UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

7100 COMMERCE

7100/22 Paper 22 (Written), maximum raw mark 80

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UNIVERSITY of CAMBRIDGE
International Examinations

1 (a) (i) primary/extractive [1]

(ii) multinational [1]

(b) (i) Any four points × 1 mark each or 2 developed points × 2 marks –

- It uses ships because ships can carry heavy cargoes in bulk (2)
- Iron ore is a bulk and heavy commodity
- Iron ore is a cheap commodity so the cost of air transport would be too expensive
- Although we do not know where the iron ore is shipped from, it is likely to be a long distance across sea so road or rail are not suitable
- There are plenty of ships available to carry such cargoes/specialised ships
- Non-urgent cargo

Any other relevant point [4]

(ii) Any four points × 1 mark each –

- By providing deep water berths for ships to dock
- By providing road/rail access to the docks
- By providing loading facilities for the iron ore
- By providing deep water channels and navigational aids
- By providing repair facilities/refuelling/dry docks
- By providing security

Any other relevant point
Warehousing = 0 [4]

(c) One mark for choice and one mark for reason for each part question –

(i)

- Email/telephone/fax
- Because a speedy reply is needed
- Needs a method of communication that is international
- Email provides a written record
- Telephone enables discussion to take place
- Fax provides written record
- Cheap [2]

(ii)

- Teleconferencing
- Can be linked together without the need for travelling
- Saves travel time and travel costs
- Can be set up quickly [2]

(iii)

- Telephone
- Can be summoned immediately
- Can find out why the person is late
- Contact while on the move

Any other relevant reason [2]

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(d) Any four points × 1 mark each or two developed points × 2 marks –

- So that it can publicise its operations and enhance its public image
- So that it can advertise staff vacancies
- So that it can show what it has for sale
- So that buyers can place orders
- Because its competitors may also have websites
- So that it can show what developments there have been in iron ore mining
- Worldwide access

Any other relevant point
internet banking/info on competitors = 0 [4]

2 **(a)** 'the lowest prices for electrical goods anywhere'
'the largest cash and carry warehouse in the area' [1]

(b **(i)** Any one benefit × 1 mark –

- May not have sufficient cash to make the purchase
- Avoids the danger of being robbed of cash
- Saves time visiting the bank
- Saves carrying cash

Any other relevant benefit [1]

(ii) Any one reason explained × 2 marks –

- Because it is a cash and carry warehouse and so does not give credit
- Wants immediate payment so that there are no debts to collect
- Does not want to pay the commission payable to credit card companies
- Can use the cash to pay its own debts to suppliers

Any other relevant reason [2]

(c) Any two ways × 1 mark each –

- Does not deliver the goods
- Does not give credit
- May admit members of the public
- May deal in smaller quantities
- Self service

Any other relevant difference
NB does not have to comment on traditional wholesaler [2]

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(d) Any two points × 1 mark or one developed point × 2 marks –

- To make room for new stock
- So that old stock is sold and not wasted or left to go out of date
- May want to improve cash flow
- May want to provide stock for end of season sale
- May be closing down

Any other relevant point [2]

(e) Any three purposes **in context** × 2 marks each –

- Storage of electrical goods so that they can be displayed to attract customers
- Protection of electrical goods against damage or theft
- Enabling a variety of electrical goods to be on offer in one place
- Enabling Kumar Wholesalers to purchase from many manufacturers and so clear their production lines
- Enabling purchasing ahead of demand so that supply of electrical goods is guaranteed
- To have stock readily available
- Packing electrical goods

Any other relevant purpose [6]

(f) Level 2 (4–6 marks)

Has made a judgement based on reasoning about the survival of wholesale businesses.

Many wholesale businesses have survived in the face of competition from large-scale retailers because they cater for the needs of the small-scale retailer, they offer cash and carry services and may be the wholesaler running a voluntary chain to which many small-scale retailers belong. They are able to offer personalised services to their retail customers and may also allow members of the public to purchase. They may also specialise in particular products such as electrical appliances or furniture. On the other hand many wholesale businesses have closed because large-scale retailers have the capital to purchase direct from manufacturers and to perform wholesale services themselves. They can therefore cut costs.

