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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

1546610185

COMMERCE **7100/02**

Paper 2 **October/November 2009**

2 hours

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces provided above.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer any **four** questions.

The businesses described in this Question Paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

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Total	

This document consists of **19** printed pages and **5** blank pages.

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For Examiner's

Answer any **four** questions.

1 The diagram in Fig. 1 shows the Activities A-E involved in the production of a can of peas.

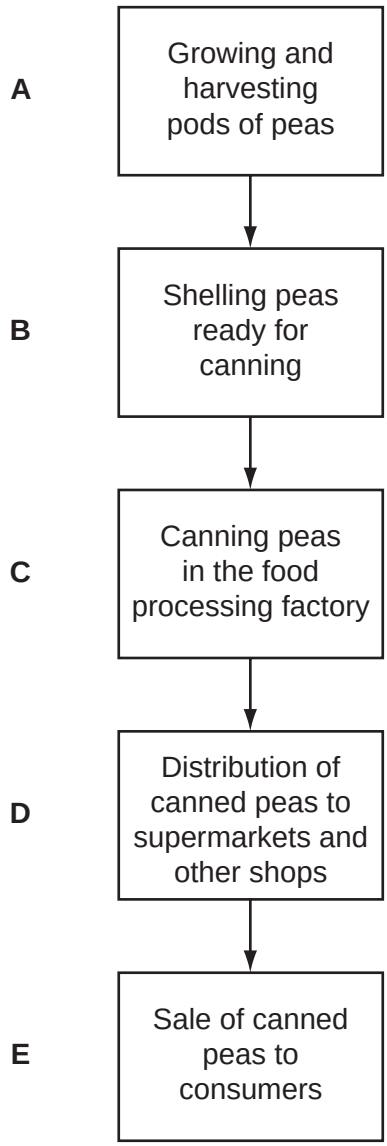

Fig. 1

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

(a) What stage of production is the activity in Fig. 1 labelled:

(i) A .....

(ii) D ..... [2]

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(b) Using the diagram in Fig. 1, identify **two** ways in which value is added to the p peas.

Way 1 .....

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Way 2 .....

..... [2]

(c) Explain how the farmer who is growing the peas might make use of:

(i) banking and finance;

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..... [3]

(ii) warehousing.

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(d) Describe how the canned peas would be distributed to supermarkets and other shops (Activity D).

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(e) The food processing factory uses specialisation when canning many kinds of vegetables. Is specialisation beneficial to the owner of the factory?

Give reasons for your answer.

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For Examiner's

2 Aminathi Singh owns several shops selling motorcycles.

(a) Explain **two** reasons why it is better to own several shops rather than one shop.

Reason 1 .....

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Reason 2 .....

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..... [4]

(b) Why should Mrs Singh offer after sales service in her shop?

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..... [3]

(c) Mrs Singh wishes to start an advertising campaign to sell more motorcycles. State **two** factors she should consider when choosing which advertising media to use. Give a reason for each of your choices.

Factor 1 .....

Reason .....

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Factor 2 .....

Reason .....

..... [4]

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(d) Giving an example, explain what is meant by a *method of appeal*.

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(e) Mrs Singh is considering using the following methods of promotion:

a free gift with every motorcycle sold
5% discount when payment is made in cash
a free copy of a motoring magazine

Which method of promotion would you recommend? Give reasons for your choice.

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For Examiner's Use

3 The following headlines have appeared in a newspaper.

Rise in popularity of the small retailer - many small shops opening

Supermarkets compete on price - consumers benefit

Fig. 2

Use the newspaper headlines in Fig. 2 to help you to answer the following questions.

(a) Explain **two** reasons why many people start small **retail** businesses.

Reason 1 .....

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Reason 2 .....

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..... [4]

(b) Explain why small shops are popular with consumers.

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..... [4]

(c) Do consumers benefit from supermarkets competing on price? Give reasons for your opinion.

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..... [3]

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For Examiner's

(d) Mrs Ming has bought some cooking oil from her local supermarket. The coo smells bad. What actions could she take?

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..... [3]

(e) A supermarket wishes to increase its sales by using the following options:

Option 1 **Selling local produce**
Option 2 **Offering own brands**
Option 3 **Giving loyalty cards to customers**
Option 4 **Providing an in-store bakery**

Which **two** of these options would be the best methods of increasing sales? Give reasons for your choices.

