

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**COMMERCE**

**7100/02**

Paper 2

May/June 2005

**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 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.

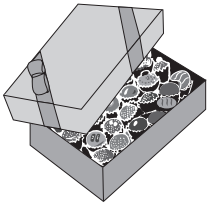
The businesses described in this question paper are entirely fictitious.

Answer any **four** questions.

- 1 (a) 'Consumers have many wants and needs which are satisfied by both home and international trade.'  
Explain, with examples, the meaning of this statement. [6]
- (b) International trade has become increasingly important to many countries.  
Explain how each of the following has assisted international trade:  
(i) communication [5]  
(ii) warehousing. [5]
- (c) 'As the result of being in a global market, countries are becoming increasingly interdependent.'  
Is this true? Explain your answer. [4]
- 2 Fig. 1 gives details of Chocolick, a company using e-commerce to sell chocolates on the Internet.

**CHCOLICK**

www.chocolick.com



Extensive range of high quality chocolates  
in attractive packaging

|         |                                 |      |
|---------|---------------------------------|------|
| Prices: | 500g box of milk chocolates     | \$25 |
|         | 500g box of assorted chocolates | \$30 |
|         | 1kg box of assorted chocolates  | \$50 |

Delivery: within 10 days

**Fig. 1**

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

- (a) (i) Explain the term 'e-commerce'. [2]  
(ii) Explain **two** reasons why e-commerce is becoming increasingly important. [4]
- (b) (i) Calculate how much a customer would pay if she purchased 4 1kg boxes of assorted chocolates and 2 boxes of milk chocolates. Show your working. [2]  
(ii) Suggest **one** method of delivering this order for chocolates:  
A to an address in the same country [1]  
B to an address in another country. [1]
- (c) Explain why attractive packaging is used for the chocolates. [4]
- (d) Chocolick uses the Internet to advertise and sell its chocolates. Discuss other ways in which the staff of Chocolick might make use of computers to run the business [6]

- 3 The accountant in a small engineering company is responsible for paying suppliers via company invoices and statements of account.
- (a) Explain why suppliers send the company both invoices and statements. [4]
  - (b) Explain the advantages of using crossed cheques to pay the suppliers. [4]
  - (c) The accountant wishes to pay some regular suppliers by direct debit rather than by cheque.
    - (i) Explain the main features of direct debit. [3]
    - (ii) Will the company benefit from using this method of payment? Give reasons for your answer. [3]
  - (d) Explain how the accountant might make use of Internet banking. [4]
- 4 Bonusbuy is a chain of supermarkets operating as a large-scale retailer.
- (a) What are the advantages of large-scale retailing to Bonusbuy itself? [6]
  - (b) Explain the benefits to Bonusbuy of:
    - (i) providing self service to its customers [3]
    - (ii) selling its own brands [3]
    - (iii) using bar coding on its goods. [3]
  - (c) 'Supermarkets compete for customers through pricing and special offers.'  
Is this true? Give reasons for your answer. [5]
- 5 Bing Ltd is a public limited company which employs a large number of people. It operates a wholesale business serving small-scale retailers in several large cities.
- (a) Explain **two** characteristics of a public limited company. [4]
  - (b) Bing Ltd offers credit to its customers (the small-scale retailers). Explain why Bing Ltd offers credit to them. [4]
  - (c) Name and explain **three** other services Bing Ltd might offer to these small-scale retailers. [6]
  - (d) Bing Ltd has insured against the following business risks:
 

|                                                                                         |                             |                           |
|-----------------------------------------------------------------------------------------|-----------------------------|---------------------------|
| <b>PUBLIC LIABILITY</b>                                                                 | <b>EMPLOYER'S LIABILITY</b> | <b>CONSEQUENTIAL LOSS</b> |
| Is cover for these business risks needed by Bing Ltd? Give reasons for your answer. [6] |                             |                           |

