UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

7100 COMMERCE

7100/22 Paper 2 (Written), maximum raw mark 80

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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1 (a) Any three points × 1 mark each:

- changing raw materials into finished goods
- by manufacturing/processing
- may also include construction e.g. building
- accept valid example of a secondary industry.

Any other relevant point. [3]
Preparing for sale = 0 marks.

(b) One mark each:

(i) primary [1]

(ii) tertiary [1]

(c) (i) 60% [1]

(ii) $\frac{60}{100}$ × 80 (1 mark) = $48bn (1 mark) [2]

OFR applies for both calculations. Award full marks if correct answers are given without working.

(d) Any two reasons × 3 marks or three reasons explained × 2 marks each or six points × 1 mark each:

- Country A more involved in primary industry and Country B more involved in tertiary industry
- Country A may be rich in raw materials and Country B has few raw materials
- Country A does not use all the raw materials it produces in its secondary industry and so will dispose of the surplus
- Country A may have a developed farming industry because of climate
- Country B has a greater service industry e.g. banking, insurance than Country A
- Country B may be more developed than Country A. It may be offering its services to countries such as Country A
- The population of Country B may be better educated with more employment being offered in the tertiary sector.

Any other relevant point. [6]

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(e) Level 2 (4–6 marks)

Has discussed whether or not Country A and Country B are involved in international trade and has used the figures in Fig. 1 to support a reasoned opinion. (If a candidate has discussed only one of the two countries award 4 marks max.)

It is likely that both Country A and Country B are involved in international trade. Country A's output is mainly from primary industry – obtaining or extracting natural resources from the earth such as raw materials, fuel, minerals and food. These resources need manufacturing or processing into finished goods but Country A does not seem to use all its primary resources in its secondary industry as output from secondary industry is only 20% of the total. It is probably using the income from its primary industries to buy finished goods so it is exporting primary products and importing finished goods. It may also be using invisible imports from other countries such as transport services, banking and insurance as it is unable to provide these itself.

On the other hand Country B does not seem to have large-scale primary industry. It may not have many natural resources or it may be too expensive to develop them. It is probably importing from countries such as Country A that have a surplus, using them in its secondary industry and then exporting finished goods to worldwide markets or country A. Its tertiary sector is the most important contributor to output. Its population may require many services but it is likely that it has a surplus for invisibles on its Balance of Payments.

For these reasons both Country A and Country B are involved in international trade.

Level 1 (1–3 marks)

Has commented on Country A and/or Country B and international trade with/without an opinion.

Both Country A and Country B are involved in international trade. Country A must export raw materials. It is not using all of them in its secondary industry. Country B produces goods. It needs raw materials to use for these and does not have enough itself. It will import raw materials to use. [6]

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2 **(a)** Total value of sales/income/revenue for a trading period (1)/total sales (1)
Calculated as total sales less returns (2).
Net sales = 2 marks.

Any other relevant point. [2]

(b) **(i)** \$50 000 × $\frac{100}{125}$ (1 mark) = \$40 000 (1 mark)
OFR applies. Award full marks for correct answer without working. [2]

(ii) \$50 000 – \$40 000 (1 mark) = \$10 000 – \$6000 (1 mark) = \$4000 (1 mark)

OFR applies and also from **(i)** above.
Award full marks for correct answer without working. [3]

(c) Any three points × 1 mark and up to 2 marks for a well developed point:

- because fruit and vegetables are perishable
- and so need to be sold quickly
- do not want the problem of rotting fruit and vegetables
- may otherwise waste resources/lose money
- will mean increased sales leading to higher profits
- daily necessities for consumers/buying daily.

Any other relevant point.
Comment on cash flow up to two marks. [3]

(d) Any two services described relating to the fruit and vegetable shop × 2 marks:

NB if services not in context award 1 mark each.

