

CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/1

MAY/JUNE SESSION 2002

2 hours 30 minutes

Additional materials:
Answer paper

TIME 2 hours 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.

Answer any **five** questions.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

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.

This question paper consists of 6 printed pages and 2 blank pages.



- 1** Commerce consists of trade and aids to trade.
- (a) (i)** Define trade. [3]
 - (ii)** Explain why it is important for a country to encourage exporting. [7]
 - (b)** Explain how the following aids to trade may assist a travel company:
 - (i)** banking [5]
 - (ii)** communication. [5]
- 2** Explain what is meant by each of the following and show how they might contribute to the commercial success of a small retailer:
- (a)** after-sales service [4]
 - (b)** bar codes [4]
 - (c)** branded goods [4]
 - (d)** cash and carry warehouses [4]
 - (e)** informal credit. [4]

- 3 Fig. 1 shows the costs, including the retailer's profit, involved in producing and marketing a can of juice which sells for \$2.

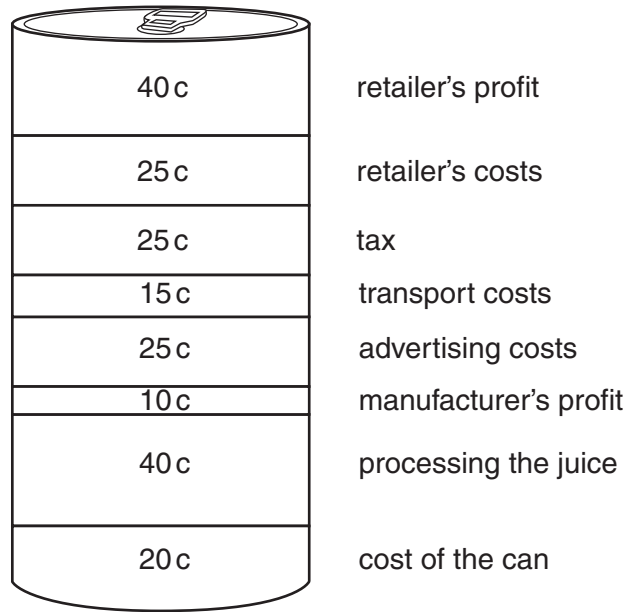


Fig. 1

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

- (a) (i) Calculate the manufacturer's costs for producing the can of juice. Show your working. [2]
- (ii) What percentage of the selling price is the manufacturer's profit? Show your working. [2]
- (iii) If a retailer sells 1000 cans of juice, calculate how much profit he makes. Show your working. [2]
- (iv) State and explain **one** reason why the retailer's profit is higher than the manufacturer's profit. [3]
- (b) (i) Suggest **one** example of advertising media that might be used to advertise the cans of juice. [1]
- (ii) Explain why advertising costs for this product are quite high. [4]
- (c) The manufacturer needs to transport the cans of juice to retailers.
- State **one** method of transport the company might use in its own country and **one** method of transport it might use in another country. Give **two** reasons for each of your choices.
- (Do not use the same method of transport for each answer.) [6]

- 4 Mr and Mrs Phiri own a warehouse.
- (a) State **two** reasons why they should insure their warehouse. [2]
- (b) In relation to insuring the warehouse, explain the functions of the following:
- (i) the proposal form [3]
- (ii) a policy [3]
- (iii) underwriters. [4]
- (c) The warehouse is valued at \$1m but Mr and Mrs Phiri wish to insure it for \$750 000.
- (i) Why might they wish to do this? [2]
- (ii) Why is it **not** advisable for them to do this? [2]
- (iii) Explain how consequential loss insurance might assist them if the warehouse were to burn down. [4]
- 5 Mrs Ncube works in the accounts department of a large company. She is responsible for paying suppliers who send her invoices and statements of account.
- (a) Explain **three** differences between invoices and statements of account. [6]
- (b) Why should she use crossed cheques rather than open cheques for paying the suppliers? [6]
- (c) Mrs Ncube wants to pay some regular suppliers by direct debit. Explain the main features of paying by direct debit and describe the benefits to her company of paying by this method. [8]
- 6 An electronics manufacturer, operating as a private limited company, wishes to expand the business and build a second factory.
- (a) State **four** features of a private limited company. [4]
- (b) The rate of interest charged is important when choosing a source of finance.
- State and explain **two** other general factors which might influence the choice of finance for expanding the business. [4]
- (c) The directors of the company wish to use for their expansion plans either:
- A BANK LOAN or RETAINED PROFITS**
- (i) State **two** features of each of these sources of finance. [4]
- (ii) Both options are possible. Which would you choose?
Give reasons for your choice. [4]
- (d) Why is a bank overdraft not a suitable method of financing the building of a second factory? [4]

- 7 Rana Ltd is a multiple chain store selling clothing in your country. Fig. 2 shows how Rana Ltd obtains its clothing and how it operates its business.