6 Fig. 2 shows a number of newspaper headlines labelled A–E relating to air transport.

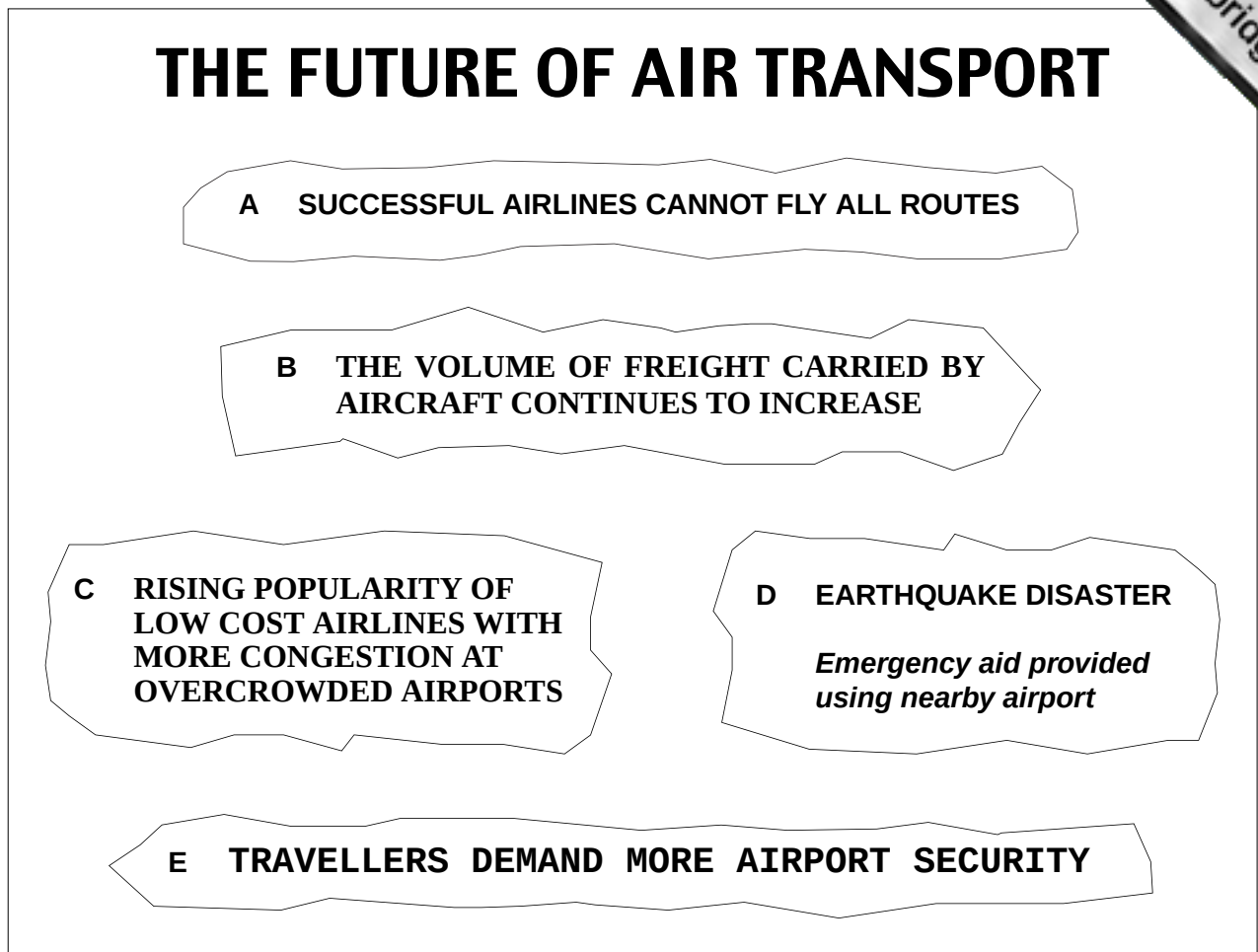
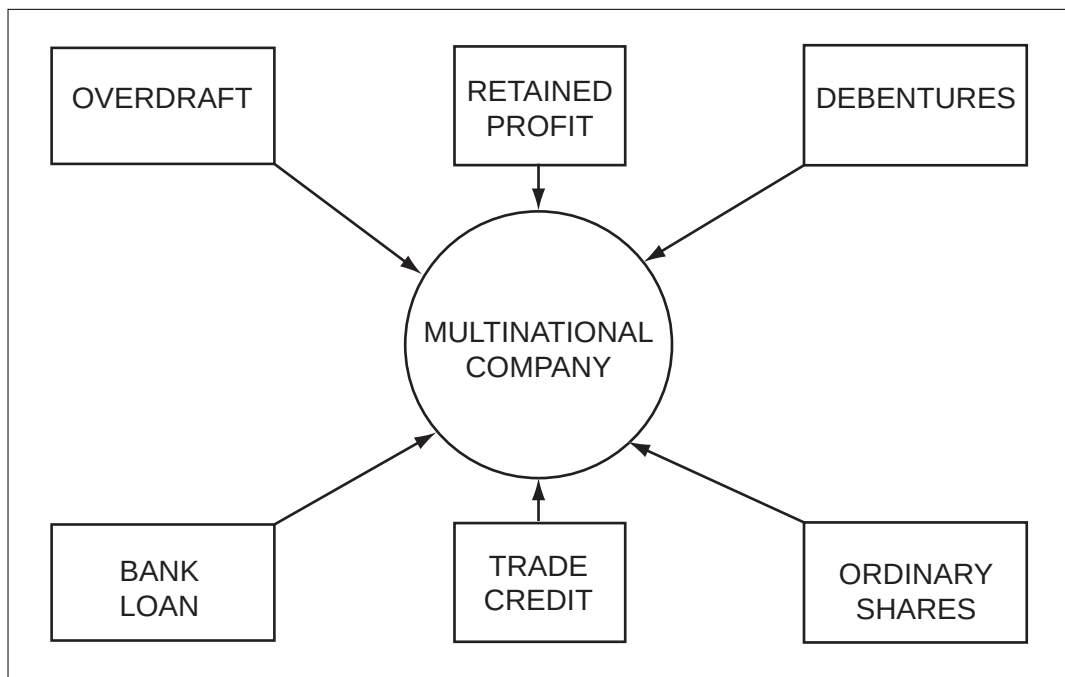