- buying bulk quantities from producers and breaking that bulk into small quantities
- selling to the shop in the quantities of fruit/vegetables required
- providing storage e.g. cold storage until shop requires stock
- delivery of fruit and vegetables to the shop using a van probably daily
- providing a variety of fruit and vegetables so that the shopkeeper does not have to visit several suppliers
- offering trade discount so that the shopkeeper can make a profit
- storing produce that may be produced seasonally and for which there is continuous demand e.g. apples
- taking risk of bearing losses for produce that is unsold
- offering credit.

Any other relevant point. [4]

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(e) Level 2 (4–6 marks)

Has discussed more than one medium and promotion and given a reasoned recommendation with/without comment on the others listed. (If a candidate has given a reasoned recommendation for only one medium or promotion, award 4 marks max.)

The fruit and vegetable shop owner could use all the advertising media and promotion methods but not all at the same time. He will need to advertise the shop as it has newly opened and so posters and advertisements in local newspapers would be appropriate as they are relatively cheap, can be colourful and are targeted at local customers. He is likely to put displays of produce outside the shop as these will attract passing trade. He may not offer more than one promotion at a time. Loss leaders – selling one line at cost or at a loss in order to entice consumers to buy other lines would be a good idea for the new shop as he needs to build up trade. This could be followed by buy one, get one free promotions on certain lines but people may only want certain quantities of fruit and vegetables at any one time so this may not work as well as for other types of business. I would recommend that the owner of the fruit and vegetable shop should use many types of advertising and promotion to build up the trade.

Level 1 (1–3 marks)

Has recommended one or more medium or promotion with little or no reasoning.

I recommend that the shop owner uses posters as they are cheap. Loss leaders are a good idea. They may increase sales. Displays cost nothing. [6]

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3 (a) 90% [1]

(b) Level 2 (4–6 marks)

Has used the information in Fig. 2 to give a reasoned answer about how Raza should sell her sports equipment in the future. (Award 4 marks max if a reasoned answer is given without the use of the information in Fig. 2.)

Raza owns several shops so she should study the performance of each individual shop and possibly close any that are not performing well. Because the forecasted figures for 2015 show retail sales using the Internet are greater than from shops, she should not plan to open any more shops. She should set up a website if she does not already have one or review her existing website so that she can make the most of opportunities for online shopping. She may also have to review her ordering and delivery procedures.

However, she should not necessarily believe the percentages presented. The figure of 60% of people shopping on the Internet in 2015 is only a forecasted figure and may not be accurate. The figures do, however, show a steady increase in the percentages of consumers using online shopping from 10% in 2005 to 60% in 2015. The numbers of people shopping for sports equipment online may not be so great as many people may want to view or try the equipment before purchasing such expensive items. She should be constantly reviewing her selling strategies as more data becomes available.

Level 1 (1–3 marks)

Has commented on how Raza should sell her sports equipment in the future with/without the use of the information in Fig. 2.

Raza should concentrate on selling on the Internet. She should set up a website.
More people are purchasing on the Internet. She should close some of her shops. [6]

(c) Any three points × 1 mark each:

- ask for the receipt/to prove it was purchased at the shop
- check over the exercise bicycle to see what is wrong with it (1) make sure telling the truth (1)
- check documentation such as the guarantee
- organise for it to be repaired/send back to manufacturer
- free of charge if under guarantee
- check that it has not been deliberately broken by the customer
- apologise if it is faulty
- replace exercise bike
- offer refund.

Any other relevant point. [3]

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(d) (i) Any one advantage × 1 mark:

- increased sales/attract more customers
- take advantage of impulse buying by customers
- may provide competitive advantage/edge
- may mean not holding too much cash on premises – reduced danger of theft.

Any other relevant point. [1]

(ii) Any one disadvantage × 1 mark:

- may cause cash flow problems
- postponement of receiving payment
- commission deducted by the credit card company (for credit card)
- possibility of fraud/bad debts
- extra administrative work e.g. checking credit limits.

Any other relevant point. [1]

(iii) Any one point × 1 mark:

- by paying off the amount due on or before the date required for payment.

