UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

7100 COMMERCE

7100/23 Paper 23 (Written), maximum raw mark 80

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UNIVERSITY of CAMBRIDGE
International Examinations

1 (a) One mark for –

aids to trade/ancillaries to trade/commercial services. [1]

(b) (i) Any three ways × 1 mark each –

- To deposit money
- To arrange payment or example
- To withdraw money
- To raise finance/loan/overdraft
- To save spare money and earn interest
- To obtain financial advice

Any other relevant way. [3]

(ii) Any six points × 1 mark and up to 2 marks for a well developed point –
(N.B. candidates must score at least two marks on each aid to trade and answers should be in context.)

- To move bananas to market
- To move machinery to banana plantations
- To move workers around banana plantations
- To enable the banana grower to extend markets
- To provide storage for bananas
- To protect the bananas from damage/weather/theft
- To store equipment/fertilisers
- To provide cold storage
- So that supplies are maintained

Any other relevant point. [6]

(c) Level 2 (3–4 marks)

Has shown the extent to which insurance is necessary to business people, with reasoning.

Insurance is very important for most businesses. If a business is not insured and a risk occurs, the business will suffer a financial loss and may have to close. Having insurance gives the businessperson confidence to conduct business. The Insurance company may advise the business on measures to take to reduce risk.

Level 1 (1–2 marks)

Has mentioned some reasons for having insurance.

Most people have insurance to obtain compensation and to provide cover for risks. [4]

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(d) Any six points × 1 mark and up to 2 marks for a well-developed point –

- Communication has speeded up business transactions e.g. by the use of email
- Communication has enabled business people to be in touch with one another without travelling e.g. teleconferencing
- It has enabled businesses to extend their markets and to be touch with traders in many different countries
- It has enabled advertising and promotion to take place more widely e.g. internet
- It has enabled businesspersons to obtain information easily
- Businesspeople can now communicate while on the move e.g. cellphones, wifi
- Businesses can communicate with their customers, take orders, deal with complaints e.g. online, by telephone

Any other relevant point. [6]

[Total: 20]

2 (a) Any two functions explained × 2 marks each –

- To sell to customers the goods or services that they require
- To provide a variety of goods to suit customer tastes
- To display goods e.g. on stands, windows
- To package goods e.g. in trays, using cellophane
- To give information or advice to customers
- To provide self service using trolleys/baskets
- To sell in small quantities by breaking bulk
- To provide special promotions e.g. buy one get one free

Any other general function. [4]

(b) (i) Any one example × 1 mark –

hypermarket/supermarket/department store/multiple chain. [1]

(ii) Any one example × 1 mark –

corner shop, convenience store, unit retailer, tuck shop, hawker, mobile shop, market stall.

Any other relevant examples. [1]

(c) Any two reasons explained × 2 marks each –

- Ability to buy in bulk and so obtain discounts; this enables them to offer competitive prices
- Ability to offer a wide range of goods enabling one stop shopping
- Fast turnover of goods means that goods may be fresher/more up to date
- May consist of a chain of stores so available in many parts of the country
- Instantly recognisable so customers are attracted to them
- May provide additional services e.g. delivery of goods, online shopping

Any other relevant reason. [4]

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(d) Level 2 (4–6 marks)

Has given a reasoned argument showing either that many consumers prefer to shop at small retail shops or that most consumers prefer large scale retailers or that most consumers use a mixture of large and small scale retailers.

Many consumers use shops close to their homes because they are convenient and it saves travel time and travel costs. They like to shop where they are known and where they can receive personal service and possibly informal credit. In some places there are no large scale retailers available. On the other hand, there are many consumers who shop only once a week or less frequently; they want self service and one-stop shopping that a large scale retailer can provide. These people may be working and so have little time for shopping. They may want to go to where large scale retailers are grouped in shopping centres. To some extent, the statement is true. It depends where you live, what age you may be and what kinds of shops are accessible to you.

Level 1 (1–3 marks)

Has made some comment on consumers shopping at small scale retailers and/or using large scale retailers.

