does the growth of e-commerce present a threat or an opportunity to the shops in the shopping centre? Discuss this statement. Give reasons for your opinion. [6]

- 3 Miss Solomon wishes to obtain insurance cover for a new car. She is obtaining quotations from several insurance companies.
- (a) Why should Miss Solomon insure her new car? [4]
  - (b) Explain why Miss Solomon should obtain quotations from several insurance companies. [2]
  - (c) Miss Solomon will complete a proposal form provided by the insurance company she decides to use. Why is this necessary? [4]
  - (d) Explain **two** reasons why an insurance company may refuse to provide Miss Solomon with a motor insurance policy. [4]
  - (e) Miss Solomon could use an insurance broker or she could contact several insurance companies to arrange motor insurance. Discuss **both** options. Which would you recommend? Give reasons for your answer. [6]
- 4 Fig. 3 shows factors which may influence the location of a business.

<p><b>Nearness to raw materials</b>  <b>Cheap labour supply</b>  <b>Adequate power supply</b>  <b>Car parking</b>  <b>Good transport system</b>  <b>Nearness to customers</b>  <b>Availability of government grants</b>  <b>Nearness to suppliers</b></p>
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**Fig. 3**

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

- (a) State **two** factors from Fig. 3 that a large retail company would take into account when opening a new shop. [2]
- (b) (i) State **two** factors from Fig. 3 that a multinational manufacturing company would take into account when locating to a developing country. [2]
- (ii) Explain why **each** of these **two** factors is important for the multinational company. [4]
- (c) Explain why multinational companies are becoming increasingly important in the global economy. [4]
- (d) A multinational company selling fast food operates its outlets as franchises.
  - (i) What is meant by the term *franchise*? [3]
  - (ii) Is this a good way for the multinational company to operate its business? Give reasons for your answer. [5]

- 5 Most goods traded between countries are sent by sea or by air.
- (a) (i) Name **one** product more likely to be sent by sea than by air. [1]
- (ii) Name **one** product more likely to be sent by air than by sea. [1]
- (b) Explain why some products are more suitable for transport by air than by sea. [4]
- (c) What improvements made to air transport in the last few years have helped to make transport of goods by air more competitive with sea transport? [6]
- (d) How would a cold storage warehouse assist international trade? [4]
- (e) When goods arrive in a country they usually have to be transported to where they will be used. Explain why an importer might prefer to use road transport rather than rail transport? [4]

- 6 Advanced Processes Ltd is considering two ways of financing the purchase of a new computer system costing \$480 000.

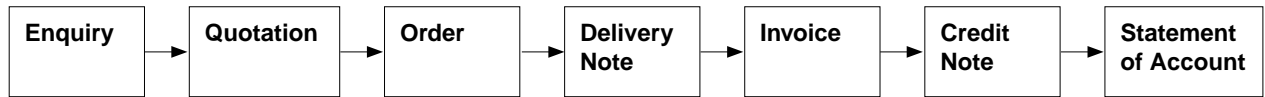
The company is considering the following options:

- Using its retained profits and an overdraft of \$100 000
- Taking out a bank loan for 3 years for \$480 000

- (a) Explain the term *retained profits*. [2]
- (b) Discuss the advantages and disadvantages of **each** of the **two** options. Which of these two options would you recommend? Give reasons for your choice. [8]
- (c) Why might leasing the new computer system be better than buying it? [4]
- (d) The bank has offered Advanced Processes Ltd a loan of \$480 000 over 3 years, payable in monthly instalments. It will charge 10% interest per year on the full loan.
- (i) Calculate how much the company will pay overall for the loan. [4]
- (ii) Calculate how much the company will repay monthly. [2]

(NB You should assume that Advanced Processes Ltd does not pay back the loan early.)

- 7 Fig. 4 shows the sequence of documents used between a regular customer who buys on credit and a trader.



**Fig. 4**

Use Fig. 4 to help you to answer the following questions:

**(a)** Identify

**(i)** **one** document in Fig. 4 sent from the customer to the trader. [1]

**(ii)** **one** document in Fig. 4 requesting payment. [1]

**(b)** Explain **two** circumstances when a credit note would be used. [4]

**(c)** Explain the importance of each of the following documents in a commercial transaction:

**(i)** quotation. [2]

**(ii)** invoice. [2]

**(d)** Describe **one** method of communication that the seller might use to send commercial documents to the customer. [3]

**(e)** Does the delivery note safeguard the buyer and the seller in a commercial transaction? Give reasons for your answer. [3]

**(f)** Why do regular customers usually buy on credit? [4]

- 8 The re-export trade is a growing part of total international trade. Many goods are imported into ports such as London, Dubai and Singapore and then exported again.
- (a) Explain why the re-export trade is so important. [3]
  - (b) Explain how each of the following assists this trade:
    - (i) Customs Officials. [3]
    - (ii) Freight Forwarding Agents. [3]
  - (c) Explain **two** difficulties that a trader might have when she re-exports goods to another country. [4]
  - (d) Why do many port authorities provide container terminals? [3]
  - (e) Apart from providing container terminals, what services would a port authority provide to assist shipping and international trade? [4]

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