Fig. 2

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

- (a) Identify **one** advantage and **one** disadvantage of air transport as shown in the newspaper headlines labelled A–E. [2]
- (b) Explain why the volume of freight carried by aircraft continues to increase. [6]
- (c) (i) Name **two** services provided at airports to protect passengers. [2]  
(ii) Explain why low cost airlines are becoming so popular. [4]
- (d) (i) Why is air transport suitable for emergency aid? [2]  
(ii) Name **two** other groups of products for which air transport is particularly suitable. Give a reason for each of your choices. [4]

- 7 Fig. 3 shows several sources of finance available to a multinational company.



**Fig. 3**

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

- (a) (i) Explain, using an example, what is meant by a multinational company. [3]  
 (ii) Explain **three** reasons why multinational companies are important in the global economy. [6]
- (b) Using Fig. 3, identify:  
 (i) **one** source of short-term finance [1]  
 (ii) **one** source of long-term finance. [1]
- (c) Giving reasons for your choices, recommend a source of finance given in Fig. 3 that the multinational company might use to:  
 (i) update its computer system [3]  
 (ii) build a new factory in another country [3]  
 (iii) improve its cash flow. [3]

(Do not use the same source of finance more than once.)

**QUESTION 8 IS ON THE NEXT PAGE**

8 Rita Shah is a nurse. She is setting up a small business offering nursing services.

(a) Explain why Rita will need to use the following for her new business:

(i) informative advertising

(ii) persuasive advertising.

[3]

(b) Some of the general factors to consider when choosing suitable media for advertising a small business are:

**COST OF MEDIA**

**TARGET AUDIENCE**

**METHODS OF APPEAL**

Are these important factors for Rita's business? Explain your answer.

[6]

(c) Rita has been advised that many businesses fail during their first two years.

(i) Explain the importance of working capital to her business.

[4]

(ii) Suggest ways in which she could make a profit.

[4]



