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MARK SCHEME

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1 (a) Any two advantages explained × 2 marks each [4]

- Own boss/control (1) does not have to justify decisions to others (1)
- Keeps all profits (1) no need to share profits (1)
- Can work hours to suit herself (1) does not have to work set hours (1)
- Easy to set up (1) can be set up immediately with few forms needed/not much capital needed (1)
- Business is private (1) only has to send information to tax authorities (1)
- Costs are reduced (1) as she is working from home (1)
- Makes own decisions (1) work at your own timings (1)
- Close customer contact (1) can give advice (1)

Accept any other relevant point

(b) (i) Any two characteristics stated × 1 mark each [2]

- Stalls are hired
- Dependent on weather
- Traders usually sell one line of goods/seconds/unbranded goods
- Traders often make what they sell
- Traders often travel from town to town
- Operate on different days of the week, *allow an example*
- Bargaining often seen
- Open air/open area
- Low overheads

Accept any other relevant point

(ii) Any one advantage explained × 2 marks plus any 1 disadvantage explained × 2 [4]

Advantages:
- Low prices (1) often due to less expenses to seller/able to bargain/competition (1)
- Wide choice of goods (1) due to variety of specialist sellers (1)
- Personal contact with seller (1) who should be knowledgeable about goods/and able to advise (1)

Disadvantages:
- Usually outside (1) so can be affected by weather (1)
- No control over sellers (1) so poor quality/fraudulent goods can be sold (1)
- Sellers move around (1) so returning faulty goods may be difficult (1)
- Can be difficult to try on clothes (1) as often no changing rooms (1)
- Fake/poor quality goods may be sold (1) give poor value/difficult to return (1)

Accept any other relevant point

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(c) (i) Any one relevant source stated × 1 mark [1]

- Personal/own savings
- Retained profits
- Sale of personal assets
- Reducing stock

Accept any other relevant point

(ii) Any one reason × 1 mark plus up to 2 marks for explanation [3]

- Has little personal savings (1) and may want to keep them for emergencies (1) *allow an example* (1)
- Only a small business (1) so retained profit unlikely to be sufficient (1) to cover the large amount needed for the cost of a van (1)
- Reducing stock may not be possible (1) without holding a 'fire sale' (1) and this might result in Nina not receiving enough money (1)
- Personal assets are needed (1) *allow an example* (1) and therefore not available for sale (1)

Accept any other relevant point

(d) Level 2 (4–6 marks) [6]
Has discussed both sources of finance and has given a reasoned recommendation.
(If a candidate has discussed only one option award 4 marks max)

Level 1 (1–3 marks)
Has commented on one or both options with/without recommendation

<u>Bank Loan</u>
- Would be repaid over a period of two to five years with monthly payments of principal sum and interest would probably have to be paid too.
- Would be secured by the asset (van) and Nina would probably have to make a down-payment of around 20%.

<u>Leasing</u>
- Agreed payment over set period, usually two to five years.
- Van would not be owned by Nina.
- At end of period van is given back to leasing company.
- Down payment probably limited to monthly payment up front or none at all.

<u>Comparison</u>
- Payments would probably be higher on bank loan.
- At end of period Nina would own van but not with leasing.
- Leasing does not usually require an initial down-payment whereas a bank loan usually does.
- Accept recommendation of either as long as it is supported.

Accept any other relevant point

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2 (a) (i) Any two benefits stated × 1 mark each [2]

- Consumers have wider choice of goods/services
- Countries can obtain goods and services that are not available from domestic producers
- Countries can dispose of surplus
- Creates jobs
- Increases standard of living
- Friendship/political reasons
- Increases government revenue
- National Income increases/Economic growth
- Encourages investment
- Cheaper goods
- Better quality goods
- Can gain foreign currency

Accept any other relevant point

(ii) Definition of visible trade (1 mark), invisible trade (1 mark) [4]
One example of each × 2 marks

- Visible trade is the trade in goods (1) e.g. tea/textiles/cars/oil (1)
- Invisible trade is the trade in services (1) e.g. tourism/insurance (1)

Accept any other relevant point

(b) (i) 1 mark for correct export total, 1 mark for correct import total, and 1 mark for correct [3]

Balance of Payments figure

Total Exports – $400 million + $150 million = $550 million (1)
Total Imports – $600 million + $270 million = $870 million (1)

Balance of Payments = $550 million minus $870 million = minus/deficit $320 million (1)

(ii) Balance of Payments <u>(OFR applies)</u> [3]

1 mark for stating whether this requires action (Yes = 1 mark)
Up to two marks for explaining actions that may be needed

