UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE **7100/22**

Paper 2 **May/June 2012**

2 hours

Additional Materials: Answer Booklet/Paper.

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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 the 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 **8** printed pages.

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UNIVERSITY *of* CAMBRIDGE
International Examinations

1 The table in Fig. 1 shows the output of different types of industry for Country A and Country B.

	Country A % of output	Country B % of output
Primary industry	60	10
Secondary industry	20	30
Tertiary industry	20	60
	100%	**100%**

Total value of output	**$80bn**	**$100bn**

Fig. 1

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

(a) Explain what is meant by *secondary industry.* [3]

(b) Classify the following occupations as primary or secondary or tertiary:

(i) fisherman [1]

(ii) freight forwarder. [1]

(c) **(i)** What is the percentage of output from tertiary industry for Country B? [1]

(ii) Calculate, showing your working, the total value of output from primary industry for Country A. [2]

(d) Explain possible reasons for the differences in the figures in Fig. 1 for Country A and Country B. [6]

(e) Is it likely that Country A and Country B are involved in international trade? Using the information in Fig. 1, give reasons for your opinion. [6]

2 During May, a fruit and vegetable shop has a turnover of $50 000. The mark-up is 25% on purchases made mostly from wholesalers.

(a) Explain what is meant by the term *turnover*. [2]

(b) **(i)** Calculate the cost price of the goods sold. Show your working. [2]

(ii) If total expenses are $6000, calculate the net profit made. Show your working. [3]

(c) Why is it important that this fruit and vegetable shop has a high rate of turnover? [3]

(d) Describe **two** services provided by wholesalers to **this fruit and vegetable shop**. [4]

(e) The owner of the fruit and vegetable shop has just opened a new branch in a nearby town. The following promotion methods are available:

advertisements in local newspapers **point of sale displays outside the shop**

buy one, get one free **posters** **loss leaders**

Should the owner of the fruit and vegetable shop use all or some of these promotion methods? Give reasons for your answer. [6]

3 The bar chart in Fig. 2 shows the proportions of retail sales of sports equipment made through the Internet and shops for 2005 and 2010. It also shows a forecast of where sales will be made in 2015.

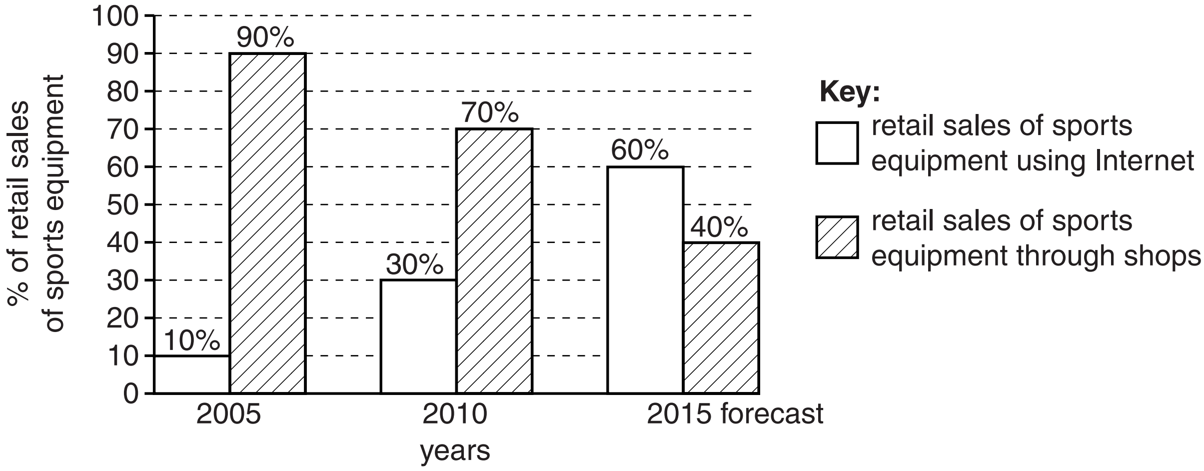

Fig. 2

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

(a) What percentage of retail sales of sports equipment was made through shops in 2005? [1]

(b) Raza owns several shops around the country selling sports equipment. Using the information in Fig. 2, recommend to Raza whether she should sell her sports equipment through her shops or using the Internet in the future. Give reasons for your advice. [6]

(c) A customer has returned an exercise bicycle to one of Raza's shops saying that it does not work properly. What actions should the manager of this shop take? [3]

(d) **(i)** State **one** advantage **to Raza** of offering credit to customers. [1]

(ii) State **one** disadvantage **to Raza** of offering credit to customers. [1]

(iii) How would a customer obtain interest-free credit when using a credit card? [1]

(e) Raza needs to raise some finance to fund future plans for her business.

