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MARK SCHEME

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Question	Answer	Marks	Guidance
1(a)(i)	**Jane is a schoolteacher with a regular income. She wishes to buy a car from a garage and requires credit because she has only a 25% deposit. What is meant by *credit*?** Buys now and pays later/paying for goods in the future/borrows money	**1**	
1(a)(ii)	**Describe <u>two</u> advantages to Jane of buying on credit**. • Jane can buy the car immediately (1) and does not have to wait or save/which she may have not be able to afford (1) • Jane can take advantage of any special deals being offered (1) e.g. discounts/saving money (1) • The payment can be slowly paid off (1) in monthly instalments/saves her money (1) • Raises her standard of living (1) as many people want to own their own car (1) • No need to use cash (1) less chance of theft (1)	**4**	Up to 2 marks for each advantage described, to a maximum of two advantages.
1(a)(iii)	**Outline <u>two</u> ways in which selling the car on credit <u>will not</u> benefit the garage.** • The garage may experience delays in receiving payment (1) this will lead to less working capital (1) • More paperwork is needed than selling for cash (1) e.g. HP agreements (1) • If the garage provides the credit itself, then it requires more capital (1) increases debt (1) • Risk of bad debts (1) due to late payment (1) • If Jane defaults the car may have to be seized (1) which can increase costs/the value of the car may not cover the outstanding balance (1)	**4**	Up to 2 marks for each disadvantage described, to a maximum of two disadvantages.

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Question	Answer	Marks	Guidance
1(b)	**Two weeks after buying the car, the engine breaks down. State <u>three</u> actions Jane can take.** • Return the car to the garage • Ask for car to be repaired • Ask for a replacement car • Ask for her money back • Arrange for an independent inspection of the car to determine whether there are other faults • There may be consumer legislation in place which entitles her to a replacement car or her money back, and she can sue the garage if it does not comply with the law • Check the warranty • Claim insurance	**3**	
1(c)(i)	**The garage owners are in need in of short-term finance and long-term capital. Should the garage owners apply for an overdraft? Justify your answer.** Yes (1) an overdraft is an ideal form of short-term finance (1) as it is the authority given by the bank for the customer to debit his current account (1) with an amount larger than the funds on credit (1) but the bank can demand repayment at any time (1) and overdrafts are not suitable for long-term finance (1) **OR** No (1) overdraft is not a long-term solution (1) the garage owners should apply for a loan (1)	**2**	No marks for just Yes or No.

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Question	Answer	Marks	Guidance
1(c)(ii)	**Discuss <u>two</u> different sources of long term finance for the garage, which is a private limited company. Which one would you recommend? Give reasons for your answer.** • A long-term bank loan repayable over more than ten years could be taken. Collateral would have to be given and a high interest rate may be charged • A mortgage may be obtained if the garage owns property with a large amount of equity. Again the interest rate may be high • The company may sell more shares to the existing shareholders or ask new people to become shareholders. This has the advantage of no interest being payable but, in the case of new shareholders, they will share in dividends and have a say in the company's operation • If the garage has many unencumbered assets it may sell and leaseback the assets. This will raise cash but will mean an increase in costs due to the lease costs/payments • Any of the above methods could be recommended, depending on what assets the garage owns	**6**	**Level 2 (4–6 marks)** Has discussed two different sources of long-term finance and has given a reasoned recommendation. (If a candidate has discussed only one suitable source award 4 marks max). **Level 1 (1–3 marks)** Has commented on one or both sources of finance with/without recommendation.

