Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/22**

Paper 2 Written **May/June 2020**

MARK SCHEME

Maximum Mark: 80

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

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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	Mark
1(a)	**Define a *multinational company*.** Has Head Office in one country (1) and factories/outlets in another country/countries (1).	**2**
1(b)	**Explain <u>one</u> reason why quarrying is a primary industry.** It extracts raw materials (1) from the earth/land (1) it is an exhaustive industry (1)	**2**
1(c)	**Explain <u>two</u> examples of insurance policies that the multinational company should have for the quarry.** Fire (1) damage or destruction to quarry buildings or machinery (1) Theft (1) of quarry machinery (1) Consequential loss (1) cover against losses to quarry income caused by fire or theft (1) Premises/buildings insurance (1) cover against the risk of floods/wind/earthquake/damage to quarry buildings (1) Employer's liability (1) to cover risk of accident to quarry workers (1) Motor vehicle (1) for quarry trucks/machines (1) Public liability (1) to protect visitors to the quarry (1)	**4**
1(d)	A warehouse is an example of **an aid to trade** Employment is classified in PEST as **an economic factor**	**2**

Question	Answer	Mark
1(e)	**Stones and rocks from the quarry are transported by road. Would it be better to move them by rail? Give reasons for your answer.** Up to 2 marks for **describing** transport Up to a further 2 marks for **analysing** road/rail transport Up to a final 2 marks for **evaluating** which is the best way of moving stones and rocks Road transport: Trucks can carry large and heavy quarry stones and rocks. Rocks/stones may be loaded directly onto trucks at the point of extraction so costs will be kept lower. Different types of road transport to carry the quarry materials/equipment. Flexibility of final destination, volume of goods, frequency of journeys. Door-to-door delivery with no need for transhipment. Available 24 hours a day, quicker over short distances and usually more affordable than other methods of transportation. The downsides to choosing road freight are: restrictions caused by traffic speed limits can be slow over long distances can increase pollution from petrol fumes and noise limited load capacity Rail transport: Larger/heavier loads of rocks/stones can be more easily and quickly carried over longer distances and they are less affected by weather conditions and traffic jams The downsides to rail transport are: lack of flexibility as routes and times cannot be adjusted scheduling of rail transportation may be inconvenient **Evaluation:** The company will have to weigh up the flexibility of road transport over advantages of carrying more goods in a single journey because the needs of the consumer and the business have to be met, particularly their location and the destination for the quarry materials. Fig.1.1 does not show a rail track so road might be the only way.	**6**

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Question	Answer	Mark
2(a)	**Identify <u>two</u> examples of trade statistics that customs authorities would keep.** Quantity/value of exports Quantity/value of imports Countries of destination of exports Countries of origin of imports	**2**
2(b)(i)	**Explain the effect on imported goods of imposing tariffs.** Tariffs are a tax on imported goods (1) causing the price of imported goods to rise (1) leading to a reduction of demand for these goods (1) consumers will buy (cheaper) domestic goods instead (1)	**2**
2(b)(ii)	**Explain the effects on imported goods of introducing quotas.** Quotas place a limit on the number/volume of imported goods (1) leading to shortages/reduced supply (1) will increase import prices (1) less dumping of goods on a market (1)	**2**
2(c)	**Do you agree that there are more risks in international trade than in home trade? Give reasons for your answer.** Yes – increased credit risk (1) it is more difficult to establish the credit-worthiness of a foreign company (1) leading to possible losses (1) No – increased market (1) there may be better economic conditions in a foreign country (1) leading to possible increase in sales (1)	**3**

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Question	Answer	Mark
2(d)	**Countries have become interdependent due to expanding global markets and international trade. To what extent is this statement true? Give reasons for your answer.** Up to 2 marks for **describing** global markets / international trade Up to a further 2 marks for **analysing** global markets / international trade Up to a final 2 marks for **evaluating** the extent to which countries have become interdependent Global markets are when goods and services are sold worldwide. International trade is trade between countries. The process of both makes countries interdependent of each other. International trade enables a country's economy to obtain goods which they may not be able to produce themselves, and to export the goods that they do produce. With globalisation, countries build commercial relationships, for example, MNCs, such as car manufacturers, have their head office in one country but often make and assemble their cars in other countries where labour is cheaper then sell their cars all over the world. Lower costs of transport and improved technological communication have made it easier to move goods over greater distances and make rapid electronic payments. As it become easier, more consumers want to purchase goods and services from other countries. However, there are still trade barriers and friction between some countries which limits globalisation because some countries want to protect their own domestic industries and jobs from foreign competition. **Evaluation:** Overall, globalisation and international trade have become a much more integral and growing part of many countries' economies even though many goods and services are still produced and consumed domestically where possible. This increasing trend of goods, money and workers flowing between countries is likely to continue as businesses and consumers think more globally and technology becomes even faster and more reliable.	**6**