Any other relevant point. [1]

(e) (i) Any three points × 1 mark each and up to 2 marks for a well explained point:

- no interest is payable
- easily and quickly available
- no repayment needed
- no loss of control to a lender
- do not have to be arranged as with a bank loan
- no security required
- less documentation/administration
- avoids danger of going bankrupt = 0.

Any other relevant point. [3]

(ii) Any two points × 1 mark each or one well explained point × 2 marks:

- when she needs finance for a specific project such as buying a vehicle
- when a large amount of money is involved
- when she needs finance over a period of some time e.g. several years
- when interest rates are lower on a loan than an overdraft
- when she is able to plan her repayments.

Any other relevant circumstance. [2]

(iii) Any two points × 1 mark each or one well explained point × 2 marks:

- provide capital
- not affect the running of the business as not active in the business
- take a share of the profits so less profit for her.

Any other relevant point. [2]

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4 **(a)** Any two advantages × 1 mark each:

- can carry very heavy and bulky loads/large quantities at one time
- may be faster over very long distances
- may be able to move quantity of containers with one train
- may provide direct access to/from ports to manufacturing areas
- may cause less air pollution than road transport
- may economise in the use of labour and so reduce costs for long journeys
- may be cheaper over long distances
- avoids traffic jams.

Any other advantage.
NB quicker/safer/cheaper = 0 marks unless qualified.
Allow negative comment on road transport. [2]

(b) **(i)** Any two reasons explained × 2 marks each:

- lack of investment in the railway system compared with other forms of transport
- rail transport not suitable for carrying small quantities of goods
- other forms of transport are needed from the railway station
- governments in some countries have favoured other forms of transport
- decline of industries dependent on railways e.g. iron and steel in some countries
- people may prefer to use their own transport e.g. cars as more flexible
- may be high cost of rail transport
- increased use of air transport.

Any other relevant reason. [4]

(ii) Any two developments × 1 mark each:

- high speed trains linking major cities/bullet trains
- liner trains – special services for the transport of containers
- development of more routes
- modernisation programmes (improving trains)
- development of mass rapid transport systems e.g. MRT in Singapore
- driverless trains
- electrification.

Any other relevant development. [2]

(c) Any two services × 1 mark each:

- secure warehousing/bonded warehouses/cold storage
- container handling equipment
- lifting gear
- security
- trollies
- conveyor belts
- customs inspection facilities
- labour force.

Any other relevant service. [2]

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(d) Any two points × 1 mark each or one well explained point × 2 marks for each document:

(i)
- document of title – whoever has the bill of lading can claim the goods
- evidence of a contract
- advice note giving details of the goods carried (1 mark max)
- receipt for the goods taken on board the ship
- negotiable instrument – ownership can be transferred.

Any other relevant point. [2]

(ii)
- advice note giving details of the goods carried by air (1 mark max)
- evidence of a contract of carriage
- used as a receipt
- may be used by customs to assess import duty.

Any other relevant point. [2]

(e) Level 2 (4–6 marks)

Has discussed the advantages of both air and sea transport in the context of the export of a consignment of books and has given a reasoned recommendation. (If a candidate has discussed and recommended only one method of transport, award 4 marks max.)

This Singaporean business could use either air or sea transport. If it uses air transport, the books will arrive quickly and so can go on sale quickly. The costs of air transport are, however, high as the books are likely to be heavy. They may not be needed too quickly – it depends what they are. They should, however, be well protected from damage and theft and are likely to be sent in a container specially designed for air freight. If the business uses sea transport, the books will take some time to arrive in the USA. They will need to be containerised and this will protect them from damage and theft. A large consignment can be sent or the books could be sent with other goods in the same container. They would be packed at the depot in Singapore with customs clearance and could be transported in the container to their final destination in the USA. The costs of sending by sea are likely to be cheaper. The business would need to weigh up the importance of speed in relation to cost. It is likely that sea transport using a container would be the most economic means of transport.

Level 1 (1–3 marks)

Has commented on the use of air and/or sea transport for moving goods with little or no context with/without a recommendation.