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Question	Answer	Marks	Guidance
2(a)(i)	**K and Company is a manufacturer of camping equipment. What is meant by *manufacturer*?** • A manufacturer changes raw materials into goods, making/producing goods • A manufacturer is a business in the secondary sector • A manufacturer has a factory	**1**	
2(a)(ii)	**Do you think camping equipment is a human *want* or *need*? Give reasons for your answer.** • It is a want (1) people can live without it (1) not needed for survival (1) • It is a need (1) for people with a need to cook food/for a somewhere to cook food/it is a shelter (1) needed to survive (1)	**3**	Up to 3 marks for showing knowledge of needs or wants and for applying that knowledge to camping equipment. Answer could be Yes or No, but must be explained.
2(b)	**Explain how transport would assist K and Company when exporting its camping equipment.** • Transport is used for the movement of goods (1) from one place to another/over long distances (1) • The commonest form of transport for exports would be by sea/ship (1) • Air (1) would be used for speed (1) but due to the low value/heavy weight of most camping equipment this would be expensive (1) and only used in an emergency (1) • Road transport (1) could be used if a sea crossing is not involved in getting to the importing country/taking goods to a warehouse (1)	**4**	Up to 2 marks for explaining the importance of transport with up to a further 2 marks for giving 2 examples of suitable forms of transport.

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Question	Answer	Marks	Guidance
2(c)(i)	**K and Company use both sales promotion and advertising when selling its camping equipment.** **Explain the difference between *sales promotion* and *advertising*.** • Sales promotion is offering incentives to customers to encourage them to buy/boost sales (1) e.g. free gifts/reduce prices (1) • Advertising is used to create awareness of a product/persuade customers to buy the product (1) e.g. internet (1) • Advertising usually involves the use of independent media (1) while sales promotion often takes place in-store or on packaging (1)	**2**	1 mark for explaining sales promotion and 1 mark for explaining advertising.
2(c)(ii)	**Explain two factors, other than costs, that may influence the type of sales promotion used.** • Some goods have been spoil/damaged/end of expiry date (1) need to clear stock (1) • Season goods (1) e.g. sell off summer clothes at end of season (1) • The stage in the product life-cycle will influence the type of sales promotion (1) the promotion may be very different for new products (1) compared with products that are in the maturity stage or later (1) • The activities of competitors will influence the sales promotion (1) if competitors are solely competing on price this will probably lead to price promotions (1) • Cultural differences would affect the type of sales promotion (1) for example, competitions are not seen in some countries (1) • If a store has a surplus of a particular stock of goods (1) it will want to clear this stock (1) in order for other stock to be put out in the store (1)	**4**	

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Question	Answer	Marks	Guidance
2(d)	**K and Company is investigating the possibility of selling online. Discuss whether or not it should sell its camping equipment in this way. Give reasons for your decision.** Why it should: • The site is open 24/7 to customers all over the world • Can be set up inexpensively • Electronic processing means that errors are fewer • K and Co can cut out the wholesaler or retailer and the retail price will be more profitable for the business Why it should not: • It will be competing with its own wholesale and retail customers and consequently may lose them as customers • The product being sold is camping equipment which may be expensive to ship, particularly to foreign buyers • Website will have to be designed carefully to stand out from competitors. • Customers may want to examine the actual camping equipment rather than buy unseen from a website Decision/Recommendation: • It may be argued that the difficulty of shipping camping equipment, together with the fact that it will be competing with its own customers, will make selling online impractical • It may also be argued that, particularly if the camping equipment is well designed, the chance of widening the customer base by selling online is too good to miss	**6**	**Level 2 (4–6 marks)** Has discussed whether or not K and Company should sell its camping equipment online 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 online selling with/without an opinion.