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Question	Answer	Mark
3(a)(i)	**Calculate the total percentage of credit for store cards and hire purchase in 2019. Show your working.** Total percentage credit = 21% (2) Method 9% + 12% (1)	**2**
3(a)(ii)	**Calculate the amount of credit for credit cards in 2019. Show your working.** Amount of credit = $132 bn (2) Method 30% of $440 bn = 0.3 × $440 bn (1)	**2**
3(b)	**Explain <u>one</u> reason why many consumers prefer <u>not</u> to use informal credit.** May not be available to consumer (1) if they are not a known/regular customer (1) The consumer will have to remember to pay (1) otherwise they might not be able to receive the credit again (1) The consumer is dependent on going to the same store (1) where prices might be higher (1) As there is no written agreement (1) can lead to lack of clarity/disputes about the amount owed (1) May not be able to afford it (1) and do not want to go into debt (1)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th></tr>
<tr><td>3(c)</td><td>

A consumer wants to buy a car. She is considering using a credit card or a bank loan to pay for the car. Discuss both options. Which would you recommend? Give reasons for your answer.

<table>
<tr><th>Level</th><th>Mark</th><th>Description</th></tr>
<tr><td>3</td><td>7–8</td><td>The candidate is able to offer a recommendation with a thorough evaluation of the advantages and disadvantages of a credit card and a bank loan.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory explanation of the advantages and/or disadvantages with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to buying a car.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

Credit card:
The cost of the car affects whether she can use a credit card to pay for it, because her credit limit may not be high enough. Also, the seller may not accept credit card payments.
If the amount owed to the credit card company is not repaid before the next credit card statement, high interest rates can be charged which would make the car more expensive.
Some credit cards might have a special offer of 0% interest on purchases for an introductory period of time, or offer some reward scheme as an incentive to use it.
There is legal consumer protection (Consumer Credit Act 1974) when paying with a credit card if, for example, a car dealer went out of business without delivering a new car.

Bank loan:
May have a cheaper interest rate than a credit card.
Can agree to pay back over different time periods, e.g. 12, 24, 36 months which can help spread payments.
May be able to obtain the full amount of the cost of the car – if it's more than the credit card limit.

Evaluation:
Banks lend only to people who can prove they can repay their loan and banks also make sure that to cover their losses in the event of customers defaulting. It depends mostly on how much the consumer wishes to borrow and when she can repay the money. If she is able to pay back without incurring high charges, then the benefits of consumer protection and possible credit card rewards might make it the better option.

</td><td>8</td></tr>
</table>

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Question	Answer	Mark
4(a)	**Describe what is meant by a wholesaler.** A business that buys from producers in large quantities (1) and sells in smaller quantities/breaks bulk (1) to retailers (1)	**2**
4(b)	**State <u>two</u> items of information that are contained in an invoice sent from a wholesaler to a retailer.** Name/address of wholesaler Name/address of retailer Invoice number Date of invoice Retailer's order number Description/cost of goods/services provided Supply date of when goods/services were provided Total value of invoice How to pay the invoice	**2**
4(c)	**Explain <u>two</u> reasons why retailers might buy their electrical goods from a wholesaler such as EE plc.** Retailers cannot afford to buy in large quantities (1) so they take advantage of the wholesaler breaking bulk (1) Retailers cannot afford to pay storage costs/have no need for a warehouse (1) these are services provided by a wholesaler (1) Retailers can buy stock when they need it (1) improve cash flow (1) Retailers can reduce advertising costs (1) wholesalers may advertise/promote products (1) thus widening the market for retailers (1) Retailers receive information/advice from wholesalers (1) on market trends (1)	**4**
4(d)	**Should wholesalers act as retailers? Give reasons for your answer.** Yes – They have large quantities of goods stored (1) gives them another market to sell too (1) will not have to rely on retailers for all their sales (1) No – They would not want to compete with their own customers, the retailers (1) who then might decide to use the services of another wholesaler (1) thereby losing sales (1)	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th></tr>
<tr><td>4(e)</td><td>

The directors of EE plc can use either a new share issue or retained earnings (profits) to finance the new head office. Discuss both options. Which would you recommend? Give reasons for your answer.