There is a deficit of $320 million (1) which means the country is importing more than it is exporting (1) leading to less economic growth (1) and unemployment (1)

- Need to lower imports of cars or oil (1) and increase exports (1)
- If this persisted over several years action should be taken, although if it is only a short-term problem then the government should wait to take action (1)
- Actions could include restricting imports (1) by increasing duties (1) or imposing quotas (1)
- Could also encourage exports (1) by loans to exporters (1)

Accept any other relevant point

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(c) (i) 1 mark for stating method of communication means and 1 extra mark for a description (can be purpose or use) [2]

- Telephone/mobile phone (1) allows one-to-one communication/feedback (1)
- Fax (1) allows transmission of documents (1)
- Videoconferencing/Teleconferencing (1) allows several participants in different places to hold a meeting or discussion (1)
- E-mail (1) allows instant written communication/can transmit copies of documents/use of Internet (1)
- Telex (1) allows instant written communication (1)
- Internet (1) buying online (1)

Accept any other relevant point

(ii) Level 2 (4–6 marks) [6]
Has discussed whether or not rapid transfer of information is always important in international trade and has given a reasoned opinion (No need for the argument on both sides)

Level 1 (1–3 marks)
Has commented on rapid transfer of information in international trade with/without an opinion

- Many occasions when rapid transfer of information is necessary, such as a quotation for a contract or obtaining specifications.
- Not always necessary, for example when sending bulk supply of brochures.
- Electronic means now widely used, such as e-mails with attachments.
- Slower means, such as postal services are still used to send brochures and catalogues.
- The Internet has meant that rapid communication is easier and cheaper than previously and this has made international trade much more accessible to small companies.

Accept any other relevant point

3 (a) One mark for stating each factor plus one mark for explaining each of two factors [4]

- Market (1) close to potential customers (1) so that customers will not have to travel far (1) increase their sales
- Cost of premises (1) e.g. affordable rent (1) to reduce the cost of setting up the business (1)
- Ease of access (1)so that customers and suppliers can easily reach the business (1)
- Availability of power/communication infrastructure (1) so that machinery can be used and communication to and from customers is easy
- Competition (1) may be difficult to break into a new market where there is an established car repair business (1)
- Supply of labour (1) where there employees with the necessary skills (1)
- Security (1) better to locate in an area with lower theft/vandalism (1)
- Demand (1) is it a developed area (1) where there are many car owners (1)
- Nearness to suppliers (1) for tools (1) cut transport costs

Accept any other relevant point

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(b) (i) One mark for each of two characteristics stated [2]

- Limited liability
- Continuity of existence
- Legally a separate being
- Owned by shareholders
- Shares can only be transferred with the consent of other shareholders
- Cannot appeal to public for capital/not listed on stock exchange
- Minimum of two shareholders
- Controlled by board of directors
- Needs to be registered with the Registrar of Companies
- In private sector
- Incorporated
- Shares sold to family/often a family business
- Has Ltd/Pvt at end of name

Accept any other relevant point

(ii) Any two risks explained × 2 marks each [4]

- Unlimited liability (1) means that they could lose all their personal assets if the business fails (1)
- Disagreements can take place (1) which can lead to the partnership breaking up (1)
- One partner can bind the partnership to decisions (1) e.g. responsible for debts (1)
- Number of partners is restricted (1) limiting ability to raise capital (1)
- Partnership is not a legal entity (1) so each partner is fully responsible legally (1)
- There is no continuity (1) so if a partner dies or leaves, a new Deed of Partnership may be needed/partnership is dissolved (1)
- Not enough capital (1) to expand the business (1)
- Sleeping partners (1) less active/not pulling their weight (1)

Accept any other relevant point

(c) (i) Any two points [2]

- Helps to increase sales (1) so increasing profits (1)
- Can be informative (1) and advises the consumers that products are available (1)
- Can be persuasive (1) and try to attract consumers (1) to buy products (1)
- To remind consumers (1) that their products still exist (1)
- To create a brand name/image (1) creating brand loyalty (1)

Accept any other relevant point

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(ii) One mark for each of two relevant media stated **[2]**

- Newspaper
- Leaflet/flyer
- Word-of-mouth
- Radio
- Website/Internet
- Posters/billboards/hoardings
- Direct mail
- Window displays
- Telephone directory
- Magazines
- Cinema

Note: Television is <u>not</u> considered relevant for this business.