Many consumers use small shops that are close to their homes. They may shop there daily. Other consumers like shops that offer a wide range of goods and one-stop shopping. [6]

(e) Any two ways explained × 2 marks each –

- Use a cash and carry warehouse where goods may be cheaper because no credit is given and there is no delivery service
- Join a voluntary chain with central purchasing and so lower prices
- Introduce self service so saving on labour costs
- Use careful stock control to minimise wastage
- Find locations where there are cheap rents
- Find the most competitive suppliers e.g. by using the Internet
- Pay bills on time to take advantage of discounts
- Stock goods that people want to buy so minimising wastage

Any other relevant point. [4]

[Total: 20]

3 (a) Any two services for retailers explained × 2 marks each –

- Breaking bulk – buying in large quantities and selling in small quantities
- Display – showing retailers what is on offer in the warehouse
- Cash and carry – enabling retailers to buy at cheaper prices, no credit, no delivery
- Delivery – especially emergency supplies – to the retailer's shop
- Storage – saves storage space at the retailer's shop
- Providing a wide choice of different goods – saves retailers using several suppliers

Any other relevant point. [4]

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(b) (i) Any four points × 1 mark each –

- Trade discount is a reduction given between traders
- To encourage bulk buying
- Repeat orders
- Enables the retailer to make a profit.

- Trade credit is credit given to customers by a trader
- Enabling them to buy now and pay later
- And to sell the goods before they have to pay for them
- Assists the buyer's cash flow

Any other relevant point. [4]

(ii) Any four points × 1 mark each and up to 2 marks for a well developed point –
(N.B. candidates may answer generally or specifically/allow repeat points from **(b) (i)**

- May give the wholesaler a competitive edge
- May encourage buyers to purchase more
- May encourage loyalty to the wholesaler
- By varying the amounts of trade discount or trade credit they can reward the better customers or encourage new trade
- Enables the customers to remain in business and so ensures customers for the wholesaler

Any other relevant point. [4]

(c) One mark for each of the following:

(i) Statement of account. [1]

(ii) Credit note. [1]

(iii) Delivery note [1]

(d) (i) $620 × 0.05 = $31 [1] $620 - $31 [1] = $589 [1] (OFR applies)

Award full marks for the correct answer without working. [3]

(ii) Any two circumstances × 1 mark or one circumstance explained × 2 marks –

- When the retailer is short of funds and has not sold the goods
- When the retailer could use the funds more profitably elsewhere

Any other relevant circumstance. [2]

[Total: 20]

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4 (a) (i) $80 000 000 × 0.25 [1] = £20 000 000 [1] OFR applies.
Award full marks for correct answer without working. [2]

(ii) Any four points × 1 mark each and up to 2 marks for a well developed point –

- Many people worldwide watch television
- Reaches a very wide audience of many different target groups
- Shown to be successful as an advertising medium in the past and seen to be more effective than other media
- Can be used with a variety of appeals e.g. colour, cartoons, famous people
- Can be used for repeat advertising
- Reaches the illiterate and those without computers
- Can be used successfully to advertise a wide range of products and services

Any other relevant point. [4]

(b) Any two other media × 1 mark each –

radio/cinema/leaflets/fliers/sides of vehicles/balloons … [2]

(c) Any four reasons × 1 mark each and up to 2 marks for a well explained reason –

- Fewer people are reading newspapers and magazines
- More people now have computers so Internet advertising is becoming more effective
- There may be less newspapers and magazines being published
- Advertising using other media may be cheaper than newspapers and magazines
- People may prefer visual material rather than written material
- May not appeal to a wide enough audience
- Often competing with adverts from companies offering the same products/services

Any other relevant reason. [4]

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

When a company compares its brand with that of another competing brand in order to win a greater share of the market.

Any other relevant point. [2]

(ii) Level 2 (4–6 marks)

Has given a reasoned justification for using some of the advertising media shown in Fig. 2. (If the reasoned justification is confined to one medium only then allow 5 marks max.)

The mail order company could use several of the media shown in Fig. 2. The best ones to use might be Internet advertising because full information could be given about the products offered and online shopping facilities could be offered. The mail order company should also use direct mail – sending out catalogues and letters to potential customers. Many people may not have access to a computer or may not wish to do online shopping. The letters can be personalised and targeted at likely customers.

(N.B. allow a justification for other media shown in Fig. 2).

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Level 1 (1–3 marks)

Has chosen only one media form with little or no reasoning, or several forms of media with no reasoning.

The mail order company could use television because it reaches a wide audience.

