

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 19 May 2010 – 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	
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7	
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	

Instructions to Candidates

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 (☒).
This paper has two parts: 7100/1A and 7100/1B.
In Paper 7100/1A, answer ALL questions in the spaces provided.
In Paper 7100/1B, answer TWO questions in the spaces provided.

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 40 for this paper 7100/1B.
There are 16 pages in this question paper. Any blank pages are indicated.
Paper 7100/1A carries 60% of the total marks and Paper 7100/1B carries 40%.

Advice to Candidates

Write your answers neatly and in good English.
In Paper 7100/1B organise your material and present your ideas in a clear and logical form.
Calculators may be used.

Total for Question Paper	
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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. Sigma plc manufactures machines that are purchased by newspaper producers to print newspapers. The machinery is large and heavy. Sigma plc exports these machines to many different countries. These exports appear as visible exports on the country's Balance of Trade.

(a) What is meant by visible exports?

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(2)



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(b) What use would Sigma plc make of the Baltic Exchange when transporting its machines by sea?

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(6)



Sigma plc has been advised to use containers to transport its machines by sea.

(c) Analyse the advantages to Sigma plc of using containers to transport its machines.

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Sigma plc owns lorries to transport its machines to the ports but does not own ships.

(d) Suggest why Sigma plc has its own lorries but not its own ships.

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(6)

(Total 20 marks)

Q1

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Chosen Question Number: **Question 2**

2. Tootsie plc manufactures children's toys. The amount of capital employed in the business is £1000m. The company is having financial problems and the profit and loss account showed a loss of £100m last year. It is considering asking the bank for a loan to help it improve its financial problems.

Summary of Profit and Loss Account for Tootsie plc in £m

	2008	2009
Sales revenue	2 000	2 400
Cost of sales	1 000	1 600
Gross profit	1 000	800
Expenses	800	900
Net profit	200	(100)

- (a) What is meant by a bank loan?

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(2)



(b) Why might shareholders be unhappy with these Profit and Loss Accounts?

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(c) Using the Summary of Profit and Loss Account on the opposite page, analyse possible reasons why Tootsie plc has gone from a net profit to a net loss between 2008 and 2009.

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Tootsie plc wants to raise money for expansion to improve their financial position.

(d) Consider whether Tootsie plc should take out a bank loan or issue more shares.

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Q2

(Total 20 marks)



Chosen Question Number: **Question 3**

3. Gonda Ltd manufactures car components e.g. brakes for cars. It sells most of its output to car manufacturers and the rest of its output is sold to car repair garages. It uses division of labour when manufacturing components.

(a) What is meant by division of labour?

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(2)

(b) What might be the advantages to Gonda Ltd of using division of labour in the manufacture of its products?

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Gonda Ltd's products are called producer goods.

(c) Analyse how promoting a producer good is different to promoting a consumer good.

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(d) Discuss if Gonda Ltd should use a wholesaler when selling to:

(i) car manufacturers

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(ii) car repair businesses

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(6)

(Total 20 marks)

Q3

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Chosen Question Number: **Question 4**

4. Woodland plc manufactures furniture in the UK. The concept of ‘value-added’ is important to Woodland plc. The furniture is sold to shops in the UK.

(a) What is meant by ‘value-added’?

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(2)

Woodland plc receives most of its orders from furniture shops by telephone.

(b) How will a telephone order from a furniture shop be processed by Woodland plc to the point where payment is made? (Include the names of documents that would be used in the process).

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(c) Explain why it is important to record accurate information when receiving an order.

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(6)



One of the Aids to Trade used by Woodland plc is insurance.

(d) Why is having insurance important to Woodland plc?

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Q4

(Total 20 marks)

TOTAL FOR SECTION B: 40 MARKS

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