Question	Answer	Marks	Guidance
3(a)(i)	**M Ltd manufacture toys in a factory. Explain <u>two</u> reasons why M Ltd should take out insurance.** • Insurance offers financial protection to M Ltd (1) reduces the risk (1) • Many of the risks, for example fire (1) could cause financial difficulties for the business/not able to continue the business (1) • Insurance offers a business confidence (1) knowing that, in the event of certain calamities, it will be compensated (1) • Lenders will have more confidence in lending money to M Ltd (1) if they know that insurance is in place (1) • Legal requirement (1) e.g. employers liability insurance (1)	**4**	
3(a)(ii)	**Explain why it is important for an insurance company to operate *pooling of risk*.** • The fortunate (who do not have to make a claim) (1) help the unfortunate (who do have to make a claim) (1) • The premiums paid to the insurer (1) by customers with similar risks (1) are accumulated into a pool (1) This pool of money is then used to pay the claims of those who are insured (1) • The insurance company is spreading the risk (1) of having to pay a claim among a large number of customers (1) • The insurance company uses the pool to pay the claims pay its administrative costs (1) and leave a profit (1) It will also earn investment income on the premiums collected into the pool (1)	**4**	Up to 2 marks for explaining the concept of pooling of risk and up to a further 2 marks for explaining its importance to an insurance company.
3(b)	**Calculate the profit to the insurance company, before administrative costs, from the pooling of the risks shown in Fig. 1. Show your working.** 400 × $800 = $320 000 (1) – 12 × $20 000 = $240 000 (1) = $80 000 (1)	**3**	Note: 3 marks for the correct answer

Question	Answer	Marks	Guidance
3(c)(i)	**M Ltd is reviewing its banking arrangements. Name one means of payment used by M Ltd to pay its employees.** • Cash • Cheque • Credit Transfer (BACS/Bank giro)	**1**	
3(c)(ii)	**State and explain <u>one</u> means of payment used by a retail customer to pay M Ltd.** • Cash (1) notes or coins (1) • Cheque (1) written order to a bank/deducted from current account (1) • Credit Card (1) plastic card/guarantees payment for M Ltd • Debit Card (1) immediate payment (1)	**2**	1 mark for means of payment and 1 mark for explanation

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Question	Answer	Marks	Guidance
3(c)(iii)	**The finance director wants to conduct most banking through the internet. Discuss whether or not a business, such as M Ltd, should use internet banking. Give reasons for your answer.** Why it should: • The internet provides access to the accounts 24/7 and will reduce the time spent travelling to the bank • M Ltd will have the ability to access all types of account • Can set up new standing orders and direct debits • Can follow payments made by customers directly into its accounts • Can move money between its different accounts Why is should not: • Cannot pay cheques and cash into bank over the internet • The business must constantly be watchful of fraud, both from external sources and from its own staff. Internet banking is vulnerable to fraud attacks if strong safeguards are not taken Recommendation: • The benefits of the convenience of being able to transact most business over the internet without leaving the office must be balanced against the real threat of fraud. If M Ltd is confident of its own internal security systems, and of the systems that its bank has in place, then switching to internet banking would be justified.	**6**	**Level 2 (4–6 marks**) Has discussed whether or not M Ltd should use internet banking 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.

Question	Answer	Marks	Guidance
4(a)(i)	**K Transport Ltd (KTL) is a road haulage company operating nationwide. It uses its fleet of trucks to provide haulage services to its customers. Some customers' goods are transported in containers. Name <u>one</u> transport document that KTL would use when moving goods for its customers.** • Delivery note • Consignment note • Air waybill	**1**	
4(a)(ii)	**State <u>two</u> advantages to KTL's <u>customers</u> of using road transport.** • Flexible with routes/can go almost anywhere/routes can be altered to avoid traffic problems • Many different kinds of road transport • Door to door delivery/no trans-shipment • Better supervision of goods/with own driver there is less theft • Delivery times/routes are flexible/not dependent on others • Advertising on side of vehicle can promote the business • Fast over short distances • Extra income can be generated by carrying other businesses' goods/hiring out transport • More economic if regular loads	**2**	

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Question	Answer	Marks	Guidance
4(b)	**KTL has decided to replace two trucks. Discuss whether it should lease or buy the trucks. Which would you recommend? Give reasons for your choice.** Buy: • No further regular monthly payments. • Shows as an asset on the balance sheet as legally owned by KTL. • Cash used to buy cannot be used for other purposes and may cause cash flow problems. • May have to borrow to pay for trucks. Lease: • No initial cost of purchasing. • KTL does not own trucks. • Regular monthly payments must be made. • Overall costs higher than buying • Helps spread cash flow Recommendation: • If KTL has large cash reserves then buy since overall cost will be less. • If KTL has any cash flow problems, or cash reserves are fully committed, then lease.	**6**	**Level 2 (4–6 marks**) Has discussed both ways of financing the trucks 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 a recommendation.