I recommend air transport. It is quick. There are aircraft available that travel between Singapore and the USA. Not so much packaging is required. They are likely to be safe. Sea transport is slow. The books may be damaged by water. [6]

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5 (a) Any three services × 1 mark each:

- obtaining cash
- paying in money/cheques
- bank statements
- transferring money between accounts
- paying bills
- topping up mobile phone
- obtaining quotations for loans
- checking account balances
- changing PIN numbers
- 24/7 availablility
- billing = 0 marks.

Any other relevant service. [3]

(b) Any two advantages × 1 mark each or one well explained advantage × 2 marks for each section:

(i)
- easier to carry than cash
- safer than carrying cash
- may help user to control spending – budget for what the person can afford
- payment is made immediately
- can be used when cheques are refused
- can be used for online shopping.

Any other relevant advantage. [2]

(ii)
- payment is guaranteed
- no bad debts
- instant payment as compared with credit cards
- helps cash flow
- less cash is held on premises
- can be used for e-commerce trading
- refused if insufficient funds.

Any other relevant advantage. [2]

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(c) Any three services when using Internet banking × 1 mark each:

- making payments
- viewing balances and transactions
- obtaining bank statements
- paying credit card bills
- creating/amending/cancelling standing orders
- managing direct debits
- transferring money between accounts
- requesting borrowing facilities
- access to services 24/7
- information/advice services
- international transfers of money
- purchasing online = 0 marks.

Any other relevant service. [3]

(d) Any four points × 1 mark each or two well explained points × 2 marks:

- they provide a detailed record/of every transaction such as direct debits
- provide running balance after every transaction
- enable customers to check financial position
- and to take action if errors/fraud is found
- enable customers to know their exact financial position and undertake a bank reconciliation
- provide regular print out of financial information.

Any other relevant point. [4]

(e) Level 2 (4–6 marks)

Has discussed two or more types of advertising in the context of commercial banks and given a reasoned answer for the choices made. (If a candidate has discussed only one type of advertising and given reasons for the choice made, award 4 marks max.)

Commercial banks need to advertise their services to keep their customers and also to try and gain new ones. They will need to give detailed information about the services they offer and so they will use informative advertising – often using booklets and leaflets on particular services. There are several commercial banks so customers can choose which ones they want to use. Banks are in competition with one another so they are likely to use competitive advertising such as showing that they are offering a better saving scheme than their competitors.

Advertising used by banks may be persuasive in tone as they are trying to persuade people to use their services or to use additional services. Bank are unlikely to use collective advertising – advertising the product – banking – without emphasising a particular brand as they are interested in obtaining as large a market share as possible.

Level 1 (1–3 marks)

Has commented on one or more types of advertising with little or no reasoning.

Banks try to inform and persuade customers to use their services. They provide information. They compete with one another to make as much profit as possible. [6]

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6 **(a)** One mark for each answer:

(i) A (Tom)/C (Karina) [1]

(ii) B (Abel Ltd) [1]

(b) One mark for each answer:

(i) D (Betterbuy)/B (Abel Ltd) [1]

(ii) E (Costimp Ltd) [1]

(c) Any two points × 1 mark each or one well explained point × 2 marks:

- because it does not offer credit to customers and it does not offer delivery of goods
- offers self service
- less administration.

Any other relevant point. [2]

(d) **(i)** Any four points × 1 mark each or two well explained points × 2 marks:

- enables the supermarket chain to act as its own wholesaler and supply the individual supermarkets
- enables the supermarket chain to buy in large quantities directly from suppliers and so obtain discounts
- enables the supermarket chain to keep its stores well supplied and, because they are near to the stores, save on storage costs at the individual supermarkets and also save on transport costs
- award max of 2 marks for general points relating to warehousing such as provides storage for the protection of goods/breaks bulk.

