Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/23**

Paper 2 Written **May/June 2018**

MARK SCHEME

Maximum Mark: 80

Published

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	Answer	Marks	Guidance
1(a)(i)	**In what type of industry would the production of manufactured goods be classified?** Secondary	**1**	
1(a)(ii)	**Circle the correct answer to complete each of the following sentences.** A television is an example of a **human want** A global market is where goods and services are sold **worldwide**	**2**	1 mark for each correct answer
1(b)(i)	**Calculate visible exports.** $52.4 m (2) Method 10 + 30.5 + 4.3 + 1.2 + 3.9 + 2.5 (1)	**2**	
1(b)(ii)	**Calculate Invisible trade balance.** –$13.1 m (2) Method 6.7 – 19.8 (1)	**2**	
1(c)	**Explain, using an example, one way in which customs authorities could enforce trade restrictions on goods coming into a country.** Enforcing embargoes (1) banning the entry of other goods (1) such as firearms (1) Enforcing quotas (1) making sure that certain physical limits on goods imported are not exceeded (1) such as only 50,000 motor cycles allowed (1) Collecting duties/tariffs (1) adding a tax to the cost of imported goods (1) such as 10% customs duty on cars (1)	**3**	1 mark for example and up to 2 marks for explanation

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Question	Answer	Marks	Guidance
1(d)(i)	**Describe the purposes of these transport documents used in international trade.** Bill of lading: when goods are sent by sea (1) acts as a document of title (1) allowing buyer to collect goods (1) It is a contract of carriage (1) setting out terms of transporting goods (1) It acts as a receipt (1) as proof that shipper has received goods (1) that freight charges have been paid (1) and gives details of goods carried (1) whether clean/dirty (1).	**2**	any 2 × 1 marks
1(d)(ii)	**Describe the purposes of these transport documents used in international trade.** Air waybill: used when goods are sent by air (1) acts as an advice note (1) showing the information of the goods carried (1) it is evidence of carriage/goods have arrived (1) and is used as a receipt (1) to be signed by the consignee when the goods are delivered (1).	**2**	any 2 × 1 marks

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Question	Answer	Marks	Guidance
1(e)	**Evaluate whether or not bonded warehouses are important in international trade. Give reasons for your answer.** *Important:* • stores dutiable / bonded goods before they are used – but with access to goods to prepare for sale / distribution, e.g. bottled / blended / re-packaged / graded • payment of duty is postponed – helps the importer save on working capital while looking for buyers • Used for storing goods – helps imported/re-exported goods to be stored • goods can be left to mature – e.g. cheese • can be withdrawn in separate groups – helps spread the payment of duty • controlled by Customs and Excise – if rules are broken there will be a fine • goods can be sold in bond – payment will be made by the buyer / saves importer from paying duties • goods for re-export can be kept – refund of duty possible / through customs drawback • while in bond goods can be processed – bottled / blended / packaged or graded / cannot be manufactured • Located near ports of entry into a country – making distribution easier *Not important:* • in free trade area / when goods not dutiable – because no duties are paid • goods that just require storage – do not need further re-packaging etc. • goods require storage for security – can just use standard warehouse • seasonal goods - can just use ordinary warehouse • some goods more suited to other warehouses, e.g. cash and carry *Evaluation:* A bonded warehouse avails some other facilities for grading, packing, blending, and processing of the goods that are to be sold. The possible buyers could, also, perform out a particular inspection of goods that are stored within the bonded warehouse. This all makes bonded warehouses so important to importers.	**6**	Up to 2 marks for **describing** bonded warehouses and/or international trade Up to 2 marks for **analysing** the importance of bonded warehouses in international trade Up to 2 marks for **evaluating** how important bonded warehouses are in international trade <u>*Example of Evaluation:*</u> *Bonded warehouses are very important to importers as they have to store their dutiable goods and only pay the duty once they remove or sell them.*

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(a)(i)</td><td>partnership

Bell, Hall, Levy Accountants</td><td>1</td><td></td></tr>
<tr><td>2(a)(ii)</td><td>private limited company

FF Flowers Ltd</td><td>1</td><td></td></tr>
<tr><td>2(b)</td><td>Explain <u>two</u> advantages to Hannah of being a sole trader.