Question	Answer	Marks	Guidance
4(c)	**One of KTL's main competitors for moving containers is rail transport. Do you think KTL should be concerned about this competition? Give reasons for your answer.** Yes (1) • Rail transport can carry many containers on one train (1) and generally there are no weight restrictions (1) no traffic congestion (1) • Can carry heavy/bulky goods (1) e.g. coal (1) cheap for long distances (1) • Rail is safe for carrying dangerous goods (1) e.g. nuclear material (1) • Transhipment is required (1) unless customer has own rail spur (1) No (1) • Usually increased handling (1) can increase security concerns (1) • Door to door and flexibility gives KTL many advantages (1) and it should not be concerned at normal competition from rail (1) However for heavy containers or the movement of many containers/heavy goods to the same destination (1) rail may be competitive/cheaper to move goods (1)	**4**	Up to 2 marks for outlining the advantages of rail transport. Up to a further 2 marks for reasons why KTL should or should not be concerned.
4(d)(i)	**KTL wishes to improve its communication with its customers and is considering using emails and a website. Why would KTL use emails to contact customers about its deliveries rather than the telephone?** • There is a written record of an email (1) if there is ever a dispute (1) as emails are legally binding (1) • Email can be sent at any time (1) and not just when there is somebody available/not busy (1) as is the case with a telephone (1) • Emails can send attachments/pictures (1) can be edited/forwarded/scanned (1) sent to multiple addresses at the same time (1) • Telephone can be more expensive (1)	**3**	Up to 3 marks for one reason or 3 × 1 marks

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Question	Answer	Marks	Guidance
4(d)(ii)	**Explain <u>two</u> benefits to KTL of using a website.** • KTL could set up a website to advertise its services (1) inviting potential customers to apply for a quotation (1) • Website gives information (1) about a range of services (1) • Global communication (1) can sell across the world/to many people (1) • Available 24 hours a day (1) for people to order online (1) • KTL could have costs to common destinations outlined on its website (1) with an interactive facility for customers to obtain other quotations direct (1) • The website may create a page especially for its larger customers (1) so that those customers can track their deliveries (1) • Customers account balances may also be available (1) on individual password controlled pages (1)	**4**	

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Question	Answer	Marks	Guidance
5(a)(i)	**Peter, a sole trader, owns a business selling fruit and vegetables, some of which he grows himself. Calculate the total expenses of the business. Show your working.** Gross Profit $50,000 Net Profit $30,000 (1 mark) Expenses $20,000 (1 mark)	**2**	1 mark for showing that the expenses are the difference between gross profit and net profit and a further mark for the correct figure. If the correct answer is shown with no working, award 2 marks.
5(a)(ii)	**State one example of expenses that Peter might have.** • heat and light • insurance • telephone • marketing • rent	**1**	
5(a)(iii)	**Explain two ways that Peter can improve his sales turnover.** • Peter could reduce prices (1) therefore making the lower price more attractive to customers (1) • Peter could increase his advertising/by placing advertisements in the local newspaper (1) thus attracting more customers (1) • Peter could introduce sales promotions (1) such as buy two pounds of vegetables and get a third pound free (1) • Peter could diversify (1) by adding new products to his range of products (1)	**4**	1 mark for each way stated with an additional 1 mark for an explanation of that way, up to a maximum of two ways.
5(b)	**Explain how Peter is concerned with trade.** Yes (1) he is engaged in trade (1) Peter buys some of the fruit and vegetables (1) he then sells the goods (1) receives money (1) makes a profit (1)	**3**	