(d) Level 2 (4–6 marks) **[6]**
Has discussed the statement and evaluated the degree of importance
(The argument can be one-sided and awarded the maximum marks)

Level 1 (1–3 marks)
Has commented on the statement

Main risk categories are:
- Fire and theft – to compensate business due to loss from fire and theft.
- Employer liability – protects business against claims from employees who have been injured while working at the business.
- Public liability – protects against claims from public due to negligence of business.
- In many countries employer liability and public liability are compulsory by law.
- Other types of insurance are not compulsory and Imran and Khaled must weigh the risks against the premium charged by the insurance company.

Accept any other relevant point.

4 (a) Two marks for correct calculation (One mark for identifying correct percentage if calculation incorrect) **[2]**

Asia (25%) or correct figure for total sales ($4million) (1)
25% of $4 million = $1 million (1)

(b) (i) Any two points **[2]**
- A manufacturer changes raw materials (1) into goods.(1)
- A manufacturer is a business in the secondary sector (1) making/producing goods (1)
- Has a factory (1) using machines (1)

Accept any other relevant point

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(ii) Two marks for each explained reason **[4]**

- Wholesalers buy in bulk (1) and then break down the product into smaller quantities for retailers (1) This means Brimstone have only a few customers buying larger amounts (1) thus cutting administration/transport costs (1)
- Wholesalers pay storage costs/no need for a warehouse (1) reducing these costs for Brimstone (1) can continue production (1) ahead of demand (1)
- Wholesalers may advertise/promote products (1) thus widening the market for Brimstone (1) and reducing their advertising costs (1)
- Specialised sellers (1) experts in finding buyers (1) no need for Brimstone to have its own sales department (1)
- Provide information/advice (1) on market trends/tastes
- Pays promptly (1) keeps cash flow moving (1)

Accept any other relevant point

(c) Level 2 (4–6 marks) **[6]**

Has discussed to what extent the home market is important to Brimstone and given reasoning (If a candidate has presented a one-sided argument on home trade, award 4 marks max.)

Level 1 (1–3 marks)
Has commented on the statement

- 37% of total sales to have market which is the largest sales to a particular area
- Sales to home market will be relatively simple, with no export documentation and no need of knowledge of import rules and restrictions in other countries
- Diversifying sales to other countries will reduce the risk of sales being hit by a drop in disposable income in one of the markets
- Home market is important as Brimstone may have more control than in overseas markets, even though overseas in total now accounts for 63% of sales
- Cheaper distribution costs likely in home market with less risk of bad debts
- Greater risk of bad debts owing to greater distances

Accept any other relevant point

(d) (i) Any three points **[3]**

- A Bill of Lading is an important document used when transporting goods by ship/sea (1)
- It acts as an advice note (1) for the quantity/description of the goods (1) as a contract of carriage (1) as a receipt (1) from the shipping company to Brimstone
- It is a document of title (1) When Brimstone sends the Bill of Lading to the purchaser overseas, the purchaser can claim ownership of the goods (1)
- It is negotiable (1) and the purchaser can pass title to a 3rd party (1)

Accept any other relevant point

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(ii) Any three points **[3]**

- A credit note is issued by a seller when goods have been overcharged (1) or when faulty goods are returned (1) *allow an example* such as damaged goods or not the goods ordered (1)
- decreasing the amount owed by the buyer (1) the buyer is owed money (1)

Accept any other relevant point

5 (a) (i) One mark for each of two reasons identified **[2]**

- Cheaper prices
- Wider range of goods
- Additional services/facilities or examples (1)
- Self-service/quicker shopping experience
- Car parking
- Can offer loyalty reward schemes
- Will accept credit/debit cards
- Convenience/near to home
- Branded goods
- Special offers/discounts
- One stop shopping

Accept any other relevant point

(ii) Any 2 × 2 explained reasons or 4 × 1 marks **[4]**

- The service is friendly (1) with the customer feeling welcomed into the store (1)
- Customers know Suraiya (1) and trust her (1) listen to her advice/recommendations (1)
- Creates customer loyalty (1) they will continue to shop there (1)
- Suraiya will know her customer's wants (1) and will stock accordingly (1)
- Suraiya will listen to customer complaints (1) in order to improve her business (1)
- It will increase sales (1) helps her business to survive (1)

Accept any other relevant point

(b) (i) Any two points **[2]**

- Bar coding is a means of computerised recognition of the product (1) it aids accurate pricing at the till (1) and aids stock control (1)
- It operates by placing a unique code of bars/lines/digits on the product (1) which are scanned into the computer (1) using a bar-code reader (1) providing information about the product (1) e.g. price (1)
- Provides market research information (1) showing which products are more popular (1)