The mail order company could use television, internet and direct mail. (1 mark) [6]

[Total: 20]

5 (a) (i) Any two advantages × 1 mark each –

- Less risk
- Training may be offered
- Does not have to put up all the finance
- Backing of a successful/large company
- Nationwide advertising
- Guaranteed supplies

Any other relevant advantage. [2]

(ii) Any two advantages × 1 mark each –

- Sharing work
- Investment of additional capital
- Sharing losses
- Better decision making as two people involved
- Easy to set up
- Responsible for their own actions

Any other relevant advantage. [2]

(iii) Any four points × 1 mark each and up to 2 marks for a well explained point –

- By using her own savings
- By using any redundancy money she may have
- By borrowing e.g. a bank loan
- By using money loaned by relatives and friends
- By seeking an overdraft
- By taking a mortgage for purchase of the shop
- By not purchasing the shop but renting
- By leasing machinery needed in the shop

Any other relevant point. [4]

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(iv) Level 2 (4–6 marks)

Has given a reasoned choice, mentioning why she would not choose the other two options. (If there is no discussion of the other option(s), award 5 marks max).

Fiona should set up her business as a sole trader. The business would be easier to set up than the other two options. She will be her own boss and have overall responsibility for her business. She will not have to share the profits. She should not, however, contemplate this option if she has insufficient capital to buy the shop and the fittings and to maintain cash flow in the early years. If she is short of capital she should consider the partnership with Betty Kaur, but only if she knows that they can work well together. If she is looking for a low risk option she might consider the franchise but she will have to pay royalties to Almon Bakeries and she will have to keep to the rules of the franchise agreement. On balance I would recommend setting up as a sole trader.

Level 1 (1–3 marks)

Has recommended an option with little or no reasoning. May or may not have mentioned the other options.

I would recommend Fiona take out a franchise with Almon Bakeries. There is less risk. They will help her with finance. She might disagree with Betty Kaur and she might not like working alone. [6]

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

The percentage difference between the cost of a product and the price charged. (2 marks)
The mark up represents the profit to the trader.

Any other relevant point. [2]

(ii) Any four points × 1 mark each and up to 2 marks for a well explained point (must relate to the customers) –

- Can postpone payment and have the bread and cakes when they want them
- Can pay when they receive their wages e.g. at the end of the week
- May make them choose Fiona's business rather than a competitor
- May build up trust between the customer and Fiona and encourage them to return to the shop
- May encourage them to buy more and so enjoy a better standard of living
- May enable them to have bread when they have no money

Any other relevant point. [4]

[Total: 20]

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6 (a) Payment for insurance cover. [1]

(b) (i) $80 + $80 [1] + $40 + no charge (1 mark) = $200 [1] (OFR applies)
Award full marks for the correct answer without working. [3]

(ii) One mark each for explanations of:

- Charter flight – a flight hired for a particular purpose e.g. a holiday
- Low-cost airlines – airlines that offer low fares with no extras e.g. food

Any other relevant point. [2]

(iii) Any four points × 1 mark each and up to 2 marks for a well developed point –

- It may be cheaper for them than travelling by sea – baby free of charge
- It is far quicker and will not take so much time out of their 12-day holiday
- They may be able to fly to near where they are staying – ship will need a port
- There are likely to be more flights to choose from than travelling by sea
- They avoid seasickness

Any other relevant point. [4]

(iv) Choice – 0 marks.

Any two reasons × 1 mark each –

- Debit card – immediate payment/may be incentive to use debit card/no debt
- Credit card – postpones payment/credit card company offers some protection/no extra charge made by insurance company
- Bank giro – may be mailing payment/easy to transact/no debt

Any other relevant reason. [2]

(c) (i) $15 × three times (1) = $45 [1] (OFR applies)
Award full marks for the correct answer without working. [2]

(ii) Any two points × 1 mark each –

- Many people make claims
- High risk of injury
- Medical costs may be high
- There may be need for repatriation to home country

Any other relevant point. [2]

(iii) Any four points × 1 mark and up to 2 marks for a well explained point –

- Do nothing but do not use the hotel again
- Contact her travel agent and give full details of her complaint
- Contact the tourist board of her country and give details
- Write to the hotel stating her complaints and asking for compensation
- Tell others of her experiences and advise them not to use the hotel

Any other relevant action. [4]

[Total: 20]

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7 (a) Any two points × 1 mark each –

- Buying and selling
- For profit
- N.B. no marks for examples

Any other relevant point. [2]

(b) (i) Entrepot trade/re-export trade. [1]

(ii) Any two points × 1 mark each –

- Balance of Trade is the difference in value between imported and exported goods
- Adds to the total value of imported goods
- Adds to the total value of exported goods
- This may be a greater amount as the coffee may be repackaged/blended and so value is added

(Allow 1 mark if a candidate says that it will have no effect as the import value will balance the export value.)

