CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

MARK SCHEME for the May/June 2015 series

7100 COMMERCE

7100/23 Paper 2 (Written), maximum raw mark 80

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1 (a) Any two points × 1 mark each or one developed point × 2 marks + 1 mark for an example.

concentrating on one task/process
so that the person becomes an expert at that task/process
in a factory/in a region/in a country

e.g. clothing factory in Bangladesh/fishing industry in the Maldives/oil industry in Brunei
(1 mark)

any other relevant point (3)

(b) (i) Any one for 1 mark such as retail/wholesale/import/export/home/foreign/barter

NB 0 marks for named trade e.g. oil trade (1)

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

most people earn a living by specialising on one particular kind of work
they do not produce all that they need
they may increase their output/so that they produce surpluses
which they sell to others
or find others e.g. wholesalers to sell for them
they are paid money for these surpluses
and so can buy the other goods and/or services they need

any other relevant point (4)

(c) Any four points, including examples, × 1 mark each

needs are those things that people must have to survive
e.g. food, water, heating
wants are those things that make life more pleasant for people
they do not need them in order to survive
e.g. transport, entertainment, computers
they can be material wants e.g. freezers
or immaterial wants/services e.g. holidays

any other relevant point
NB candidates must score at least 1 mark for each to achieve maximum marks (4)

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

the difference between the value of a firm's output and the cost of the materials/services used
to create it (2 marks)
value added to the materials/services bought in eg stitching material
can be calculated as selling price – bought in materials/services = added value

allow examples to explain the term.

any other relevant point (2)

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(e) Level 2 (4–6 marks)

Has discussed whether or not a car manufacturer is engaged in trade and has given a reasoned opinion.

The car manufacturer is concerned with secondary production. He makes cars from raw materials and components. In order to make profits, he needs to sell these cars. He may sell them in the home market to dealerships or garages. He may export them to other countries.

In order to make the cars, he buys in raw materials and components. He may buy these from local companies so he is involved in home trade. He may import some of them. Trade is buying and selling in order to make a profit so he is involved in trade, otherwise there would be no point in him making cars.

Level 1 (1–3 marks)

Has commented on the car manufacturer in relation to trade with/without an opinion.

Trade is buying and selling for profit. The car manufacturer buys raw materials to make cars. He sells the cars he makes. He may export many of them.

(6)

NB 0 marks for discussion on aids to trade

2 (a) Any two requirements described × 2 marks

a suitable location – with many customers around/easy to obtain supplies
sufficient capital – to set up, to buy supplies, to maintain cash flow
organisational ability – to manage the retail outlet, to manage staff
choosing the right goods – finding value for money and goods that will sell
correct levels of stock held – too much stock will tie up working capital
purchasing ability – obtaining goods at the right price in order to make profits
ability to delegate – able to use staff effectively so not doing all the work
selling skills – product knowledge and ability to persuade customers

any other relevant point relating to being a successful retailer (not partnership) (4)

(b) (i) Any one disadvantage × 1 mark such as partners may disagree/share profits/ unlimited liability/not a legal entity/one partner doing all the work

any other relevant point (1)

(ii) Any two ways × 1 mark each

own savings/borrowing from friends or relatives/bank loan/overdraft (for stock)
ploughing back profits

any other relevant way (2)

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

may tie up capital if too much stock is held
wastage/deterioration if stock not sold
may have to dispose of stock at below cost price and so make a loss
unable to supply customers if too little stock is held
customers may go elsewhere if stock is not available
might go out of fashion so will not be sold
any other relevant point (3)

(d) Any four points that should include comment on window displays, flyers and local tv

window displays enhance the appearance of the shop
window displays have an impact on passers by
flyers are cheap and can be given to a targeted audience
local television may be too expensive
adverts for local television may be expensive to produce
may not be watched by many people
shown only for a short period of time

any other relevant point (4)

(e) Level 2 (4–6 marks)

Has discussed both sites and has made a reasoned recommendation.
(If a candidate has discussed only one site, award 4 marks max.)

The site on the road junction is in the town centre where there is likely to be much passing trade with many other shops around. It is close to the town's main car park so shoppers will be able to park before doing their shopping. If, however, the roads are busy, it may be that potential customers will have difficulty reaching the shop and suppliers may have difficulty making deliveries.

The shopping centre is likely to attract many potential customers who come to visit other shops. There will be advertising of the shopping centre as a whole and car parking provided around the shopping centre. As the unit is small it may not be noticed especially as it is in a corner position. It would be better in the middle of many other shops.