Accept any other relevant point

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(ii) Any two points **[2]**

- EPOS stands for electronic point of sale (1) it is a computerised system (1) and uses electronic tills (1) enabling bar-codes to be passed through a laser beam (1) to provide accurate pricing (1)
- It also provides management with information on what is selling (1) customer shopping habits (1) aiding stock control (1) and provides customer with an bill/receipt (1)

Accept any other relevant point

(c) (i) Any two points **[2]**

- Informal credit will enable Suraiya's customers to buy/have food/goods (1) when they temporarily have no money (1) it postpones/delays payment (1) no interest to be paid (1)
- The customers will remain loyal to Suraiya (1) and repay her when they receive money (1)

Accept any other relevant point

(ii) Any two points **[2]**

- Suraiya has to trust her customers (1) and there is the danger that it could lead to bad debts (1) and she will not get repaid (1) make a loss on the sale (1)
- If too many customers owe her money, Suraiya may not have the cash to pay her bills (1) or to buy more stock (1) resulting in going out of business/bankruptcy (1)

Accept any other relevant point

(d) Level 2 (4–6 marks) **[6]**
Has discussed whether or not Suraiya should accept debit card payments and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)
Has commented on the use of debit cards with/without an opinion

Debit cards are issued by banks and are used by customers of banks.They are used to pay for goods by the cash being taken out of the customer's account and credited to Suraiya's account.

Advantages to Suraiya include:
- Handling less cash, which reduces security risk
- Increasing sales due to customers not needing cash

Disadvantages to Suraiya include:
- There may be a delay in crediting the money to Suraiya's bank account
- Suraiya will have to pay a small commission to the bank
  In order to protect against fraud Suraiya will have to be linked by phone or computer to the bank system, this may be costly.
- The advantages of extra business and security have to be balanced against the extra cost involved

Accept any other relevant point

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6 (a) (i) Two benefits stated (1 mark each) with explanations (1 mark each) [4]

- Provides direct contact with customer (1) enables better customer relations (1)
- Better supervision of goods (1) with own driver/less theft (1)
- Delivery times/routes (1) are flexible/not dependent on others (1)
- Advertising on side of vehicle (1) can promote the business (1)
- Less documentation (1) compared to using a transport company (1)
- Extra income can be generated (1) by carrying other businesses' goods/hiring out own transport (1)
- More economic (1) if regular loads (1)

Accept any other relevant point

(ii) Up to 4 marks for explanation [4]

- Baba has many branches (1) therefore a central warehouse will reduce the amount of stock held in the branches (1) branches can be supplied quickly (1)
- When transporting from the neighbouring country it only has one destination (1) This reduces administration costs (1)
- Reduces the necessity to have storage space attached to retail shops (1) where rents will be high (1)
- Central warehouse can be in an industrial area (1) saving costs (1)
- Saves renting out someone else's warehouse (1) which may not be very central (1)
- Will act as regional distribution centre (1) where all retailer goods will be stored (1)

Accept any other relevant point

(b) (i) Any two points [2]

- Import tariffs are imposed by governments to generate revenue/to assist home producers to compete against foreign goods (1)
- Baba will be affected because the tariff will increase the cost (1) of the clothes that are in their warehouse and shops (1) resulting in less sales/less demand (1)

Accept any other relevant point

(ii) Any two points [2]

- Import quotas are physical limits on the amount of goods allowed to be imported per year (1)
- If Baba's purchases are restricted by a quota, they may not be able to meet demand/unless they can buy from a domestic manufacturer (1) resulting in less sales (1)

Accept any other relevant point

(c) (i) Two marks for the correct answer (1 mark for identifying that discount is 5% of $120) [2]

$120 × 5%=$6 (1)
$120 – $6=$114 (1)

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(ii) Level 2 (4–6 marks) **[6]**

Has discussed whether or not Baba should offer sales promotions to its customers and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)

Has commented on the use of sales promotions with/without an opinion

- Sales promotion is an attempt to boost sales, often over a short term
- Sales promotions are discounts, competitions, free gifts, free samples etc.
- Sales promotions cost money and therefore reduce profitability
- However, if the sales revenue increases, this should lead to increased profitability.
- As Baba sells fashions it must be very careful to minimise obsolete stock, therefore, sales promotions will be used to move obsolete stock and to attract customers into the shops

Accept any other relevant point

7 (a) (i) 1 mark for each of 2 types identified **[2]**

- Savings/Deposit account
- Current/Cheque account

Accept any other relevant point

(ii) Two benefits stated (1 mark each) with explanations (1 mark each) **[4]**

- ATM (Automated Teller Machine) can be used for withdrawing cash (1) 24 hours per day (1)
- No need to visit bank (1) and stand in queues (1)saving time/money (1)
- ATM can be used to find out balances of accounts (1) change PIN (1)
- ATM's can usually be used in different countries (1) even when ATM is owned by a different bank (1)
- They are found everywhere (1) eg shopping malls (1)