Own boss / control (1) makes all decisions / no need to justify decisions to others (1)
Keeps all profits (1) no need to share profits / use profits the way she wants / sole owner (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 / 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)</td><td>4</td><td>1 mark for each advantage and 1 mark for each explanation × 2</td></tr>
<tr><td>2(c)</td><td>The plan of the town centre shows different types of retailer.

<table><tr><td>Street market stall holders allow bargaining</td><td>✓</td><td></td></tr><tr><td>A characteristic of a supermarket is that it is a one-stop shop</td><td>✓</td><td></td></tr><tr><td>Speciality store provide a range of goods</td><td></td><td>✓</td></tr></table></td><td>3</td><td>1 mark for each correct answer</td></tr>
</table>

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Recommend to Hannah which site (X, Y or Z) she should choose to locate her coffee shop. Justify your choice. Explain why you have rejected the other two sites.

Site X is useful for customers waiting for a bus / can have time to read a newspaper / magazine from the convenience store. Also, no competition. However, not near the shops so customers more likely to go to the shops first when alighting from the bus.

Site Y is on the main street for passing trade. Beside new market stalls where a coffee would be welcome after walking around. Issue that there might be a market stall selling coffee at a cheaper price.

Site Z is located in relation to other businesses. Some people may not want to go into the internet café. Issue of competition with the internet café.

Overall, Hannah would probably opt for Site Y as it is on a prominent position on the main street where it will attract shoppers coming from the other shops as they pass by. This makes it more visible to shoppers and more likely to increase sales than the two other sites.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Mark</th><th>Description</th></tr>
<tr><td>3</td><td>7-8</td><td>Candidate makes a recommendation with a thorough evaluation of why they have selected one site and rejected the other two sites.</td></tr>
<tr><td>2</td><td>5-6</td><td>Candidate offers a satisfactory analysis of the advantage(s) and/or disadvantage(s) of the sites.</td></tr>
<tr><td>1</td><td>1-4</td><td>Candidate applies relevant knowledge and understanding to location of a coffee shop.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

<u>Example of Evaluation:</u>
I recommend site X as it has the convenience of parking for car drivers and is next to the bus station for commuters, so they can relax while waiting for the next bus. I rejected site Y because the size is smaller and that could limit the number of customers it could serve. I rejected site Z because it is next door to an internet café which is in direct competition.</td></tr>
</table>

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Question	Answer	Marks	Guidance
3(a)	**Explain what is meant by *cashless society*.** A society where people purchase their goods or services by card (debit or credit) / other electronic payment method (1) without using money / less cash is being used / needed (1)	**2**	any 2 × 1 marks
3(b)	**You can obtain cash from an automated teller machine (ATM). State <u>two</u> other services provided by ATMs.** Pay in money / cheques Obtain bank statement Change PIN Transfer money between accounts Make payments Balance enquiry / view account balance on screen Top-up mobile phone Obtain quotation for loan	**2**	1 mark for each service
3(c)	**A bank is planning to introduce a new savings account. It could advertise using social media or newspapers. Which medium would you recommend? Give reasons for your choice.** Social media – Have a wide audience (1) across the world (1) being used by all age groups (1) 24/7 (1) can be passed on to others (1) by viral marketing (1) can give a lot of information (1) pop-ups/alerts/message boards (1) cheaper than using a newspaper (1) and less physical waste (1) but some people may not access to the internet/smartphone (1) and often advertisements are ignored (1) Newspapers – detailed information (1) can be re-read (1) can target customer groups (1) national newspapers have wide coverage (1) and be kept for reference (1) but less people are reading newspapers (1) especially younger people (1) who see them as less attractive (1) lacking colour/movement (1) I recommend newspapers as a bank will have enough money to advertise in a newspaper (1) and will be able to target older readers (1) who may have more savings than younger people to invest in a new savings account (1)	**4**	Up to 4 marks for justified reasoning (reasoning can be two-sided)