Any other relevant point. [4]

(ii) Any four points × 1 mark each or two well explained points × 2 marks each:

- they are often located at airports and ports where goods are imported and exported
- they provide storage for dutiable goods on which duty has not yet been paid
- they enable an importer to look for buyers while the goods are in bonded warehouse
- goods can be sold while in bond and the buyer pays the duty
- they enable a trader taking part in the re-export trade to import, process the goods and then re-export without the payment of duty
- they enable goods to be processed while in bond – blending, packaging, bottled
- without bonded warehouses, international traders would find it difficult to trade in some goods.

Any other relevant point. [4]

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(e) Level 2 (4–6 marks)

Has discussed the need for barns for Tom, a farmer involved in primary industry and has shown, with reasons, whether or not Tom needs barns for storage. (If a reasoned answer is given without the context of Tom, the farmer, award 4 marks max.)
NB There is no need to show the argument for not having barns for storage.

Tom as a farmer will grow crops and/or rear livestock. He will need storage for his machinery, seeds and fertilisers. He may also keep some of his livestock in barns at particular times of the year. Tom may specialise in a particular crop and so have special storage e.g. producer of wheat would have a grain silo. He may also have cold storage on his farm if he is producing perishable crops that he wishes to keep for some time, especially if he hopes that the price will rise. He may need storage if he sells direct to consumers and operates a farm shop.

On the other hand, Tom is likely to sell his crops soon after they are produced. In some countries he may sell to a marketing board, in other countries direct to food processors. This will mean that he does not need too much storage and so does not have to bear the risks of his crops being damaged or going bad. He produces according to the seasons so sometimes his need for barns may be greater than at other times of year.

Tom may, however, be a subsistence farmer and so needs a barn to store his crops for his own use.

Tom is, therefore, likely to have barns and to need them at certain times of the year.

Level 1 (1–3 marks)

Has commented on the use of storage by a farmer indicating that Tom needs/does not need barns.

Tom will need storage. He stores crops, seeds and machinery. If he did not store them, they might be lost or go bad. He needs storage before he sell the crops or while he waits for transport. Storage is important to him. [6]

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7 (a) (i) Any two points × 1 mark or one well explained point × 2 marks:

- might be taken ill on holiday/accidents
- might have their luggage lost or stolen
- may have to cancel the holiday
- may have travel delays
- may wish to claim compensation if something goes wrong
- can be compulsory for some holiday bookings.

Any other relevant point. [2]

(ii) Any two personal risks × 1 mark each:

- motor
- property
- contents
- buildings
- fire
- theft
- personal liability
- life
- personal accident
- health
- pet
- card
- mortgage protection
- flood.

Any other relevant risk. [2]

(b) (i) Any two points × 1 mark each:

- 10% discount on premiums
- available 24/7
- can postpone payment by using credit card
- can study what is on offer before making the application for insurance
- can compare insurance companies before making a choice
- can arrange insurance sitting at home.

Any other relevant point. [2]

(ii) Any two points × 1 mark each:

- saving in labour costs/as many of the processes are computerised
- can target customers all over the world
- can give detailed information about the policy offered
- can target customers who want to purchase as much as possible online
- can change information whenever they want
- no need to open new offices
- comparison websites.

Any other relevant point. [2]

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

yes she will be able to claim but she should not expect to receive compensation from both insurance companies – against the principle of contribution – compensation may be shared by the two insurance company or one insurance company will pay with the knowledge of the other company.

Any other relevant point.
Principle = 2 max. [3]

(ii) probably not – it depends if the illness was related to the heart condition. He did not complete the proposal form with utmost good faith. He should have declared that he had a history of heart problems. If the illness is nothing to do with his heart, he may be able to claim.

Any other relevant point.
(Allow proximate cause.)
Principle = 2 max. [3]

(d) Level 2 (4–6 marks)

Has discussed whether or not the issue of Paxicover Direct being a large company is an advantage or a disadvantage to people who insure with the company and has given a reasoned opinion.

Many insurance companies are very large organisations. Many are multinational companies with interests and offices in many countries. Insurance is based on pooling of risk so they are likely to be able to offer insurance at reasonable rates because they are operating with a large pool of paid premiums from which to meet claims. They may be able to take advantage of economies of scale – savings in marketing costs and the employment of specialist staff. They are also able to offer a range of insurance policies to suit many types of customer and to be able to offer different ways of obtaining insurance as shown in Fig. 4.