Level 1 (1–3 marks)

Has made some comment on the survival of wholesale businesses with or without a judgement and with little or no reasoning.

Many wholesale businesses survive in many parts of the world where there are small-scale retailers. They give good service. They supply retailers and allow credit to their customers. [6]

3 (a) (i) Plan A $2000 × 0.2 = $400 (1 mark)
$2000 – $400 [1] = $1600 (1 mark) [3]

(ii) Plan B $70 × 12 = $840 (1 mark) × 3 years (1 mark) = $2520 (1 mark) [3]

OFR applies Please award full marks for correct answers without working

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(b) Any two well-developed points × 2 marks –

- When the buyer has insufficient cash to pay and so needs to borrow
- When the buyer is likely to have expensive purchases in the near future and so does not want to use cash for this purchase
- When the buyer is offered a good deal by the seller e.g. low repayment terms/aftersales service
- When the buyer is buying on impulse and has not considered the alternative
- When the buyer could make more money by investing than the interest that is to be paid
- When may need to return it

Any other relevant developed point [4]

(c) Level 2 (4–6 marks)

Has described some ways of financing payment for the television and has recommended the best method of finance with reasoning. L2 4 marks max for 1 method of finance.

A customer could finance payment for the television by taking out a bank loan. The customer would have to pay interest at a fixed rate and a formal agreement would be drawn up. The customer might also obtain a cash advance on his credit card but this would be an expensive way of providing finance as interest charges are high. Another method of financing the purchase might be to obtain an overdraft on the current account. Interest is paid only on the daily amount overdrawn.

I would recommend using a bank loan as regular payments are made, interest paid is relatively low and the payments can be spread over a couple of years. (Allow savings/credit card but not HP.)

Level 1 (1–3 marks)

Has suggested ways of financing payment for the television OR has recommended a method of finance with some reasoning OR has listed some methods of finance with or without a recommendation

I would borrow from my family, use hire purchase or make use of an overdraft. The overdraft might be useful. I would not have to pay much interest when I obtain my pay. It would reduce my overdraft. [6]

(d) Any four actions × 1 mark each or 2 × 2 marks –

- She should contact the retailer/take back TV
- Produce the receipt
- Find the guarantee/warranty – the television should be covered by the guarantee
- Ask for the television to be repaired
- If the television is not repaired satisfactorily she should ask for it to be replaced
- Or ask for a refund of what she paid.

Any other relevant point
Contact consumer protection arg etc. = 1 mark max [4]

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4 (a) Any two points × 1 mark each –

- Breaking down jobs into small tasks
- So that one person concentrates on one task only or example
- And does not make the whole product
- Usually involves the use of technology/machines/robots

Any other relevant point [2]

(b) Level 2 (3–4 marks)

Has shown that specialisation is an advantage/disadvantage to workers with sound reasoning.

Specialisation may be an advantage to workers because they are likely to be well paid and may receive bonuses to compensate for boring and repetitive work. This kind of work may suit some people who do not want any responsibility and are content to work set hours or shift work.

Specialisation may be a disadvantage to workers because the work is boring and repetitive. There is a loss of skill and craftsmanship as they are not responsible for completing the whole garment, just one aspect of it. Workers are less likely to be satisfied at work and many may lose their jobs as machines replace workers. Because they are skilled at a limited range of tasks, they may also find it difficult to obtain further work. Many workers in the clothing industry work long hours, often in poor working conditions.

Level 1 (1–2 marks)

Has stated some advantages and/or disadvantages of specialisation to workers.

The advantages of specialisation for workers are that they receive more pay, they do not need much training and they can work at undemanding tasks.