(i) Explain why she should try to use internal sources of finance. [3]

(ii) In what circumstances should she use a bank loan rather than a bank overdraft? [2]

(iii) How would taking a sleeping partner assist her business? [2]

4 Many businesses worldwide use road, rail, air and sea transport to move goods.

(a) State **two** advantages of rail transport compared with road transport for moving goods. [2]

(b) **(i)** The use of rail transport has declined in some countries. Explain **two** reasons for this decline. [4]

(ii) Identify **two** developments in rail transport in some countries in recent years. [2]

(c) State **two** services provided at airports for the handling of goods. [2]

(d) Explain the importance when exporting goods of:

(i) a bill of lading [2]

(ii) an air waybill. [2]

(e) A business based in Singapore wishes to export a consignment of books to the USA. It could use either **air transport** or **sea transport**. Discuss the advantages of each. Which should the business choose? Give reasons for your choice. [6]

5 Many people use ATM machines, debit cards and the Internet to conduct their banking.

(a) State **three** services provided by ATM machines. [3]

(b) **(i)** Explain the advantages to the cardholder of **using** debit cards. [2]

(ii) Explain the advantages to shopkeepers of **accepting** debit cards. [2]

(c) List **three** services offered to bank customers who use Internet banking. [3]

(d) Explain why bank statements are important to all bank customers. [4]

(e) There are several types of advertising:

collective **competitive** **informative** **persuasive**

Which types of advertising should large commercial banks use in order to sell their banking services successfully? Give reasons for your answer. [6]

6 The businesses in Fig. 3 use warehousing.

A	**Tom, a farmer, owns barns.**
B	**Abel Ltd, a wholesaler, operates a cash and carry warehouse.**
C	**Karina, a manufacturer, uses a warehouse.**
D	**Betterbuy, a nationwide chain of supermarkets, has regional distribution centres (RDCs).**
E	**Costimp Ltd operates several bonded warehouses.**

Fig. 3

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

(a) Name **one** of the businesses labelled **A** to **E** in Fig. 3 that:

(i) needs storage so that production can be ahead of demand [1]

(ii) assists small-scale retailers. [1]

(b) Which **one** of the businesses labelled **A** to **E** is likely to be located at:

(i) a busy road junction [1]

(ii) an airport? [1]

(c) Why are the selling costs of a cash and carry warehouse lower than those of a traditional wholesale warehouse? [2]

(d) **(i)** Explain the importance of regional distribution centres to a nationwide chain of supermarkets such as Betterbuy. [4]

(ii) Explain why bonded warehouses are important in international trade. [4]

(e) Tom, the farmer, owns barns for storage. Discuss whether or not he needs them. Give reasons for your answer. [6]

7 Fig. 4 shows an advertisement for travel insurance.

TRAVEL INSURANCE
FOR ALL AGES

Come to

PAXICOVER DIRECT

Open 7 days a week

Apply by phoning 01234 567 890

or

apply online at www.paxicoverdirect.com
with a 10% discount on your premium.

Fig. 4

Use the information in Fig. 4 to help you to answer the following questions.

(a) **(i)** Why is it important for people to have travel insurance? [2]

(ii) Name **two** other risks against which a person might insure. [2]

(b) Fig. 4 shows that people can apply for travel insurance online. What are the benefits of applying online for:

(i) the customer [2]

(ii) the insurance company? [2]

(c) The following people are making claims on their travel insurance. Mentioning any principles that apply, decide whether or not they are likely to make successful claims. Give reasons for your answers.

(i) Rosemary has had an accident while on holiday. She has travel insurance with two insurance companies. [3]

(ii) William has been taken ill while on holiday. He did not notify the insurance company about his heart disease when he applied for travel insurance. [3]

(d) Paxicover Direct is a large company with thousands of policy-holders. Will this be an advantage or a disadvantage to those who insure with the company? Give reasons for your answer. [6]

8 Polybee is a limited company specialising in making packaging materials for large-scale retailers.

(a) (i) State **three** kinds of packaging that Polybee is likely to provide for large-scale retailers. [3]

(ii) Explain why most large-scale retailers put their brand names on packaging. [3]

(iii) 'Packaging of products is necessary but adds to the cost of products to the consumer.'

Do you agree with this statement? Give reasons for your opinion. [6]

(b) Explain the advantages to Polybee of **specialising** in making packaging materials. [4]

(c) Explain why Polybee issues catalogues and price lists to its customers rather than sending out quotations in reply to enquiries. [4]