

Answer ALL questions

1. Betty has moved into a new apartment and wants to buy a suite of leather furniture for £1 120. She has decided to buy the furniture on hire purchase. A deposit of 25% is paid and interest at 10% per annum is charged on the outstanding balance. The balance is paid in 24 monthly instalments.

(a) (i) Calculate how much each instalment will be. (Show your working)

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(ii) What would be the advantage to Betty of paying cash rather than buying on hire purchase?

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After one month's use, the leather started to split.

(iii) Explain the consumer rights that Betty has in this situation.

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(b) How does a credit sale agreement differ from hire purchase?

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(c) Explain a suitable method of borrowing in the following situations:

(i) a motor car costing £15 000.

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(ii) a house costing £180 000.

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(d) How would Betty benefit from using a credit card to buy other goods for her apartment?

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(Total 25 marks)

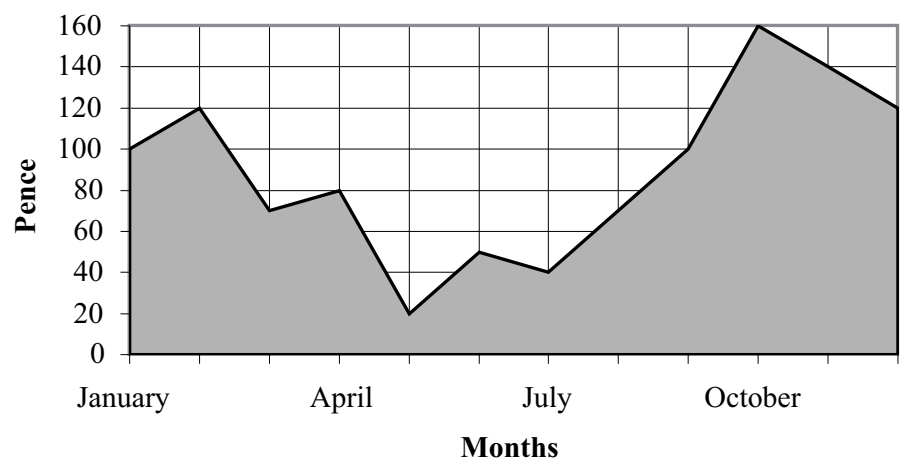
Q1

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2. The following graph shows the monthly prices of the equities (shares) in Igloo plc for 2007. Catherine Hickey has owned Igloo equities for a number of years. In 2007 she received a good dividend on her investment.

IGLOO EQUITY PRICE 2007



Study the graph, and answer the questions that follow.

(a) State the meaning of:

(i) an equity.

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(ii) dividend.

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Catherine purchased 1 000 more equities on 1 January 2007.

(b) (i) How might Catherine have purchased these equities?

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(ii) Calculate her profit or loss if she sold the 1 000 equities when they were at their highest price.

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(iii) Why would May have been the worst time to sell the equities?

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(c) Analyse **two** factors that could have caused the equity price of Igloo plc to change during the year.

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(d) Discuss the importance of stock exchanges to companies such as Igloo plc.

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Q2

(Total 25 marks)

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3. A large company has produced a new washing powder with the brand name, 'Superwash'. 'Superwash' is to be promoted widely with the company allocating a large sum of money for the advertising campaign. It has decided to use the services of an advertising agency.

(a) (i) Describe **two** purposes of advertising.

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(ii) Why do manufacturers use brand names?

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(iii) State **four** advantages of using the internet to advertise goods such as washing powders.

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4. Thirty years ago Zarabia had no natural resources and imported most of its oil. Ten years ago, oil was discovered in the sea off Zarabia's coast. The discovery is expected to affect the country's balance of trade and balance of payments.

(a) Give the meaning of each of the following:

(i) balance of trade

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(2)

(ii) balance of payments.

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(2)

(iii) Why will Zarabia's balance of trade be affected by the discovery and production of oil?

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(2)



(b) Explain how the oil produced by Zarabia is likely to be transported:

(i) from the sea to the oil refinery.

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(ii) from the oil refinery to petrol stations.

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(3)

Recently, Zarabia has become an international trading nation and is increasingly using air transport to carry many of its imports and exports.

(c) Analyse the reasons for the continued growth of transporting goods by air.

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(d) Discuss how the following types of warehouse assist international trade:

(i) bonded warehouses

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(ii) cold storage warehouses.

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(3)

Q4

(Total 25 marks)

TOTAL FOR PAPER: 100 MARKS

END