The disadvantages of specialisation for workers are that the work is often boring, there are less jobs available, they may have to work long hours in poor conditions and when a job disappears, they may find it difficult to obtain another job. [4]

(c) (i) Any one advantage to the clothing manufacturer × 2 marks –

- Increases output as repetitive tasks can be done much more quickly
- Enables mechanisation to be introduced so saving on manpower
- Enables economies of scale e.g. technological, purchasing to be used
- May be able to employ less skilled labour, thus saving wage costs
- Overall lower costs
- Can concentrate on one aspect of production of clothing e.g. weaving cloth

Any other relevant point [2]

Any one disadvantage to the clothing manufacturer × 2 marks –

- Workers not able to perform a range of tasks so cannot be moved to other work
- Stoppages on one part of the production line may mean that the work stops
- Need to have a large market for the finished clothing as large quantities are made

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- Lack of individuality about what is produced
- Boredom among the workers may mean disruption on the production line
- High cost of investment in plant and machinery

Any other relevant point [2]

(ii) Any one advantage to the consumer × 2 marks –

- Clothing may be relatively cheap as it is cheaper to produce
- As there is increased output, there will be no shortage of clothing
- Wide variety of clothing available in a variety of sizes

Any other relevant point [2]

Any one disadvantage to the consumer × 2 marks –

- Clothing may lack individuality and may be of poor quality
- Clothing may be produced wherever it can be produced more cheaply – ethical considerations
- Consumers may have to pay more for better quality products

Any other relevant point [2]

(d) Any six points × 1 mark each or up to three marks for a well-developed point –

- Many countries have become well known for particular industries + example
- Specialisation by country has enabled countries to concentrate on what they do best
- They operate comparative advantage
- They export surpluses of what they produce, so earning foreign currency
- They import what they do not produce themselves
- This has enabled the global economy to develop
- And has made countries interdependent
- Countries that do not have adequate raw materials or natural resources can import from those countries that do
- And use these resources in their manufacturing industries
- Creating employment
- Improving political relations

Any other relevant point [6]

5 **(a)** 300 × 0.25 (1 mark) = 75 (1 mark)
OFR applies Award full marks for the correct answer without working [2]

(b) **(i)** Any two advantages × 1 mark each –

- Less risk
- Capital for expansion comes from others
- May be quicker way of expanding than opening own outlets
- Royalties paid by the franchisee
- If a franchisee proves to be unsatisfactory, the franchise may not be renewed
- Control over what is sold

Any other relevant point [2]

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(ii) Any two advantages × 1 mark each –

- Consistent quality
- Consistent standard of service
- Wide spread of branches available
- Guaranteed deliveries so constant supply
- Convenient opening hours
- No need to travel long distance

Any other relevant point [2]

(c) Any two ways × 1 mark each –

- National advertising
- Help with location
- Help with finance
- Provides well-known product
- Provision of machinery/equipment
- Training
- Help with setting up the service station
- Guaranteed supplies
- Advice

Any other relevant way [2]

(d) Any two factors **in context** × 1 mark each + two explained reasons × 2 marks each or 2 reasons × 1 mark each –

- Availability of each form of transport
  Railways are not available everywhere and would be suitable for moving petroleum from refineries to depots. Road transport would be suitable for making deliveries to service stations as there are roads nearly everywhere.
  Galaxy is likely to own its own fleet of tankers.
- Distances involved
  Railways are often used for long distances and roads for short distances.
  Road transport is more flexible and Galaxy will want to make deliveries to service stations when they require supplies, not necessarily on a regular basis.
- Cost of each form of transport
  This may not be so important as both will be used in particular circumstances.
  Galaxy will have to make sure each journey is economic.
- Safety issues relating to each form of transport
  Petroleum is dangerous and might catch fire. A tanker explosion might result in heavy claims for damages.
- Nature of goods carried
- Quantity required

Any other relevant factor
Factors not in context = 2 marks max [6]

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(e) Level 2 (4–6 marks)

Has discussed the importance of both importing and exporting to the country in which Galaxy Petroleum is located and has shown, with reasons, whether or not its trading activities are important. L2 4 marks max for importing OR exporting.

Galaxy Petroleum both exports and imports. Its exports contribute to the Balance of Trade and add to the visible exports of the country. Its imports of crude oil are visible imports and subtract from the Balance of Trade. If the company exports more in value than it imports it will help the country's Balance of Trade.

Galaxy Petroleum's activities are likely to help the country's industry. It will probably be supplying fuel to help the country's industries and petrol to enable people to travel around the country. It is also a manufacturer in its own right as it must be making the petroleum products it exports.