Accept any other relevant point

(b) (i) Any two points **[2]**

- Direct debits are used to pay variable amounts (1) at variable times (1)
- The transaction is initiated by the payee/creditor (1) after authority is given by the debtor/account holder (1) payment is taken from debtor's account (1)

Accept any other relevant point

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(ii) 1 mark for a reason plus one mark for development [2]

- Reduces the chance of bad debts (1) because company has authority to debit customer's account (1)
- Takes payment on set date (1) which improves cash flow (1)
- Automated/no need to remember dates (1) less administrative costs/clerical work (1)
- Saves time/money of visiting bank (1) to pay in cheques (1)

Accept any other relevant point

(c) Level 2 (4–6 marks) [6]
Has discussed whether or not Orion Banking should use Internet banking for its customers and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)
Has commented on the use of Internet banking with/without an opinion

Advantages of Internet banking include:
- Accounts may be accessed 24 hours per day without going to the bank
- Provides detailed information on bank services
- Allows customers to transfer money between different accounts
- Allows customers to make payments to other businesses or individuals by direct credit

Disadvantages of Internet banking include:
- Cannot pay in cash or cheques without a visit to the bank
- Fraud is a continuing danger and holders of Internet accounts must ensure confidentiality, authentication and integrity in their dealings with the bank
- The customer should only use Internet banking if he is satisfied with the security of his transactions and needs the additional ease of use given by Internet banking

Accept any other relevant point

(d) Up to four marks for reasons that Orion should use or not use informative advertising [4]

- Informative advertising provides facts/details/information (1) e.g. rate of interest (1)
- For a new product informative advertising should be used (1) but it could be argued that it should only be used in the initial stages (1) and be replaced by persuasive advertising (1) once the public has been made aware of the product (1)
- Might consider using competitive advertising (1) so as to stop consumers going elsewhere (1)

Accept any other relevant point

8 (a) (i) Up to 2 marks for a definition and one mark for example from question stem [2]

- Specialisation is concentrating on one task or process or similar phrase (1) e.g. cutting/shaping/stitching (1)

Accept any other relevant point

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(ii) Up to 2 marks for explaining an advantage and up to 2 marks for explaining a disadvantage to the workers (not the business) [4]

Advantages:
- Worker becomes more skilled (1) by doing the same job repeatedly (1)
- Using machinery (1) may reduce manual effort (1)
- Jobs take a shorter time to learn (1) so training for a new job is easier (1)

Disadvantages:
- Doing the same job (1) may lead to boredom (1)
- Fewer skills (1) to transfer to other jobs/can lead to unemployment (1)
- Less job satisfaction (1) as only responsible for part of job (1)

Accept any other relevant point

(b) 1 mark for each benefit stated and 1 further mark for each explanation [4]

- Selling through mail order means a much wider market (1) which will increase sales (1)
- Costs are usually less (1) than establishing shops/eg rents (1)
- More efficient courier services (1) has meant safer deliveries (1)

Accept any other relevant point

(c) One mark for each action stated and 1 further mark for each explanation [4]

- Shufla may have to reduce prices (1) to remain competitive if profitability is to be maintained they will have to reduce costs/likely to lead to higher sales (1)
- Shufla may have to increase advertising (1) to attract customers/*allow an example* (1)
- Shufla may use sales promotions (1) in order to maintain sales/*allow an example* (1)
- Shufla may lobby government to impose import duties or import quotas on foreign goods (1) thus increasing the cost of foreign goods (1)
- Shufla may improve quality of shoes (1) attracting new buyers (1)
- Free delivery may be provided (1) as an after-sales service
- Could provide credit (1) attracting customers who would like to delay payment (1)

Accept any other relevant point

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(d) Level 2 (4–6 marks) **[6]**

Has discussed whether or not Shufla should consider consumer protection as important to his business and given reasoning (If a candidate has presented a one-sided argument on home trade, award 4 marks max.)

Level 1 (1–3 marks)

Has commented on the statement

- Consumer protection is a means of ensuring consumers obtain a fair deal and that the products are safe.
- Shufla must ensure the customers receive value by manufacturing a quality shoe at a fair price.
- Advertising and promotions must not be misleading.
- Many aspects of consumer protection are written in law and Shufla must ensure that no laws are broken.
- Consumer protection can increase costs
- If Shufla's managers do not consider consumer protection important, then Shufla's reputation will be damaged and this will eventually lead to a decrease in sales revenue.

Accept any other relevant point

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