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Question	Answer	Marks	Guidance
5(c)(i)	**Peter's friend Henry has suggested that he joins Peter in the business and that they form a partnership. Discuss whether or not Peter should enter into a partnership with Henry. Give reasons for your opinion.** For partnership: • Henry could provide additional capital and a second opinion for the business. • Relatively easy to set up. • Rules on matters such as how profits will be split can be set in a Deed of Partnership. Against partnership: • Henry and Peter could disagree on business policies. • Each partner can bind the other. • Profits have to be shared. Recommendation: • If additional capital or management expertise is needed then Peter may agree to Henry's suggestion. • Peter may not like to share profits and discuss decisions with Henry	**6**	**Level 2 (4–6 marks)** Has discussed whether or not Henry should join with Peter in a partnership 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 made some comments on partnerships with/without an opinion.
5(c)(ii)	**Explain why a *deed of partnership* is important when setting up a partnership.** • The Deed of Partnership sets out the terms/conditions of the partnership/agreement (1) to cover any difficulties that may arise in the future (1) • It will cover matters such as how the profits or losses are to be split (1) and how much capital each partner will introduce into the business (1) • It is important because it can prevent disputes between partners (1) about what has been agreed (1) as it provides a signed written record of what was agreed (1)	**4**	Up to two marks for an explanation of a Deed of Partnership with up to a further two marks for explaining why it is important.

Question	Answer	Marks	Guidance
6(a)(i)	**D Warehouses Ltd (DWL) owns warehousing facilities in a major seaport. It offers both bonded and ordinary warehouses to its customers. What is meant by a *warehouse*?** A building used to store goods	**1**	
6(a)(ii)	**Explain <u>two</u> differences between a *bonded* warehouse and an ordinary warehouse.** • A bonded warehouse is usually located near a port of entry (1) while an ordinary warehouse can be located anywhere (1) • A bonded warehouse is controlled by Customs authorities (1) while the ordinary warehouse is controlled by the owner (1) • A bonded warehouse stores dutiable goods (1) while an ordinary warehouse stores producer goods/raw materials/duty free goods (1) • In a bonded warehouse, dutiable goods cannot be removed until duty is paid (1) whereas there is free movement of goods in an ordinary warehouse (1) • A bonded warehouse can be used for imported/re-exported goods (1) whereas ordinary warehouses are used for locally produced goods (1)	**3**	1 mark for a stated difference with a further mark for an explanation, to a maximum of two differences.
6(a)(iii)	**Apart from collecting import duty, describe <u>two</u> other functions of a customs official at a seaport.** • Keeping statistical records of imports and exports (1) to enable the government to calculate the balance of trade (1) • Supervision/inspection of goods (1) to prevent smuggling/illegal goods (1) • Enforcing quotas (1) limiting the amount of goods allowed (1) • Enforcing embargoes (1) on banned goods/e.g. drugs (1) • May be involved in enforcing immigration regulations (1) people who are allowed to enter the country (1) • May enforce health regulations (1) regarding plants and animals (1)	**4**	1 mark for a brief description with a further mark for a fuller description, to a maximum of two descriptions.

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Question	Answer	Marks	Guidance
6(b)(i)	**DWL imports bulk food, such as flour and sugar, which is then sold to supermarkets. Jenni is a major customer of DWL. Is it an advantage to DWL to import food in bulk? Give reasons for your opinion.** Yes (1) • Because the food will be cheaper in bulk (1) get trade discount (1) gain competitive edge (1) • Cheaper transportation methods will be used (1) • It is easier to package as own brand (1) **OR** No (1) • Packaging can be expensive (1) adding to the importer's costs (1) • Food can deteriorate quickly (1) especially when not packaged (1) • Need a larger warehouse (1) adds to costs (1) • Goods need to be broken down into smaller quantities (1) before selling them (1)	**3**	Allow 1 mark for Yes or No plus 2 × 1 marks for reasons given (can be either side or both considered)
6(b)(ii)	**If the import duty on sugar is $0.02 per kg, calculate how much duty is due on 10,000kg. Show your working.** $0.02 × 10 000 (1) = $200.00 (1)	**2**	If the correct answer is shown with no working award 2 marks

