

CAMBRIDGE INTERNATIONAL EXAMINATIONS
Joint Examination for the School Certificate
and General Certificate of Education Ordinary Level

COMMERCE

7100/1
OCTOBER/NOVEMBER 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 5 printed pages and 3 blank pages.



1 Fig. 1 shows three stages of furniture production.

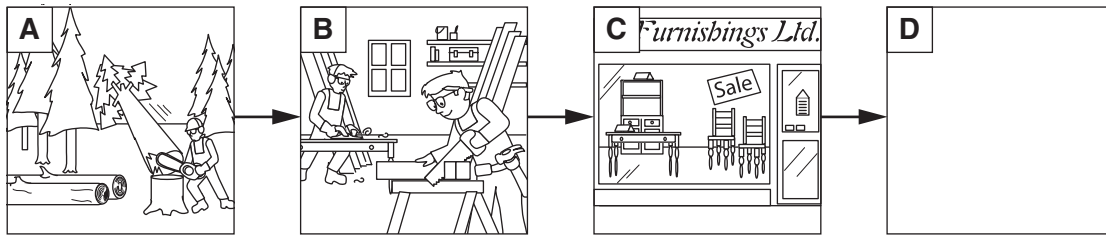


Fig. 1

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

- (a) Identify the three stages of production shown in A, B and C in Fig. 1. [3]
- (b) (i) Who is the person that you would expect to find at the end of the chain of production in **D** in Fig.1? [1]
(ii) Explain why this person is important. [4]
- (c) Explain how transport may assist the production of furniture. [6]
- (d) Choose **two** other aids to trade and show how they might assist the selling of furniture. [6]
- 2 (a) (i) State **two** characteristics of a supermarket. [2]
(ii) Explain why supermarket shopping has grown in importance in recent years. [8]
- (b) Explain why there are still many small shops selling food, given the growth in supermarket shopping. [10]
- 3 (a) Josephine and Boniface own a shop.
They accept debit cards but not credit cards as payment for goods.
- (i) Explain why they have decided to accept debit cards and not credit cards. [4]
(ii) State and explain **one** possible disadvantage to their business of not accepting credit cards. [3]
- (b) How might Josephine and Boniface make use of a bank current account for their business? [4]
- (c) Josephine and Boniface wish to obtain a refrigerator for use in their shop. They are considering purchasing or leasing the refrigerator.
- (i) Explain the benefits of
A purchasing the refrigerator and
B leasing the refrigerator. [6]
- (ii) If they lease the refrigerator, the leasing company will charge \$2000 + 40% per year. Calculate the monthly charge for Josephine and Boniface. Show your working. [3]

- 4 (a) Explain **two** disadvantages of advertising to each of the following:
- (i) the consumer [4]
 - (ii) the advertiser [4]
- (b) (i) Why might a chain of shoe shops use a newspaper to advertise its latest special offers? [3]
- (ii) Why might a manufacturer of cooked meats use television rather than leaflets to advertise a new brand? [4]
- (c) Explain how an advertising agency might assist a manufacturer to advertise. [5]
- 5 Mr Manyere owns an export business in South Africa growing and selling tomatoes for the European market.
- (a) Name **two** methods of transport he might use for his business. Give reasons for each of your choices. [8]
- (b) He will need to complete several documents when he exports a consignment of tomatoes to Europe.
- Name **two** documents and explain how Mr Manyere will use them. [6]
- (c) State and explain **three** reasons why it would be easier for Mr Manyere to sell his tomatoes in his own country rather than sell to the European market. [6]
- 6 Mrs Annoh owns a successful small business selling mobile phones to business people.
- (a) Explain **two** advantages of owning your own business. [4]
- (b) Mrs Annoh wishes to expand her business. State **two** ways in which Mrs Annoh might do this. Explain the benefits of each. [6]
- (c) Why are mobile phones an important method of communication in business? [4]
- (d) Mrs Annoh wishes to send two mobile phones to a customer in her own country. Describe **two** post office services which may help her with this task. [6]

7 Fig. 2 shows the profit and loss account of a limited company called Penny Ping Enterprises Ltd.

PENNY PING ENTERPRISES LTD		
PROFIT AND LOSS ACCOUNT AS AT 31.12.2001		
		\$m
Sales Revenue		500
less Cost of Goods sold		(a) (i)
		<hr style="width: 100%;"/>
Gross Profit		200
	\$m	
Expenses	Labour	68
	Rent	12
	Power	10
	Advertising	30
		<hr style="width: 100%;"/>
		120
		<hr style="width: 100%;"/>
Net Profit		(a) (ii)
		<hr style="width: 100%; border-top: 3px double black;"/>

Fig. 2

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

(a) Calculate:

(i) the cost of goods sold [1]

(ii) net profit. [1]

(b) (i) Explain the term 'sales revenue'. [2]

(ii) Explain the term 'net profit' and show why it is important to the owners of the business. [4]

(c) Calculate the net profit in relation to sales revenue. (Show your working and give your answer as a percentage.) [2]

(d) Explain **two** ways in which Penny Ping Enterprises Ltd might improve net profit. [4]

(e) Explain **three** advantages to the business of being a limited company. [6]

- 8 (a) State the method of payment you would use for each of the following transactions. In each case choose a different method of payment. Give **two** reasons for each of your choices.
- (i) payment for sweets from a 'tuck shop' or street trader [3]
 - (ii) purchase of a pair of trousers costing \$100 from a department store [3]
 - (iii) the electricity bill which is paid every three months. [3]
- (b) A retailer bought 100 shirts from a wholesaler for \$25 each less 20% trade discount.
- (i) What is meant by trade discount and why is it offered by the wholesaler to the retailer? [4]
 - (ii) Calculate how much profit the retailer would make if she sold each shirt for \$35. Show your working. [4]
 - (iii) Why might the wholesaler also offer cash discount to the retailer? [3]
- 9 Mr Joseph wishes to insure his new factory.
- (a) Explain why insurance is important to Mr Joseph. [4]
 - (b) State **two** risks against which Mr Joseph should insure his factory building. [2]
 - (c) Distinguish between employer's liability insurance and public liability insurance showing why Mr Joseph will need both kinds of insurance cover. [6]
 - (d) Show how the following insurance principles will apply in relation to a valid contract of insurance for the factory:
 - (i) utmost good faith [4]
 - (ii) indemnity. [4]
- 10 (a) Warehousing is used for the storage of goods.
- (i) State **three** advantages of storing goods. [3]
 - (ii) Explain how warehousing assists seasonal production. [4]
- (b) Why do many large scale retailers have small storage areas on their premises? [4]
- (c) Explain why the increased use of containerised transport reduces the need for warehousing. [3]
- (d) How does a bonded warehouse differ from other kinds of warehouse? [6]

