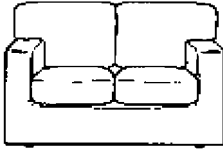


Answer ALL questions


1. Sofa Sales Ltd is a mail order company that sells sofas. Below is one of its advertisements.

Stylish sofas at low prices



was £420 now £300
Free delivery
21 days' home trial

For a copy of our FREE colour brochure



123456

Sofa Sales Ltd

(a) (i) Calculate how much a customer would save if they bought the sofa as shown in this advertisement.

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(2)

(ii) What is meant by *21 days' home trial*?

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(2)

(b) Sofa Sales Ltd accepts credit cards and debit cards in payment for the furniture. Hire purchase is offered for the more expensive items. Cheques and postal orders are not accepted.

Why does Sofa Sales Ltd accept credit cards as a method of payment?

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(3)



(c) Discuss why Sofa Sales Ltd would prefer customers to pay for goods by debit card rather than credit card.

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(4)

(d) (i) How do cheques and postal orders differ from each other as a means of payment?

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(4)

(ii) Explain why Sofa Sales Ltd does not accept cheques.

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(3)



(e) Analyse the advantages and disadvantages to customers of buying goods on hire purchase.

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(7)

Q1

(Total 25 marks)

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2. Lizzie is interested in buying some ordinary shares in a newly formed public limited company which will be issued on the stock exchange.

Another type of share is a debenture share.

(a) (i) What is meant by ordinary shares?

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(2)

(ii) What determines the dividend paid on ordinary shares?

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(3)

(b) (i) Why do public limited companies issue shares?

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(4)



(ii) State **three** characteristics of a debenture.

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(3)

(c) Explain how a company will sell a share issue to the public using the prospectus method.

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(5)



Leave blank

(d) Assess the risks and rewards for Lizzie if she invests in ordinary shares in a new public limited company.

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(8)

Q2

(Total 25 marks)

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3. A cash-and-carry wholesaler has taken out a fire insurance policy on a new warehouse.

(a) (i) Describe how a cash-and-carry warehouse is organised.

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(4)

(ii) What are the benefits of a cash-and-carry warehouse for retailers?

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(3)

(b) What would be the benefits for the wholesaler of insuring their warehouse against the risk of fire?

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(6)



(c) Discuss the importance of ensuring that full and accurate information is given to the insurance company when seeking insurance.

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(6)

(d) Six months ago, the wholesaler insured the warehouse with three different insurance companies, each for £200 000.

The warehouse has now been destroyed by a fire, causing total damage of £90 000.

Suggest why each insurance company will not pay the £200 000 claimed.

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(6)

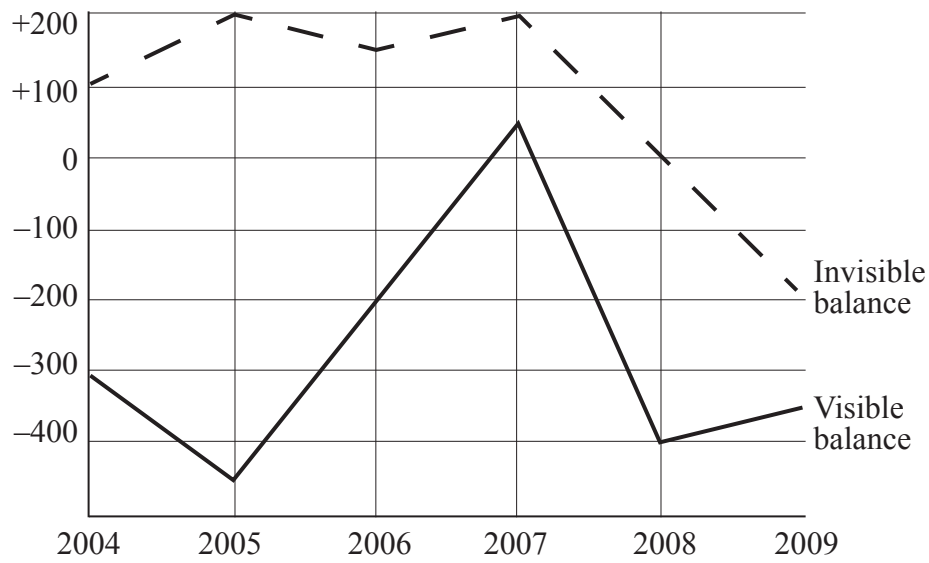
Q3

(Total 25 marks)

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4. Study the following graph which shows a country's trade with the rest of the world.



(a) (i) Identify in which year the balance of trade was at its highest.

..... (1)

(ii) Identify in which year the invisible balance was in deficit.

..... (1)

(iii) Calculate the balance on the current account for 2004.

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 (2)



(b) Using examples, explain the differences between visible and invisible trade.

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(6)

(c) Analyse how a country's high exchange rate is likely to cause a current account deficit.

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(5)



(d) Exporters are aided by government export credit guarantees and bills of exchange issued by banks.

Discuss the importance of each of these aids to exporters.

(i) Export credit guarantees

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(4)

(ii) Bills of exchange

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(4)

(e) Give **two** other sources of help for exporters.

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(2)

Q4

(Total 25 marks)

TOTAL FOR PAPER: 100 MARKS

END