I would recommend the shopping centre site as a lease might be taken for a short time so that the success of the shop can be judged before committing themselves.

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Level 1 (1–3 marks)

Has commented on one/both sites with/without a recommendation.

The corner site is in the town centre. There is likely to be much passing trade with many other shops around. Suppliers may have difficulty making deliveries.

The shopping centre is likely to attract many potential customers. There will be advertising of the shopping centre.
Car parking is provided. The unit is small. It may not be noticed.

I would recommend the town centre site. It might be cheaper.

(6)

3 (a) Any two reasons × 2 marks

to dispose of surpluses such as raw materials
to obtain goods that they cannot produce themselves such as manufactured goods
to provide the population with wider choice – growing expectations and desire for higher standard of living
to maintain friendly relations with other countries – often trade agreements are made
to satisfy the population's needs and wants – may have to import food to feed the population
to obtain goods that are too expensive to produce within the country – may be high labour costs
to earn foreign currency with which to buy goods and services needed

any other relevant reason (4)

(b) Any four points × 1 mark each, including 1 mark for an example, and up to 2 marks for a well developed point

example such as European Union, SADC, ASEAN

to try to increase trade/between member countries
gives free access to larger markets
gives wider choice for consumers living within the trading bloc
more opportunities for firms to export to member countries/so may increase export sales
may be free movement of labour to find work
less tension between member countries
businesses may find it easier to set up outlets/factories in member countries
easier to export goods to member countries/no quotas or import duties

any other relevant point (4)

(c) Any two points × 1 mark

free trade area
clearly defined geographical area within a country
where production/processing of goods can take place without payment of duty
no duty is charged on goods entering/leaving the free port
(operates rather like a bonded warehouse)

any other relevant point (2)

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(d) (i) Any three points × 1 mark each

bonded warehouses contain dutiable goods on which duty has not yet been paid
customs authorities are responsible for collecting duties
and will not release goods until duty has been paid
enables them to collect statistics of imported goods

any other relevant point (3)

(ii) Any one function × 1 mark such as – enforcing quotas, charging duty, inspecting goods inspecting documents, inspecting vehicles/containers, collecting statistics, immigration

any other relevant function (1)

(e) Level 2 (4–6 marks)

Has discussed whether or not documents used in foreign trade differ from those used in home trade and has given an reasoned opinion with the use of examples.

Some of the documents used in foreign trade are different from those used in home trade. The country of origin needs to be identified so a certificate of origin is used. Documents of title need to be used to ensure that the right person takes delivery of the goods so bills of lading are used. Methods of payment are more complex and there is need for more secure methods so instead of cheques and credit transfer, documentary credits and electronic transfer forms are used. When delivering goods delivery notes and consignment notes are used in home trade and bills of lading and air waybills are used in foreign trade.

Some may have different names but serve the same purpose. An order form is used in home trade and an indent is used to order goods from another country. Invoices may be used to show the value of the goods purchased. Goods will be insured both in home and foreign trade
so insurance policies and certificates will be used. There may be more detail on the documents
used in foreign trade but their purpose is the same.

It is, therefore, true that many of the documents used in foreign trade differ from those used in home trade but many serve the same purpose – to provide a record, to request payment or to prove ownership.

Level 1 (1–3 marks)

Has commented on some of the documents used in foreign trade and /or home trade.

A bill of lading is a document of title. It is also evidence of a contract. The air waybill is also a contract of carriage. The delivery note accompanies goods in home trade. The invoice is the bill. When requesting goods, an order form is used. (6)

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4 (a) (i) One mark for multiple chain store/multiple store (1)

(ii) Any two functions ×1 mark each

purchasing/advertising/identifying new sites/setting up new stores/shop design/accounts/hires branch managers.

any other relevant function

(b) Any two functions described × 2 marks each

enables the large-scale retailer to buy in bulk from producers at discounted prices
provides storage before the distribution of goods to individual stores
protects goods from damage/weather/theft/deterioration (any one)
breaks bulk so that goods can be distributed in smaller quantities
provides a location for any preparation for sale e.g. packaging, grading, labelling
evens out supply so that prices remain reasonably stable
provides rapid distribution to stores as often located at major road junctions
holds stock to meet unexpected demand e.g. seasonal changes

any other relevant point (4)

(c) Level 2 (4–6 marks)

Has discussed whether or not small-scale retailers can survive competition from large-scale retailers and has given a reasoned opinion.
(If a candidate gives a one sided discussion, award 4 marks max).