Question	Answer	Marks	Guidance
6(c)	**Jenni is considering opening a cash and carry warehouse. Discuss whether she should open one or not. Give reasons for your decision.** Why she should: • Jenni should attract more trade from small-scale retailers because her prices should be lower due to lower expenses • May attract other types of business, such as restaurants and caterers • The retailer has immediate access to warehouse at her convenience • Jenni has no risk of bad debts as customers pay cash, which will help her cash flow • The retailers can make frequent visits to the warehouse which saves on their storage space, and they can stock up due to sudden demand Why she should not: • Jenni will have to open her cash and carry warehouse for long hours • Jenni will have to invest in equipment such as tills • The retailer will not get delivery and may need his own van • No credit available to the retailer Recommendation: • Jenni may lose some retailers who prefer to have the goods delivered to them and to have credit • However, her lower prices should attract other retailers • Jenni should make sure that she can compete successfully with any other cash and carry warehouses that have been established in the area • Jenni could survey her existing customers to see how many would use her cash and carry warehouse • As long as Jenni has the necessary finance to pay start-up costs, and is not concerned with any competition, then she should probably start her cash and carry warehouse	**6**	**Level 2 (4–6 marks)** Has discussed whether or not Jenni should open a cash and carry warehouse 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 cash and carry warehouses with/without an opinion.

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Question	Answer	Marks	Guidance
7(a)	**Fig. 3 shows a map of a country that produces hardwood timber for domestic use and to export. The country imports manufactured goods and basic foodstuffs. Identify <u>one</u> example of secondary production in Fig. 3.** • Furniture Factory • Sawmill	**1**	
7(b)	**State <u>two</u> services provided by the port authority to enable ships to operate in the port.** • Clear waterways/marked channels • Provide tugs/pilots • Provide equipment on wharves such as cranes • Container terminals/space for containers • Provide warehouses • Security services • Repair facilities • Wet/dry docks/docking • Passenger and ferry terminals • Refuelling	**2**	
7(c)	**Why do you think that the railway was built from the sawmill to the port, but not to the airport.** • Wood is heavy to transport (1) and rail would enable large quantities to be moved at one time (1) • Exporting of wood would be by sea (1) because of the low value to weight ratio (1) therefore it makes economic sense to build the railway to the port (1) • Railways are expensive to build (1) particularly over hilly areas (1)	**3**	1 mark for each reason and up to a further 2 marks for explaining that reason

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Question	Answer	Marks	Guidance
7(c)(ii)	**Explain why the roads shown in Fig. 3 are important to the sawmill.** • Roads have access/linked to nearby towns (1) enabling staff at the sawmill to travel to work (1) • Roads would be used to deliver wood (1) to the nearby furniture factory (1) • Roads would be used for delivering machinery (1) and supplies to the sawmill (1)	**4**	
7(d)	**The furniture factory is part of a multinational company. Explain <u>two</u> advantages to this country of a multinational furniture factory being located there.** • Factory will provide employment (1) for local workers/cut unemployment (1) • Convenient for local customers/businesses (1) to buy the wood from the sawmill (1) • May export some of the furniture (1) earning foreign currency (1) improving the country's Balance of Payments (1) • The government could use the extra tax (1) to develop the country/may improve infrastructure (1) e.g. build hospitals (1)	**4**	
7(e)	**The government of this country is facing a large deficit on its Balance of Payments. Evaluate <u>three</u> actions that the government might take to solve this problem. Justify your opinions.** • The Balance of Payments deficit will be caused by an excess of imports over exports. • The government will have to examine the figures and determine whether the main cause is too few exports or too many imports. • Where it is too many imports then a combination of duties, tariffs and embargoes may be put in place to discourage imports. • Where there has been a lack of exports then the government must encourage more exports. The government may look to join a trading bloc where it feel its exports will increase with no duties, but the imports from other members of the trading bloc will not increase as much. • The government may make grants available to assist in the production of marketing material and travel to potential export countries. • It is recommended that the government increases its marketing efforts in other countries in order to increase the amount of wood that is exported.	**6**	**Level 2 (4–6 marks)** Has discussed the statement and evaluated three actions. (If only 2 actions, a maximum of 4 marks) **Level 1 (1–3 marks)** Has commented on the statement