On the other hand, because they are very large organisations, the personal touch is likely to be lost. It may be difficult to obtain information about queries that arise. It may be difficult to make a claim or to make contact with the company when the need arises. They are likely to have systems for dealing with applications for insurance and for claims. Communication with them may be easy or difficult from different parts of the world. The advertisement gives very little information about the travel insurance offered. It would be important for any potential customer to make sure what was covered and what was excluded before taking out insurance with Paxicover Ltd.

Where the company is located and how large it is, is unlikely to affect those who insure with the company. What matters is how efficient the company is and how easy it is to claim if the need arises.

Level 1 (1–3 marks)

Has commented on Paxicover Direct being a large company offering insurance with/without any opinion as to whether it will affect people who insure with it.

Paxicover Direct, as a large company, will have offices in many countries. It may be easy to obtain insurance, it may not. People wanting to insure will not worry as to whether the company is a large company or not. They insure in case something happens to them. [6]

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8 (a) (i) Any three kinds of packaging × 1 mark each:

- plastic boxes
- polythene
- cardboard boxes
- plastic pots
- plastic trays
- boxes
- bottles
- plastic bags
- paper bags
- glass jars
- cans
- recycled materials
- plastic
- gift wrapping
- coloured paper.

Any other relevant kind of packaging. [3]

(ii) Any three points × 1 mark and up to three marks for a well developed point:

- to promote their names to customers
- to make the products recognisable
- to assist self service and make it easier to choose products
- to create brand loyalty and so increase sales
- to make the packaging attractive to customers
- to assist advertising of the large-scale retailer
- to distinguish products from others.

Any other relevant point. [3]

(iii) Level 2 (4–6 marks)

Has discussed the statement and has given a reasoned opinion. (If a candidate has discussed only one part of the statement, award 4 marks max.)

Packaging of goods is widespread and can take many forms. Packaging has many functions – to protect goods, to group goods together, to enable self service to be easier, to make the goods recognisable and to make it easier to display goods. Many people think that packaging adds to the costs of the product and increases the price to the consumer. Someone has to pay for the packaging and it is part of the cost to the consumer. In many countries there are campaigns to reduce the use of packaging because it is considered environmentally unfriendly and wasteful and many manufacturers and retailers are trying to reduce the amount of packaging used.

But much of the packaging of goods is essential. It makes goods easy to identify. It makes some goods easier to handle e.g. milk in a carton and it also preserves many kinds of goods such as food or keeps it clean such as clothing.

There is no doubt that packaging adds to costs but costs for many items have been lowered by bulk buying of many goods and by self service.

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Level 1 (1–3 marks)

Has commented on the need for packaging and/or adding to the costs for the consumer with/without an opinion.

Packaging is important for retailers. They use it to protect goods. They are easier to handle. Packaging is also expensive. Someone has to pay for it. It has to be disposed of and this costs money. [6]

(b) Any four points × 1 mark each or two advantages explained × 2 marks each:

- can introduce mass production methods making use of machinery/robotics
- can increase output and probably achieve better quality products
- can introduce division of labour so making labour more efficient
- can achieve economies of scale e.g. bulk buying raw materials
- product is standardised and because of reduced costs, prices may be lower
- the company can become known for a specialised product – packaging so making advertising easier → profitability.

Any other relevant point. [4]

(c) Any four points × 1 mark each or two well explained points × 2 marks each:

- can give detailed information about the whole product range
- can make alterations to prices by using a price list rather than reprinting/updating the catalogue
- price list may give details of the trade discount offered
- catalogues may tempt customers to buy extra products/use of colour
- catalogue more suitable for doing business with regular customers
- quotations are usually used to give the prices of particular services or a particular group of goods required and the terms of sale
- customers keep catalogues for reference and later orders.

Any other relevant point. [4]

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