In many parts of the world many small-scale retailers have closed because of the competition from large-scale retailers who can bulk buy and offer lower prices and a wider range of goods to consumers. In some parts of the world where large-scale retailers do not function, people rely on the small corner shop for their needs and these retailers continue to thrive. Many small-scale retailers are speciality shops catering for a small market eg high-class jeweller.

In order to survive the competition, small-scale retailers have tried to cut costs, joined a voluntary **c**hain for bulk purchasing, offered additional services to consumers, offered informal credit and catered for the individual needs of their customers.

Many small-scale retailers will survive the competition, often because they own their premises.
The trend seems to be for large-scale retailers to be in competition with other large-scale retailers for greater shares in the market.

Level 1 (1–3 marks)

Has commented on small-scale retailers in relation to large-scale retailers.

Many small-scale retail businesses have closed. The large-scale retailers can provide goods at a lower cost. Some small-scale retailers survive. There are no large-scale retailers near them. They offer a personal service to their customers. (6)

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(d) (i) Any two disadvantages explained × 2 marks

goods may not be look the same as they appeared online – different quality/colour/material
goods may not be as described or not perform the function claimed
delays in delivery – may not be available when the delivery is made
difficulties with returns – high cost of postage, company may make it difficult to return goods
payment – may not be a secure site, less methods of payment available
difficult to ask questions about the products shown unless use contact details

any other relevant disadvantage (4)

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

customer may want to ask questions about the product
use the telephone to find out more details about products offered
can email to the company about delivery of goods, any complaint
postal address would be useful when returning goods

any other relevant point (3)

5 (a) (i) Any one function × 1 mark – transporting goods, arranging documentation, providing storage, arranging customs clearance, dealing with containers

any other relevant function (1)

(ii) Any two points × 1 mark or one well developed point × 2 marks

may have different amounts of goods to transport
may have to make delivery journeys for which vans are more suitable
may have to carry bulk loads for which trucks are more suitable

any other relevant point (2)

(b) (i) Any three risks × 1 mark each

motor/goods in transit/employer's liability/consequential loss/fire/theft/public liability/ fidelity bond

any other relevant risk (3)

(ii) Any four points × 1 mark each which need not be in a logical order

contact the insurance company
as an accident has occurred, obtain the insurance details of others involved
look for witnesses
inform police
take photographs
request/complete a claim form
complete the claim form truthfully
be prepared for an assessor to inspect the van

any other relevant point (4)

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

pooling of risk enables the fortunate to help the unfortunate
Go Go Ltd pays a premium of $500 into a pool where other premiums from other policy holders is collected
this pool enables claims to be met (for Go Go Ltd claims up to $500 000)
and also allows for administrative costs and profit for the insurance company's investors
there would be a separate pool for each insurance risk
the amount of premium paid would depend on the amount of risk involved and also on the size of the pool

any other relevant point (4)

(c) Level 2 (4–6 marks)

Has discussed both informative and persuasive advertising in relation to Go Go Ltd obtaining new business and has given a reasoned opinion.
(If a candidate discusses only one type of advertising, award 4 marks max)

Informative advertising provides factual information. Persuasive advertising aims to persuade potential customers to purchase a particular product or service.

Potential customers for Go Go Ltd's services will want to know what services it provides, the scope of these services and their prices. Go Go Ltd will be using informative advertising to provide this information. It is likely that Go Go Ltd is operating in a competitive market. It will need to persuade possible customers that its services are better than its rivals and so it is likely to be using competitive advertising. It will, however, need to persuade these customers that its services are worth considering by perhaps using some advertising techniques in its advertising material eg a well known person using Go Go Ltd's services. Many of Go Go Ltd's customers are business people. They are unlikely to be influenced greatly by false promises and appeal to emotions. They are more likely to be influenced by accurate facts about the
services and by value for money and the provision of an efficient service.

Therefore, informative advertising is more important for Go Go Ltd than using a number of persuasive techniques to obtain new business.

Level 1 (1–3 marks)

Has commented on informative and/or persuasive advertising mentioning/not mentioning Go Go Ltd.

Informative advertising provides factual information. Persuasive advertising aims to persuade potential customers to purchase a particular product or service.

