

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						7	1	0	0	/	1	B	Signature	

Paper Reference(s)

7100/1B

London Examinations GCE
Commerce
Ordinary Level

Wednesday 14 January 2009 – Morning
Time: 1 hour

Examiner's use only

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Team Leader's use only

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7100/1A

Question Number	Leave Blank
1	
2	
3	
4	
5	
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8	
9	
10	
Total for Section A	

Materials required for examination

Nil

Items included with question papers

Nil

7100/1B

Question Number	Leave Blank
1	
2	
3	
4	
Total for Section B	

Total for Question Paper	
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Instructions to Candidates

This paper has two parts: 7100/1A (section A) and 7100/1B (section B).
In Paper 7100/1A, answer ALL questions in the spaces provided.
In Paper 7100/1B, answer TWO questions in the spaces provided.
Indicate which question you are answering by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).
There are 4 questions in this question paper. The total mark for Paper 7100/1A is 60 and the total mark for this Paper is 40.
Paper 7100/1A carries 60% of the total marks and Paper 7100/1B carries 40%.
There are 16 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

Write your answers neatly and in good English.
Organise your material and present your ideas in a clear and logical form.
Calculators may be used.

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SECTION B

Answer TWO questions only from this section.

You are advised to spend approximately 60 minutes answering the two questions from this section.

**Put a cross in the box indicating the question that you have chosen (⊗).
If you change your mind, put a line through the box (⊗) and then put a cross in the other box (⊗).**

Chosen Question Number: **Question 1**

1. XYZ Limited is a private limited company and it manufactures handbags. The Profit & Loss Account of XYZ Ltd shows:

	2007	2008
sales turnover	£100 000	£120 000
gross profit	£60 000	£60 000
operating expenses	£40 000	£30 000
cost of sales	£40 000	£60 000

- (a) Describe how 'cost of sales' is calculated.

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(2)



(b) Using the information on page 2, explain what might have caused the operating expenses to decrease.

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(6)



In 2007 the gross profit margin was 60% and the net profit margin was 20%.

(c) Analyse the business performance over the last two years.

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XYZ Ltd has the chance to sell 80% of its output of handbags to one main customer with a bulk discount of 10%.

(d) Consider **three** factors that XYZ Ltd should take into account before deciding whether to continue with the sale.

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Q1

(Total 20 marks)

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Chosen Question Number: **Question 2**

2. Drews plc is a large public limited company with its head office located in the USA. Drews plc manufactures shoes in Italy. It sells these shoes in Italy and other European Union (EU) countries. Italy is a member of the EU, a free trade area.

Drews plc has several competitors that manufacture shoes outside the EU. Drews plc is planning to sell an increasing amount of its output to countries outside the EU.

Below is part of the Balance of Payments accounts for Country A for 2009.

	£m
Exports of goods	1000
Imports of goods	1400
Balance of Trade in goods	– 400
Balance of Trade in Invisibles	+ 500
Balance of Payments on Current Account	+100

(a) What is meant by imports and exports?

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(2)



(b) How will Italy's Balance of Payments on Current Account be affected if Drews plc sells more of its shoes to other countries?

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Italy is a member of a free trade area.

(c) Discuss why manufacturing shoes in Italy is an advantage to Drews plc.

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Chosen Question Number: **Question 3**

3. People can choose to put their savings in a variety of places. Reeta has just been given £5 000 from her grandfather, which she wants to save. She is considering putting her money into a building society.

(a) Outline **two** services provided by a building society.

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(b) Why might Reeta choose a building society to put her money in rather than her current account at the bank?

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Reeta has a brother who owns a successful private limited company (Ltd).

- (d) Advise Reeta on whether to use the £5 000 from her grandfather to buy shares in her brother's company rather than saving her money.

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Q3

(Total 20 marks)



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Chosen Question Number: **Question 4**

4. Sam has been given £10 000 from his uncle to help set up his own business.

He is skilled in repairing cars and his brother is a qualified accountant. Sam is unsure about what type of business organisation to use. He may set up a business repairing cars with his brother but he has also considered setting up as a sole trader. If Sam sets up as a sole trader then he might need more than the £10 000 his uncle has given him.

(a) Name **two** sources of finance that Sam could use if he needed more than £10 000.

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(2)

(b) Explain to Sam **two** advantages and **one** disadvantage of setting up his car repair business as a sole trader.

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(d) Why do you think Sam would not want to become a public limited company (plc) even if he was successful as a private limited company (Ltd)?

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Q4

(Total 20 marks)

TOTAL FOR SECTION B: 40 MARKS

END