It is therefore likely to be important to the economy of the country in which it is located. We do not know the size of the company so it is difficult to judge the importance of the company's trading activities to the country.

Level 1 (1–3 marks)

Has made some comment on Galaxy Petroleum's trading activities and their importance to the country in which it is located with little or no reasoning.

Galaxy imports crude oil and exports petroleum products, so it is trading. It earns foreign currency by exporting. It may help the country and its Balance of Trade. It may not. The country needs petrol and oil. Galaxy helps to provide these products. It is important to the country. [6]

6 (a) Any four points × 1 mark each or two well developed points × 2 marks –

- Competitive prices
- Wide variety of goods available in one place
- May be speedy shopping because of self service and checkouts
- Can examine the goods before buying
- Large turnover so goods likely to be fresh and up to date
- May be able to buy in the quantities they need
- May be car park attached so easy to carry large loads of shopping
- Quality

Any other relevant point
Cheap = 0 unless qualified [4]

(b) Level 2 (4–6 marks)

Has shown which factor is likely to most influence the location of the new supermarket with reasons and has shown why the other two are not so important. L2 4 max if no mention of alternatives.

Nearness to customers is likely to be the most important factor because the supermarket needs many customers and if there is not a centre of population close by, the supermarket will not have any customers. The amount of competition for customers may also affect the

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location of the supermarket. If another supermarket is closer to customers they may be likely to shop there.

Nearness to suppliers is not an important factor as the supermarket chain is likely to buy centrally in bulk in order to obtain discounts. Good storage facilities on the site may be necessary but these will be limited as the supermarket is likely to be supplied regularly from a regional distribution centre (central warehouse).

Level 1 (1–3 marks)

Has commented on one factor that is important with or without reasons and may/may not have commented on the other two factors.

The supermarket may need good storage facilities on site. It does not want to run out of stock. Nearness to customers is not so important. Most people have transport. Nearness to suppliers is not so important. Most goods are brought in by road and it does not matter if a supplier has to travel a greater distance. [6]

(c) Any four points × 1 mark each or two well developed points × 2 marks –

- Realbuy will use persuasive advertising to try to persuade people to come to the supermarket instead of where they are already shopping
- Realbuy will use persuasive advertising to try to convince people that this supermarket is better than the one they are using
- Realbuy will use persuasive advertising to try to make people buy more
- Realbuy will use informative advertising to tell people where the supermarket is located/when it will open/its opening times/what services it is offering/what special offers it is making

Any other relevant point
Branch is new = 1 point [4]

(d) Any six ways × 1 mark each or three well developed points × 2 marks –

- Special offers – two for the price of one
- Loss leaders
- Grand opening with celebrity
- Competitions e.g. in local newspaper
- Free gifts or reductions for the first shoppers on the first day
- Free tasting of products
- Demonstrations
- Sponsorship of an event in the local area
- Loyalty scheme
- Free transport
- Delivery

Any other relevant method of promotion
Facilities within/outside store = 2 marks max [6]

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7 (a) Any two benefits explained –

- Able to raise large amounts of capital by selling shares to a wide market
- Able to sell shares on a stock exchange and so attract a wide variety of investors
- Different types of shares available – ordinary, preference
- Shareholders have limited liability so their personal possessions are protected – more likely to invest
- Shareholders able to buy and sell on a stock exchange quickly so may be more willing to invest
- Share capital cannot be withdrawn – the shareholder must sell to someone else
- Benefits of size – may be easier to borrow from banks as large companies are seen as a better risk than smaller ones
- Can take advantage of other economies of scale e.g. purchasing, marketing

NB Accept benefits that may also apply to a private limited company

Any other relevant point [4]

(b) (i) a contract of insurance [1]

(ii) fire/theft/earthquake/storm/flood/oil leakage/burst water pipes/malicious damage/public liability [1]

(c) (i) Any three points × 1 mark each –

- Compensation of up to $2m
- To cover accidents to the general public
- Caused by the negligence of the policyholder
- i.e. public liability insurance

Any other relevant point [3]