Customers need to be informed of Go Go Ltd's services and their costs. Therefore informative
advertising needs to be used by Go Go Ltd. (6)

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6 (a) (i) Any one example × 1 mark such as Ford, Coca Cola, Dunlop, Rio Tinto Zinc, Barclays Hilton, MacDonalds, Starbucks (1)

(ii) Any two features × 1 mark each

subsidiaries/outlets/factories in many countries
head office usually in country of origin
may offer multiple products or services
very large company
usually organised as a public limited company
operating in the global market
operates in many countries
profit sent back to home country

any other relevant point (2)

(b) (i) Any three advantages × 1 mark each

readily available
no interest
does not have to repaid
can use any part of it
no collateral required

any other relevant advantage (3)

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

enables Beamish to raise very large sums of capital as there are many private investors and institutional investors likely to invest
Beamish does not have to pay interest on the money raised
Beamish does not have to repay the capital
dividends may vary/paid only when profits made
ordinary shares are not linked to the company's assets so the company's assets are not at risk
stock exchange regulation may mean that potential investors are more likely to buy shares
gives investors confidence to invest as stock exchange requires company to be well managed/keep proper records
shares are freely transferable so investors may be more willing to invest

any other relevant point (4)

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

Beamish is a multinational mining company with interests in many parts of the world so there might be many occasions when risks/accidents/occurrences may occur
it will need to insure its employees – required by law in many countries – against claims made by employees because of company negligence
it will need public liability insurance as there may be occasions when members of the public are close to the mining operations
it will need to insure its plant and equipment, its buildings and machinery against fire and theft
any claims made are likely to be for very large sums of money so Beamish needs to have

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large-scale cover
Beamish might not be able to meet these claims from its own resources so it gives the company
confidence to function
insurance provides financial protection against risks which may be many and various

any other relevant point (4)

(d) Level 2 (4–6 marks)

Has assessed the effects both good and bad that Beamish might have on the economies
of countries in which it is located and has given a reasoned opinion.
If a candidate has assessed either good or bad effects, award 4 marks max)

Beamish will provide jobs in the countries in which it is located. These are likely to be the more
manual types of job with management posts being filled by people probably from USA. Job creation means a reduction in unemployment. People will use their wages to improve their standard of living by purchasing goods and services. This will benefit other businesses in the economy by increased trade.

Beamish itself may purchase from local firms who in turn may prosper. Beamish will contribute
to the economy of the country by the taxes it pays, may train workers so they become more skilled and may contribute to the infrastructure of the country.

On the other hand Beamish, as a mining company, is likely to contribute to the pollution of the
country. It is mining raw materials and so depleting the natural resources of the country. It also move much of its profits out of these countries so avoiding payment of tax. Beamish may
find it is unprofitable to operate in a particular country and so suddenly cease mining so causing
localised unemployment with the resulting effects on the local area and its economy.

Beamish is likely to have considerable effects on the economies of the countries in which it is located. Some economies will benefit and others, probably developing economies, will not.

Level 1 (1–3 marks)

Has commented on the effects both/either good or bad that Beamish might have on the economies of countries in which it is located.

Beamish will provide jobs. This will reduce unemployment. Some people will have a better standard of living. It will pay taxes. This will help the country.

Beamish may exploit the country. It will take its raw materials. It will create pollution. It may avoid tax. These are the effects that Beamish will have on the countries where it is located.
(6)

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

transactions take place using the computer/electronically with customers all over the world
cash would have to be sent by registered post and this would be expensive

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cash might be stolen
large sums of money may be involved
debit and credit cards are relatively safe to use
immediate payment may be made using the debit card
payment may be postponed using the credit card and this may encourage sales

any other relevant point (4)

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

jewellery is a valuable and lightweight item which needs to be transported safely and quickly
air transport provides a fast service to many parts of the world so the jewellery will not be in other people's hands for too long
some airlines specialise in handling valuable cargoes
freight forwarders may be used

any other relevant point (3)

(c) (i) Any one cost × 1 mark such as power, labour, rent, packaging, advertising

any other relevant cost but do not accept types of cost e.g. direct, variable, fixed (1)

(ii) \$16 + \$16 × $\frac{250}{100}$ (1 mark) = \$56 (1` mark)

OFR applies. If the correct answer is given without working, award full marks (2)

(d) Any four actions × 1 mark each and up to 2 marks for any well developed point

ask the customer to return the necklace
and the documentation
examine the necklace
may have contravened trades description act
if the complaint is upheld apologise to the customer
ask if she would like a refund or replacement
offer some form of compensation
investigate the problem (may be criminal activity in the company)
if the customer is wrong explain in detail why it is solid gold and not gold plate
return the necklace to the customer

any other relevant point (4)

(e) Level 2 (4–6 marks)

Has assessed the usefulness of services provided by banks in relation to Gilia.com and has given a reasoned opinion.