Any other relevant point. [2]

(iii) Level 2 (4–6 marks)

Has given a reasoned choice in context with some mention of the other kinds of warehouse. (No mention of other warehouses = 5 marks max.)

The company is likely to use a bonded warehouse as duty may be payable on the imported coffee. In the bonded warehouse, no duty is paid and the coffee can also be re-exported without payment of duty. Buyers can be found for the coffee and it may be prepared for sale. Samples may be taken from the warehouse to show potential buyers. Coffee may need some cold storage but this might be provided in the bonded warehouse. A general warehouse usually stores non-dutiable goods or goods on which duty has been paid so this would not be suitable.

Level 1 (1–3 marks)

Has commented on one kind of warehouse with little or no context.

The company might use a bonded warehouse. A bonded warehouse is for dutiable goods. Goods can be prepared for sale there. [6]

(iv) Any two reasons explained × 2 marks each –

- So that a large quantity can be moved altogether – easier to load and unload
- So that the coffee can be transhipped between different kinds of transport without unpacking
- So that the coffee is protected against weather/theft/damage
- So that the container offers storage when required e.g. at docks
- So that customs clearance can take place at the warehouse and the container is sealed until its final destination

Any other relevant point. [4]

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(c) (i) Any explanation × 2 marks –

Difference between imported goods and services and exported goods and services/difference between total imports and total exports/difference between visible and invisible imports and visible and invisible exports/record of what a country spends on all imports and earns from all exports/value of a country's total imports and a country's total exports. [2]

(ii) Any three suggestions × 1 mark each and up to 2 marks for a well developed point.

- Try to reduce imports by encouraging people to buy home-produced goods and services rather than imports
- Introduce protectionist policies e.g. quotas
- Encourage companies to export e.g. subsidies to exporting firms
- Offer schemes to improve home industries
- Devalue currency
- Invest in domestic industries to improve efficiency/lower costs

Any other relevant suggestion. [3]

[Total: 20]

8 (a) (i) Any two characteristics × 1 mark each –

- Shares may be sold to anyone
- Shares are offered for sale on a stock exchange
- Must obtain a trading certificate before starting business
- Likely to be a large company/multinational
- May have PLC after its name
- No maximum number of shareholders

Any other relevant point. [2]

(ii) Any two characteristics × 1 mark each –

- Shares are sold within a controlled group
- May be small
- May be family-owned businesses
- Allow: maximum number of shareholders may be 50
- May have PVT/PTE after its name

Any other relevant point. [2]

(b) Any three points × 1 mark each –

- Shareholders have some protection
- As their liability for losses is limited
- Up to the limit of their investment
- So that if the business fails they will not be liable to lose any of their personal assets

Any other relevant point. [3]

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(c) Any four points × 1 mark each and up to 2 marks for a well developed point –

- May mean greater sales and so more profits
- Can dispose of surpluses more easily
- Enables the company to spread risk because it may be able to sell in one market what does. not sell in another market
- When one market is depressed, another market may be flourishing
- Enables the company to expand
- Can take advantage of economies of scale e.g. marketing economies
- May be able to take advantage of free trade areas to give access to other markets

Any other relevant point. [4]

(d) (i) Any three reasons × 1 mark each –

- General economic climate
- Competition
- Products may be out of date/not in demand
- Expenses may have increased
- Prices may be too high
- Trade barriers

Any other relevant reason. [3]

(ii) Level 2 (4–6 marks)

Has given a reasoned recommendation for a course of action which may consider one or both of the options and may/may not have introduced other courses of action. (Candidates who give a reasoned recommendation for one option = 5 marks max.)

I would recommend using both options. Increasing advertising and sales promotion may lead to higher sales as more customers may be persuaded to buy. It could, however, add to expenses and may not be effective if the wrong media are used. If a wider range of products is introduced at the same time advertising will be necessary. A wider range of products may appeal to a larger range of customers, both existing and new, and so lead to a greater number of sales. Introducing a wider range may add to the cost of goods sold and may result in goods unsold. Careful market research will be needed beforehand. Other courses of action that might be undertaken are reducing the prices of the company's products so that they are competitive and trying to reduce expenses such as labour costs.

Level 1 (1–3 marks)

Has recommended a course of action with little or no reasoning.

I recommend using more advertising and introducing a sales promotion. This would attract customers and increase sales. [6]

[Total: 20]

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