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Question	Answer	Marks	Guidance
8(a)	**T Traders is a wholesaler that imports jewellery from around the world. Its offices are near an airport. It sells to many types of retailer, including department stores. Identify a suitable channel of distribution for this jewellery.** • Wholesaler – Retailer – Consumer • Wholesaler – Mail Order Company – Consumer • Wholesaler – Internet Business – Consumer	**2**	
8(b)	**Is it beneficial for T Traders to be located near to an airport? Give reasons for your opinion.** Yes (1) • Jewellery is usually transported long distances by air (1) as it has a high value to weight ratio (1) rather than by sea/rail (1) • Being close to the airport would reduce the transhipment costs (1) and also enable tighter security/less theft (1) for the expensive jewellery (1) which would arrive faster (1) to be sold quicker in shops (1) • T Traders' staff could fly on buying trips easier if located close to an airport (1) can open up new markets (1) No (1) • Offices near to airports tend to be more expensive to buy/rent (1) therefore increasing T Trader's costs (1) The benefits of being close to an airport appear to outweigh the problems due mainly to the frequent use of air freight (1) and the need for tight security (1)	**4**	

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Question	Answer	Marks	Guidance
8(c)(i)	**One of T Traders' main customers is D Department Store. Explain <u>two</u> features of a department store.** • They are organised into departments (1) each based on the type of goods sold (1) all under one roof (1) • Luxury shopping experience (1) on many floors (1) • Usually a buyer is in charge of each department (1) and answers to the General Manager (1) • Often situated in city/town centres (1) where there are most shoppers (1) • They offer many services to customers (1) such as hairdressing/restaurants (1) • They offer one-stop shopping (1) where you can buy everything you need in the store/wide variety of goods (1) • Can use store/credit cards (1) obtain special offers (1)	**2**	
8(c)(ii)	**Name <u>one</u> document used by D Department Store when buying jewellery from T Traders.** • Enquiry • Order • Cheque	**1**	
8(c)(iii)	**T Traders allows its customers 30% trade discount. Calculate how much D Department Store will pay for a ring with a list price of $500. Show your working.** $500.00 × 30% = $150.00 (1mark) Cost to Retailer is $500.00 – $150.00 (1 mark) = $350.00 (1 mark)	**3**	If the correct answer is shown with no working award 3 marks

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Question	Answer	Marks	Guidance
8(d)	**D Department Store is considering buying directly from overseas manufacturers instead of through T Traders. Discuss whether or not D Department Store should make this change. Give reasons for your opinion.** Why it should: • D Department Store could probably purchase cheaper directly from the foreign manufacturers which would improve its profitability. • T Traders would probably break bulk which would allow D Department Store to buy in smaller quantities which would help its cash flow. • Likely to be more choice on offer. Why it should not: • D Department Store would have to set up a foreign purchase operation which would be very different to buying from T Traders with more complex documentation and associated costs. • D Department Store would be unlikely to be allowed credit by the foreign manufacturers who do not know the business which would have a negative effect on its cash flow. • Familiar with T Traders and receiving trade discount of 30% Recommendation: • Unless the prices from the foreign manufacturers are considerably cheaper when buying direct rather than buying through T Traders, it appears there are more negatives by changing. • D Department Store should continue to buy through T Traders.	**6**	**Level 2 (4–6 marks)** Has discussed whether or not D Department store should change from buying from overseas manufacturers instead of T Traders 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 made some comments on the statement with/without an opinion.

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