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Question	Answer	Marks	Guidance
3(d)	**Many people use internet banking. Evaluate the implications of internet banking for the banks. Give reasons for your answer.** *Positive implications for banks:* Fewer staff needed to serve customers in banks as teller transactions have declined. This reduces labour costs and saves on wages, possibly increasing profits. Less bank branches needed as more people use internet banking. This reduces costs of premises and other running costs. Greater customer satisfaction. Some customers prefer the benefit of instant access to their bank accounts and the ability to carry out transactions 24/7 wherever they are. Also, most banks offer better savings rates for internet based accounts. *Negative implications for banks:* Less customer satisfaction. Some customers not happy with having to use internet banking. One in eight bank branches have closed in the past two years in the UK leaving older customers and those without good internet access at risk of becoming financially stranded. With less bank branches open customers have to travel further to carry out face-to-face transactions with their bank, as customers will be expected to use ATMs and their smartphones to access banking. Inside the banks, there is more emphasis on self-service machines leading to less face-to-face service. Internet banking has led to increasing technology costs for banks to have robust systems against security breaches. In fact, there has been a number of cases of customers losing money through criminal activity on their internet-based accounts – causing bad publicity for the bank. *Evaluation*: Overall, there are many benefits to banks who offer internet banking services but there is still resistance from some customers who prefer to talk to bank staff and who do not have reliable internet connections. This means the banks could lose those customers to other banks so their revenue would decrease. At present, both bank branches and internet banking are still needed for the wide range of banking customers.	**6**	Up to 2 marks for describing internet banking / identifying implications Up to 2 marks for analysing positive and/or negative implications of internet banking for the banks Up to 2 marks for evaluating the implications of internet banking for the banks *Example of evaluation:* *I do not think it is a good idea for banks to move just to internet banking. Yes, there are costs to be saved for the bank but if their computer system is hacked into there is the danger of fraud and loyal customers might have money taken from their accounts.*

Question	Answer	Marks	Guidance
4(a)(i)	**Which is the best communication method for the company to use in these situations? Give a reason for each of your answers.** **Sending a cover note to a customer.** Letter (1) as a written record / can be kept for reference / no misunderstanding (1) Email (1) as a written record / can be kept for reference / quicker / cheaper (1)	**2**	1 mark for method and 1 mark for explanation
4(a)(ii)	**Holding a weekly face-to-face meeting between managers in different countries.** Videoconferencing (1) due to distance involved / so that managers do not have to travel saving cost / time / allows visual contact / discussion (1)	**2**	1 mark for method and 1 mark for explanation
4(b)	**Insurance is based on the pooling of risk. How important is the pooling of risk? Give reasons for your answer.** The pooling of risk means that the fortunate help the unfortunate – everyone shares the risk. Compensation is paid from the pool to those making claims. It should also provide enough funds for administrative costs and for the insurance company's profits. It is sometimes thought that the larger the pool, the less the premium that will need to be paid. If the pool is large, i.e. has a large number of policyholders, there will probably be a larger number of people making claims. But if the pool is small, e.g. footballers insuring against injury, the premiums will need to be high to cover any claims that are made. The pooling of risk might be less important for those people who are less concerned with insuring their goods, as perhaps they are of little value and would not be worth insuring. The pooling of risk is essential to the concept of insurance. People can be devastated by the loss of assets such as homes/business premises but by insurance companies pooling their customers' premiums, they are able to spread the risks more evenly among all of those insured. This means that each customer pays a relatively small amount in order to receive adequate compensation so that they can be brought back to their original position and restart their lives/business after a loss.	**6**	Up to 2 marks for **describing** the pooling of risk Up to 2 marks for **analysing** the use of the pooling of risk Up to 2 marks for **evaluating** how important the pooling of risk is in commerce <u>*Example of Evaluation:*</u> *The pooling of risk is very important because for a small premium you can insure a large house costing thousands of dollars. Without pooling of risk it means you would have to pay a lot more for insurance cover and you might not be able to afford it.*