(ii) Any one point × 1 mark –

- Insurance company does not wish to deal with small claims
- Need to cover their administrative expenses
- Not a large amount for a policyholder to bear
- May help to reduce the premium for the policy
- Policy excess

Any other relevant point [1]

(d) Any two reasons explained × 2 marks –

- They may have two different kinds of houses – one may be larger than the other
- One of the houses may be constructed of more flammable materials e.g. thatched roof
- One may live in an area where there is more risk – near an oil refinery
- One may have made more claims than the other – so seen as a worse risk
- One may have asked for more property to be insured e.g. extra buildings
- One may be running a business in the house

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- One may have taken advantage of special offers made by the insurance company/purchased online or be organising the insurance through a third party who can offer better terms
- One may have more valuable contents than the other
- One has better burglar/fire precautions
- One is in a more valuable area than other

Any other relevant reason explained [4]

(e) (i) Any three points × 1 mark each –

- Kadir is unlikely to be successful in his claim
- He did not tell the insurance company about the chemicals and so he violated the insurance principle of utmost good faith
- Utmost good faith means to tell the truth and give all relevant facts about the risk
- The insurance company may have refused insurance or charged him a higher premium because there was greater risk

Any other relevant point [3]

(ii) Any three points × 1 mark each –

- Sarah is not able to make a claim/cannot be indemnified
- She has no insurable interest in the bicycle
- As she does not own it
- And will not suffer any financial loss as the result of the theft
- The friend should make the claim
- The policy may not cover bicycles

Any other relevant point [3]

8 (a) Any two ways × 1 mark each –

Cutting out the leather Stitching the shoes Dyeing the leather
Adding buckles Adding fasteners Polishing
Manufacturing/processing

Any other relevant way
(0 marks for beyond manufacturing) [2]

(b) Any two points × 1 mark each –

- Using the Internet to sell the shoes
- By establishing a website
- Showing details of the shoes/showing an online catalogue
- And accepting credit card payments
- E-commerce

Any other relevant point [2]

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(c) (i) Any two points × 1 mark each –

- Discount given by trader to another
- So that the buyer can make a profit
- Encourages bulk buying
- And repeat business

Any other relevant point [2]

(ii) Revenue = 120 × $40 = $4800 + (1 mark)
180 × ($40 – $12) $28 = $5040 (1 mark)
$4800 + $5040 = $9840 (1 mark)
Cost of the batch of 300 pairs of shoes = 300 × $25 = $7500 (1 mark)

Total Profit made = $9840 – $7500 (1 mark) = $2340 (1 mark)

OR Gross Profit per pair of shoes = $40 – $25 = $15 (1 mark)

Online – 120 × $15 (1 mark) = $1800 (1 mark)
+ Shoes shops – 180 × ($28 – $25) $3 (1 mark)
= $540 (1 mark)

Total Profit made = $1800 + $540 (1 mark) = $2340 (1 mark)

OFR applies Please award full marks for a correct answer without working [6]

(iii) Level 2 (4–6 marks)

Has offered an opinion substantiated by a reasoned argument. May have used some numerate techniques in the argument.

Mustapha Ltd should continue to sell to shoe shops as well as sell online. It sold more of the shoes to the shoe shops than it did online. It may have sold other lines more successfully to the shoe shops. It may have offered them less trade discount on other lines. It is still making a profit on these shoes – $3 per pair of shoes, total profit of 180 × $3 = $540. It may not have been able to sell all the shoes online and it is sensible to have two different markets for the shoes so that there is more chance of selling all of them.

Level 1 (1–3 marks)

Has made some comment on selling to shoe shops and/or selling online with little or no reasoning.

Mustapha Ltd should sell online. It makes more profit on each pair of shoes. Selling to shoe shops may mean more work and less profit. The company is not making much profit by selling to shoe shops and it should concentrate on selling online. [6]

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(d) Any two points × 1 mark each –

- A credit note is issued for returned/faulty goods
- (Mustapha Ltd will issue a credit note) for $140 ($28 × 5)
- So the statement of account/debt will be reduced
- By $140

Any other relevant point [2]

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