Gilia.com will need to use a bank. It will need a current account so that payments can be made to suppliers and payments from customers can be received. It may have an overdraft facility on this account. This account is likely to be an Internet current account as Gilia.com

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is an Internet based company. It would be strange if it did not do most of its banking business using the Internet – viewing balances, making transfers, receiving payment.

Gilia.com may need a deposit account or saving accounts of some kind to deposit surplus funds in order to earn interest. It may, however, invest surplus funds elsewhere and so a deposit account will not be necessary.

Gilia.com may seek additional finance in the form of a bank loan. It will need the advice of its bank if it considers new enterprises.

There are, however, some bank services that it is unlikely to need. It will not require a night safe as payments to the company will not be in cash. It is unlikely to require ATM facilities although individual employees may require ATM services. It is unlikely to make payments using cheques and will not receive payments by cheque.

Giliam.com will find the services of a bank both useful and essential as it is trading goods for money and will need somewhere where its money can be kept securely.

Level 1 (1–3 marks)

Has commented on services provided by banks with little or no reference to Gilia.com.

Galia.com will need to use a bank. It will need a current account. It will probably have an Internet bank account. Payments can be made to suppliers and payments from customers can be received. It may need to borrow money. It may ask for a loan from the bank.

(6)

8 (a) (i) delivery note/consignment note (1)

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

provides proof that the goods were delivered and in the right condition
confirms that the goods are from the correct supplier so that payment can be made
for record keeping purposes so that Pye Industries knows the quantities it has in stock
helps stock control – can check delivery notes against what is in stock
shows when delivery was made and who was responsible for receiving it
provides details of what was delivered at that particular time and in what quantity

any other relevant point (4)

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

Pye Industries decides what they wanted to buy and looks for the contact details of several suppliers

Pye Industries sends out letters of enquiry to these suppliers requesting quotations
Pye Industries studies these quotations as regards prices, terms, delivery times
Pye Industries selects the supplier that meets its requirements and orders goods

any other relevant point (4)

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(c) (i) Any two points × 1 mark each and 2 marks for a well developed point

selling goods and expecting payment after an agreed period of time
the credit period will depend on the customer's creditworthiness
may allow the buyer to sell the goods before payment is due and use the money to make payment
used between traders who trade on a regular basis

any other relevant point (2)

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

may allow Pye Industries to sell the goods before payment is due
and use the money to make the payment
no interest if paid within the credit period
eases cash flow as enables Pye Industries to offer its customers some credit and so encourage sales
payment before the payment due date may attract cash discount

any other relevant point (3)

(d) Level 2 (4–6 marks)

Has assessed the advantages and disadvantages of using email to communicate with customers and suppliers.
(If a candidate has assessed only the advantages or the disadvantages, award 4 marks max.)

Email is a speedy means of communication. It provides a written record so details of orders from
customers and orders to suppliers are made clearer and can be referred to. This will avoid misunderstandings, especially when numbers, catalogue numbers and descriptions are required.
It is available 24/7 so communication can be made at any time. Messages can be sent to anywhere in the world Email is cheaper than some other means of communication such as telephone and letter post. Messages can be forwarded to others in the business and multiple can be used when sending messages especially when sending out letters of enquiry
to potential suppliers.. Email is paperless so there are environmental savings. It can be read and
deleted or, if necessary, printed out. Documents and files can be sent as attachments so avoiding wasting time delivering weighty envelopes.

On the other hand there are several disadvantages to it. It is dependent on a power supply and
not always reliable in some areas. There may be network problems and software failure because
of viruses. People may not look at their emails for some time so the advantage of speed is lost.
In business people may overuse email messages so customers may feel pressured by 'junk mail'
which clutters up their inboxes. Discussion of a problem or complaint made by a customer is difficult by email. A telephone or a face to face conversation is likely to be more successful.

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Although there are many disadvantages to the use of email, there is no doubt that it makes business more efficient. It saves time and money when dealing with regular transactions with both customers and suppliers but other means of communication should not be forgotten in some circumstances.

Level 1 (1–3 marks)

Has commented on the advantages/disadvantages of email.

Email is fast. It provides a written record. This will avoid misunderstandings. Email is cheaper than some other means of communication. Messages can be sent to multiple addresses. Email can be read and deleted. Email is necessary when dealing with suppliers and customers.

(6)

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