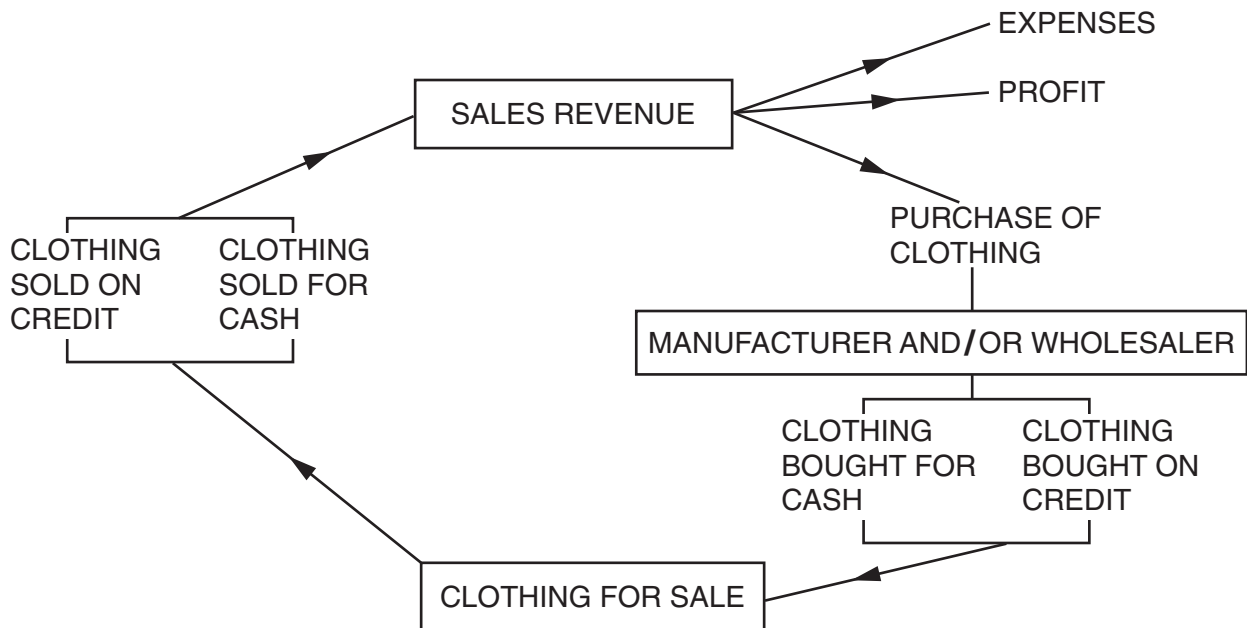


Fig. 2

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

- (a) State **four** features of a multiple chain store. [4]
- (b) Explain how Sales Revenue, Expenses and Profit are linked with one another. [4]
- (c) (i) Explain why it is better to purchase clothing on credit rather than for cash. [4]
(ii) Why might it be better for Rana Ltd to purchase from manufacturers rather than from wholesalers? [4]
- (d) The amount of clothing sold on credit has increased. Should Rana Ltd be concerned about this? Give reasons for your answer. [4]
- 8 A furniture manufacturer has been selling to wholesalers and retailers and is considering selling directly to consumers.
- (a) (i) Explain **two** methods the manufacturer might use to sell the furniture directly to consumers. [4]
(ii) Explain the benefits this manufacturer might obtain from selling directly to consumers. [6]
(iii) State and explain **two** problems the manufacturer is likely to meet when selling directly to consumers. [4]
- (b) How will a warehouse assist this furniture manufacturer's business? [6]

- 9 (a) Containerisation continues to assist all forms of transport. Explain the benefits of containerisation for the transport of many types of goods. [10]
- (b) Rail transport is becoming less important in some countries than it used to be. Explain the reasons for this trend. [10]
- 10 Profiles Ltd is a multinational corporation manufacturing and selling car tyres in many parts of the world.
- (a) Explain **three** methods of communication Profiles Ltd might use for rapid communication with its sales offices in other countries. [9]
- (b) What are the benefits to Profiles Ltd of establishing sales offices in other countries rather than using the services of middlemen such as export agents in these countries? [4]
- (c) In what circumstances will Profiles Ltd make use of bills of lading? Give reasons for your answer. [4]
- (d) Name **one** international method of payment customers might use to pay for car tyres they have bought. Give reasons for your choice. [3]

