



Cambridge O Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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COMMERCE

7100/21

Paper 2 Written

October/November 2021

2 hours

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [].

This document has **16** pages. Any blank pages are indicated.

- 1 Fig. 1.1 shows the percentage (%) of output produced by various primary industries in a country. The country specialises in primary production.

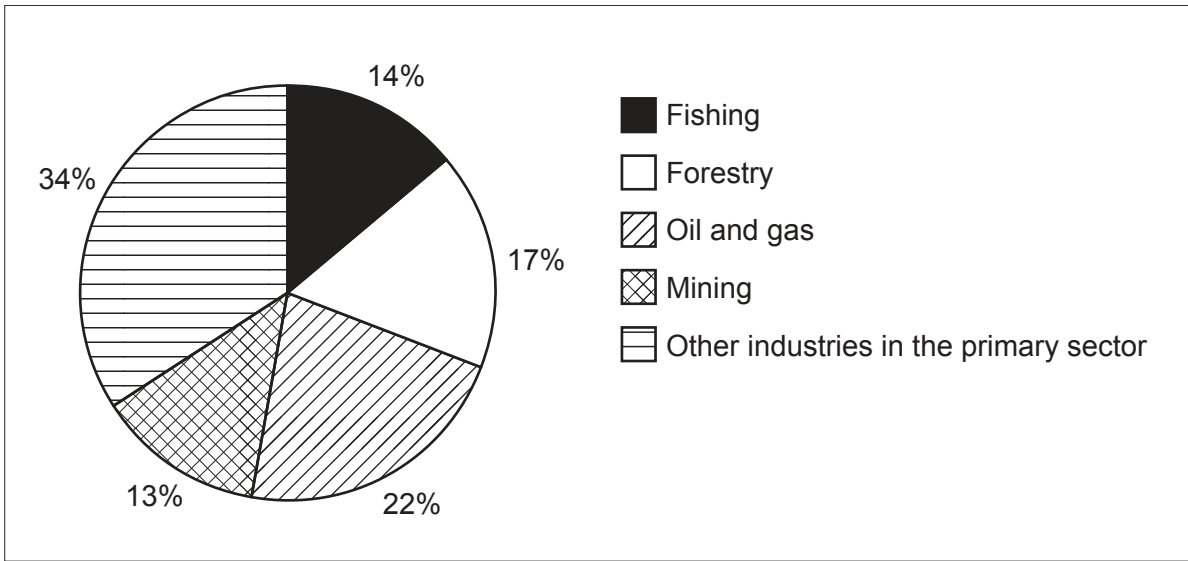


Fig. 1.1 Percentage (%) of output produced by primary industries

Use Fig. 1.1 to help you answer the following questions.

- (a) (i) Give **one** example of mining.

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..... [1]

- (ii) State **one** industry that might be included in 'Other industries in the primary sector'.

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..... [1]

- (b) Is it a good idea for this country to specialise in primary production? Give reasons for your answer.

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..... [3]

(c) Many primary goods are carried by goods trains.

Explain **two** advantages of using goods trains to transport primary goods.

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..... [4]

(d) Circle the correct answer to complete each of the following sentences.

Exploitation of the natural resources of forests causes
deforestation **OR** reforestation.

A new discovery of oil could benefit a country's
visible trade **OR** invisible trade.

[2]

(e) Consider the following two channels of distribution that fishermen could use to sell their fish in their country.

1. fish market → cash buyers
2. wholesalers → retailers → consumers

Discuss both options. The fishermen want to sell all of their fish using only one channel of distribution. Which one would you recommend? Give reasons for your answer.

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[Total: 19]

2 A new hypermarket is about to open close to a shopping mall.

(a) State **two** characteristics of a hypermarket.

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(b) Explain **two** effects on retailers in the shopping mall when the hypermarket opens.

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(c) Do you think the hypermarket should offer hire purchase for expensive items such as televisions? Give reasons for your answer.

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(d) Evaluate how important location is to the success of the new hypermarket. Give reasons for your answer.

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[Total: 15]

- 3 Keeya lives in a country that is a member of the SADC. She has an online business selling mobile phones within the SADC and to Europe. Fig. 3.1 shows the postage rates for some postal services.

Size/weight	SADC	Europe
Standard letter	\$1	\$2
Large letter	\$2	\$4
Registered post	\$15	\$23
Packet post 0–1000 grams	\$6	\$13
Packet post 1001–2000 grams	\$12	\$20

Fig. 3.1 Postage rates

Use Fig. 3.1 to help you answer the following questions.

- (a) (i) What is the cost of sending a large letter within SADC?

.....
 [1]

- (ii) What is the cost of sending a packet weighing 750 grams to Europe?

.....
 [1]

- (iii) Which postal service would Keeya use to provide proof of delivery?

.....
 [1]

- (b) Keeya issues invoices to her customers before posting the mobile phones.

Explain **two** differences between orders and invoices.

1

2

 [4]

(c) Keeya’s mobile phones are subject to tariffs when they are sold in Europe.

(i) Define the term *tariff*.

.....
..... [1]

(ii) Explain the effect of a \$2 dollar tariff on each mobile phone sold by Keeya.

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..... [2]

(d) Discuss whether or not the internet is an effective advertising medium to promote her mobile phones.

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[Total: 16]

4 CC Foods is a private limited company that needs finance and insurance for a new cold storage warehouse.

(a) State **two** features of a cold storage warehouse.

1

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2

..... [2]

(b) Explain **two** possible disadvantages to CC Foods of being a private limited company.

1

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2

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..... [4]

(d) The cold storage warehouse will be valued at \$150 000 but CC wishes to insure it for \$100 000.

(i) Give **one** reason why CC Foods might want to do this.

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..... [2]

(ii) Is it advisable for CC Foods to do this? Give a reason for your answer.

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..... [2]

[Total: 18]

- 5 Banks provide means of payment for international trade. Fig. 5.1 shows a letter of credit.

LETTER OF CREDIT	
\$12 000	
Applicant: AA Ltd, Freetown, Sierra Leone	
Issuing bank: XX Bank, Freetown, Sierra Leone	
Beneficiary: BB Ltd, New York, USA	
Receiving bank: ZZ Bank, New York, USA	
Date of application: 18 July 2021	
The letter of credit can be drawn from the Brooklyn branch of the ZZ bank as long as you provide the following two documents:	
(i)	
(ii)	

Fig. 5.1 letter of credit

Use Fig. 5.1 to help you answer the following questions.

- (a) Name the company selling the goods.

.....
 [1]

- (b) Complete (i–ii) on the letter of credit in Fig. 5.1.

[2]

- (c) Which of these statements about international bank payments are true and which are false?

	TRUE	FALSE
A bank draft is a form of bank borrowing		
Electronic transfer is the fastest way to make an overseas payment		
Banks charge customers for using debit cards in foreign currencies		

[3]

(d) Companies need to consider several factors, such as speed of transfer, to decide which means of international payment to use.

Evaluate **two other** factors a company should consider before making an international payment. Give reasons for your answer.

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[Total: 12]

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