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For Examiner's

4 The Managing Director of Smartwear Ltd has decided to install a computer system will automatically produce invoices and other commercial documents ready to sen customers. At present this is done manually.

(a) **(i)** Explain what is meant by an invoice.

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..... [3]

(ii) Name **one** other commercial document sent to customers **after** the invoice and explain its function.

Commerical document .....

Function .....

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..... [3]

(b) Explain the benefits of using a computer system to issue invoices.

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(c) The Managing Director intends to lease the computer from an office supplies co for $150 a month on a four year contract.

Calculate the cost of the lease for the four year period. Show your working.

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..... [4]

(d) The Managing Director needs to communicate the decision to install the computer system to other members of staff. She has the following methods of communication available:

email	**letters to all members of staff**
telephone	**intranet**

Which **two** methods of communication should she use? Give reasons for your opinion.

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5 Masengo owns a furniture warehouse. He sells directly to consumers who visit the warehouse.

He accepts credit cards, debit cards and cash in payment for the furniture.
He does not accept cheques.
He also offers hire purchase agreements for the more expensive items.

(a) Why should Masengo accept credit cards?

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..... [2]

(b) Explain **two** benefits to Masengo of his customers using cash to pay for the furniture.

Benefit 1 .....

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Benefit 2 .....

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..... [4]

(c) Explain why Masengo does not accept cheques.

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(d) Explain **one** difference between a credit card and a debit card.

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For Examiner's

(e) Should Masengo continue to offer hire purchase agreements to his customers? Give reasons for your opinion.

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(f) Explain **two** reasons why Masengo needs a warehouse.

Reason 1 .....

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Reason 2 .....

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6 Abdul Khan owns a van that he uses for his business.

The table below shows the no claims bonus and premiums for insurance for the van over five years.

Year	Total Premium Charged $	No Claims Bonus %
1	1100	-
2	1150	20
3	1200	40
4	1230	60
5	1280	60

Fig. 3

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

(a) **(i)** What is meant by a premium?

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..... [1]

(ii) What is meant by no claims bonus?

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..... [2]

(iii) Why has the no claims bonus increased from nil in Year 1 to 60% in Year 4?

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..... [1]

(b) The total premium in Year 3 is $1200. Abdul is entitled to 40% no claims bonus. Calculate his premium. Show your working.

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(c) Explain why the total premium charged has risen from $1230 in Year 4 to $1[illegible] in Year 5.

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(d) Abdul is making a claim for an accident he has had in Year 5. Discuss the importance of the principles of insurance when making a claim. Which do you consider to be the most important principle? Give reasons for your choice.

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(e) Abdul bought his van from Hassan Motors Ltd, a public limited company. He h van maintained and serviced at Ready Auto Services, a small garage owned by Mr a sole trader.

(i) State **two** features of a public limited company.

Feature 1 .....

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Feature 2 .....

..... [2]

(ii) Why might Abdul prefer to use Ready Auto Services for the maintenance and servicing of his van rather than using Hassan Motors Ltd?

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7 Louis Daly owns a wholesaling business buying from manufacturers and selling to re in the home market. He also buys from other countries through intermediaries (people bring buyers and sellers together) to meet the demands of consumers.

(a) Explain **two** services Louis gives to manufacturers in the home market.

Service 1 .....

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Service 2 .....

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..... [4]

(b) Name **two** kinds of intermediaries Louis might use when buying from other countries.

1 .....

2 ..... [2]

(c) Is it true that intermediaries are needed more in international trade than in home trade? Give reasons for your opinion.

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(d) Explain why consumers may buy some types of goods from other countries though they are manufactured in their own country.

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(e) Explain how the functions of customs authorities may affect Louis' business.

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For Examiner's

8 Three airlines operate within a country where distances are very great. They tra[illegible] people and freight.

(a) Explain why air transport is important within this country.

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(b) Suggest **one** other way in which heavy freight might be moved in this country. Give reasons for your choice.

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(c) **(i)** Name **two** services provided at airports for passengers.

1 .....

2 ..... [2]

(ii) Name **two** services provided at airports for handling freight.

1 .....

2 ..... [2]

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(d) Two of the airlines are in serious financial difficulty. They need to replace aircraft. They have made losses during the last two years because of the increasing costs of fuel and staff wages.

Recommend ways in which these two airlines might be made profitable. Give reasons for your recommendations.

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