

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

COMMERCE 7100/02

Paper 2 May/June 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.



International Examinations

Answer any **four** questions.

1	(a)	Usir	ng examples, explain why consumers have both needs and wants.	[4]				
	(b)		ne people are primary producers. Other people are involved in secondary producting an example of each, explain the differences between these kinds of production.	ion. [6]				
	(c)		nere a need for both producers and consumers in the global economy? Give reasons ranswer.	for [6]				
	(d)	How has the increased use of computers changed the ways in which producers commun with consumers in the global economy?						
2	Con	sumers often need protection from suppliers of goods and services.						
	(a)	Explain why consumer protection is needed.						
	(b)		te and explain two ways in which governments and non-governmental organisations mir protection to consumers.	ght [4]				
	(c)		Lara buys most of her food in a small corner shop. She has noticed that she paid 40c an of beans but that the supermarket nearby is selling the same brand of beans for 30c					
		(i)	Why is the supermarket able to sell cans of beans more cheaply?	[4]				
		(ii)	Why are many shoppers like Mrs Lara willing to pay higher prices in the small corshop?	ner [4]				
	(d)	(d) It is important that the owner of the small corner shop is insured.						
		Explain this statement, naming two risks against which the owner of the small corner shop should be insured. [4]						

3 The diagram in Fig. 1 shows four channels of distribution.

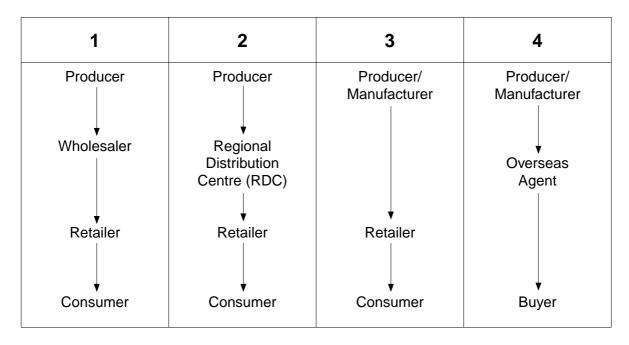


Fig. 1

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

- (a) Which channel of distribution would be **most** suitable for each of the following products? Give a reason for **each** of your choices.
 - (i) matches which are sold by many small-scale retailers. [2]
 - (ii) bread. [2]
- **(b)** What is the role of the overseas agent in distribution channel **4**? [3]
- (c) (i) Name one type of shop that would have a Regional Distribution Centre. [1]
 - (ii) Why is a Regional Distribution Centre important to this type of shop? [3]
- (d) Name and explain the functions of **one** of the commercial documents used when a producer sells goods to a wholesaler. [3]
- (e) A wholesaler is used in distribution channel 1. Explain why a wholesaler is **not** needed in many other channels of distribution. [6]

- 4 Mr Patel is considering setting up a business selling car tyres and batteries. He could establish himself as a sole trader or he could take out a franchise with a large tyre and battery company which offers franchise agreements.
 - (a) Name **three** features of a sole trader business which makes it different from any other form of business organisation. [3]
 - **(b)** Explain what is meant by the term *franchise agreement*. [3]
 - (c) Why does the large tyre and battery company offer franchises rather than operate its own retail outlets?
 - **(d)** Mr Patel has the following two options:
 - set up as a sole trader;
 - become a franchise.

Discuss **both** these options. Which would you recommend? Give reasons for your choice. [6]

(e) Mr Patel will need to advertise his new business in his local area.

Suggest the **best** way to do this. Give reasons for your choice. [4]

5 Fig. 2 is an extract taken from a mail order catalogue for a range of shoes.

Dear Customer

Welcome to the Maman Shoes Summer Sale. With up to 40% reduction throughout our whole range, you can afford to treat yourself to an extra pair of shoes.

Our shoes offer you the very best in quality and value. They are designed for comfort as well as style.

So why wait? We will deliver your purchases to your door and will refund your money if you are not entirely satisfied.

Order now using the telephone (telephone number 0900464839) or using our website www.mamanshoes.com

Fig. 2

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

- (a) Identify **two** phrases or statements mentioned in Fig. 2 used to persuade customers to buy. [2]
- (b) Mrs Singh has decided to order a pair of shoes using the website.

 Explain why is this a better method of ordering the shoes than using the telephone.

 [4]
- (c) Mrs Singh is ordering a pair of shoes which originally cost \$90. There is a 30% reduction in the price. Calculate how much she will pay. Show your working. [3]
- (d) (i) Mrs Singh pays when she orders the goods. She might use a:

credit card or debit card.

Which would you recommend? Give reasons for your choice.

[3]

(ii) Why would Mrs Singh **not** use cash to pay for the shoes?

- [2]
- (e) What are the advantages to Maman Shoes of organising its business as a mail order company? [6]

6	The increased importance of international trade has resulted in the global economy.								
	(a)	Exp	lain the term interna	ntional trade.			[2]		
	(b)	To what extent has international trade resulted in the growing interdependence of countrie Give reasons for your answer.							
	(c) Many countries are concerned about the growth of free trade in the global economy								
		(i)	What is meant by the	ne term <i>free tr</i>	ade?		[2]		
		(ii)	What measures mi	ght countries t	ake to protect them	selves against free trade?	[6]		
	(d)	Mr Ahman has purchased goods costing \$500 000 from another country. He needs to pay his supplier.							
		Exp	lain how a commerc	ial bank might	assist Mr Ahman v	vith this transaction.	[4]		
7	diffe	multiple chain operating as a public limited company has decided to open three new shops in ferent parts of the country. The company will need additional finance to purchase the shops and so to pay for all the shop fittings.							
	(a)	a) Explain what is meant by the term <i>multiple chain</i> .							
	(b) The following sources of finance are available to the multiple chain:								
			bank loan	overdraft	ordinary shares	trade credit			
	Which source of finance would you recommend:								
		(i)	to purchase the sho	ops?			[3]		
		(ii)	to pay for the shop	fittings?			[3]		
	Give reasons for each of your choices.								
	(c) Explain why the Board of Directors of the multiple chain will need to consider the when choosing methods of finance:								
		(i)	interest rates which	may be charç	ged.		[2]		
	(ii) security or collateral to be provided.								
		(iii)	the period of repay	ment.			[2]		
	(d)		multiple chain has for the new shops a		•	e company use these funds r your opinion.	to help [4]		

8 The advertisement in Fig. 3 is for a warehouse.

BEWISE WAREHOUSE

Secure space for perfumes at the city airport.

Suitable for air freight companies moving dutiable goods overseas.

Bottling and packing facility available.

Samples may be removed under Customs supervision.

Space available immediately.

Low charges.

Contact

Fig. 3

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

- (a) (i) What type of warehouse is described in the advertisement? [1]
 - (ii) Name **two** statements in the advertisement which support your choice. [2]
- **(b)** State **three** general functions of any warehouse. [3]
- (c) Explain how a warehouse assists a producer of goods required by customers only at certain times of the year. [4]
- (d) Do importers require warehouses? Give reasons for your answer. [4]
- (e) Explain how an airport authority assists air freight companies to function effectively in international trade. [6]

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