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<tr><td>5(a)</td><td>Which of these statements about smartphones are TRUE and which are FALSE?
<table><tr><th></th><th>TRUE</th><th>FALSE</th></tr><tr><td>A smartphone allows Patrick to check data on his company website</td><td>✓</td><td></td></tr><tr><td>Patrick charges his smartphone only once per month</td><td></td><td>✓</td></tr><tr><td>Social media can be accessed on Patrick’s smartphone</td><td>✓</td><td></td></tr></table></td><td>3</td><td>1 mark for each correct answer</td></tr>
<tr><td>5(b)</td><td>State two circumstances in which Patrick would use a credit card for his own use.

Shopping
Holidays
Hire cars
Hotels
Meals
Pay a bill (if he didn’t have enough other money available)</td><td>2</td><td>1 mark for each circumstance</td></tr>
<tr><td>5(c)(i)</td><td>Explain two reasons why an increasing amount of goods are now being transported by air.

• The need for speed (1) particularly for perishables / valuable goods (1) which need to get to market quickly (1) over long distances (1)
• The growth of the global trade (1) high demand for overseas goods (1) from countries such as China / India (1)
• More cargo planes available (1) with greater capacity (1) more fuel efficient (1) leading to relative freight gains (1)
• Increased number of airports (1) making more air routes available (1) with better facilities at these airports for handling cargo (1) with larger cargo doors on aircraft (1) and greater storage facilities (1)
• Charges coming down (1) more affordable (1) for long distances (1)
• Greater security (1) less theft / damage (1) compared to sea transport (1)</td><td>4</td><td>1 mark for each reason and 1 mark for each explanation × 2</td></tr>
</table>

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(c)(ii)</td><td>Explain <u>one</u> environmental effect of the increasing use of air transport.

Noise pollution (1) affecting sleep / concentration / mental health (1)
Air pollution (1) use of toxic / fossil fuels / carbon emissions / global warming / damages the ozone layer (1)
More airports / runways (1) leading to pollution of land (1)
Greater use of scarce resources (1), e.g. aviation fuel (1)</td><td>2</td><td>1 mark for the effect and 1 mark for the explanation</td></tr>
<tr><td>5(d)</td><td>Patrick needs to buy a new warehouse. Discuss whether he should use retained profits or borrow from financial institutions? Which option would you recommend? Give reasons for your answer.

Arguments for and against retained profits:
• Does not have to find a financial institution to provide finance
• They do not have to be arranged
• No repayment
• No interest
• No need to lose control
• The retained profits may be insufficient
• The retained profits may have been kept for emergencies

Arguments for and against borrowing:
• Can have a long-term loan/mortgage
• Can receive enough money to buy the warehouse
• Repayments can be spread over a long period
• Can obtain advice from the financial institution
• Interest has to be paid
• Might have to provide collateral security

Evaluation:
It depends whether Patrick has enough retained profits to pay for the warehouse outright immediately. If not, he will have to use some form of borrowing. He may not like the fact that his ownership and control of the business may be affected but if he wants the business to expand he has little other option but to borrow.</td><td>8</td><td>
<table>
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<tr><td>3</td><td>7–8</td><td>Candidate makes a recommendation with a thorough evaluation of whether (or not) to use retained profits or borrowing.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantage(s) and/or disadvantage(s) of using retained profits or borrowing.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate applies relevant knowledge and understanding to using retained profits and/or borrowing to buy a new warehouse.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

<u>Example of Evaluation:</u>
In the end it would be better for Patrick to use retained profits because no debt will be owed to the bank and no need for collateral to secure the loan so he will have less worries.</td></tr>
</table>

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