<table>
<tr><th>Level</th><th>Mark</th><th>Description</th></tr>
<tr><td>3</td><td>7–8</td><td>The candidate is able to offer a recommendation with a thorough evaluation of the advantages and disadvantages of a new share issue and retained earnings</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory explanation of the advantages and/or disadvantages with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to financing a new head office.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

New share issue:
A new share issue is permanent capital that does not require repayment and increases EE's net worth, but the process can be expensive.
EE can invite existing shareholders to buy more shares which could save money advertising.
EE do not have to pay a dividend if it is short of cash/if it is failing to make a profit, but shareholders will not invest if they are not getting a good return for their money.
Share issue will increase the number of owners of EE and this can affect the running of EE plc so the directors may not be able to push through their plans for a new head office.

Retained earnings:
Readily available with no application/documentation/cost.
No dividends have to be paid
No loss of ownership
Retained earnings might be insufficient for this expansion.

Evaluation:
There is the problem of opportunity cost, e.g. EE cannot afford to improve other parts of the business if the head office is built. It will depend on what is financially efficient for EE and the effects on control and ownership of the company. Retained profits is a guaranteed amount of money, but there is no guarantee that all EE plc's shares will be sold. Depending on how much profit the business has, and how much the shares might be worth, it might be best for EE to consider a mixture of both sources of finance.

</td><td>8</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th></tr>
<tr><td>5(a)</td><td>The sales promotion mentions communication by phone. Describe <u>one other</u> method of communication that a customer could use.

Email (1) written communication sent via the internet (1)
Social media, (1) e.g. ask questions on social media network (1)</td><td>2</td></tr>
<tr><td>5(b)</td><td>Explain <u>one</u> reason why a manufacturer would choose this method of sales promotion.

Free trial means that customers will get used to the product (1) and it is easy to just keep it/forget to return it in time (1) increasing sales (1)
Cuts out the retailer (1) saving manufacturer money (1)
Cheaper than some other types of sales promotion, (1) e.g. discount (1)
The manufacturer may have surplus stock to get rid of (1) this may be a quick and efficient way to do it (1)
The manufacturer may be going out of business (1) this may generate cash to pay debts (1)
The manufacturer has tried other methods of promotion that did not work (1) so must try something different to increase sales/profit/stay in business (1)</td><td>2</td></tr>
<tr><td>5(c)</td><td>Is a local newspaper the best place to advertise this sales promotion? Give reasons for your answer.

Yes – can provide information/pictures of furniture (1) in a display advertisement or in a leaflet insert (1) local customers can be targeted (1) can be kept for reference (1)

No – The advertisement may not stand out (1) may only be in black and white (1) not everyone buys/sees a local newspaper (1) so may not see the advertisement (1) so sales will not increase (1)</td><td>3</td></tr>
<tr><td>5(d)</td><td>Which of these statements about eshops are TRUE and which are FALSE?
<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>Customers can only make payment by credit card and debit card.</td><td></td><td>✓</td></tr>
<tr><td>Customers can remove items from their shopping cart before checkout.</td><td>✓</td><td></td></tr>
<tr><td>Customers can make negative product reviews.</td><td>✓</td><td></td></tr>
</table></td><td>3</td></tr>
</table>

Question	Answer	Mark
5(e)	**Many people now use internet shopping. Discuss the implications for a retailer who wants to start an eshop. Give reasons for your answer.** Up to 2 marks for **describing** internet selling Up to a further 2 marks for **analysing** the implications of internet selling for retailers Up to a final 2 marks for **evaluating** the implications of internet selling for retailers To provide an eshopping experience, a retailer will need to: have the latest technology, e.g. eshop software, and specialised IT support which is a big expense design an attractive and user-friendly eshop to tempt consumers to use their website instead of a competitors or going to a high street store provide efficient end-to-end order processing and re-stocking 24/7 to meet/satisfy customers' expectations support a variety of efficient payment methods to attract a variety of customers provide an easy process for customers to return goods, instead of going back to a shop provide reliable delivery which will increase costs in comparison to a store **Analysis and Evaluation:** Some consumers are resistant to change and will not use online/internet shopping so retail stores are unlikely to stop all together. Also, deliveries of online purchases may be lost/stolen/not delivered on time/increase traffic congestion and pollution which may make customers unhappy so they might return to high street stores. However, as eshops have become increasingly reliable, more consumers shop online so more retail stores will close, or will not expand/improve/modernise their retail outlets because they have higher overhead costs than an eshop. To remain competitive, many retailers have been forced to sell online, just to survive.	**6**

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