Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/23**

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.

© UCLES 2020

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.

© UCLES 2020

Question	Answer	Marks
1(a)(i)	**Calculate the current account balance in 2018. Show your working.** Current balance = –$3950 m (2) Method: –1450 + –2500 (1) 3950 without –/$/m (1)	2
1(a)(ii)	**Calculate the invisible balance in 2019. Show your working.** Current balance = $500 m (2) Method: 1500 – 1000 (1) 500 without $/m (1)	2
1(b)(i)	**State whether these transactions should be recorded in the visible balance or the invisible balance.** **A company in country A buys computer tables from another country**. Visible	1
1(b)(ii)	**State whether these transactions should be recorded in the visible balance or the invisible balance.** **Tourists from another country pay their hotel bills in country A.** Invisible	1
1(c)	**Explain <u>two</u> measures the government of country A can take to reduce its Balance of Payments deficit.** Imposing tariffs (1) taxes on imports (1) Imposing quotas (1) restricting the amount of imports (1) Promoting exports (1) encouraging firms to expand exports (1) Promoting import substitutes (1) encouraging firms to make goods normally imported (1) Devaluation (1) bringing down the value of home currency (1) Lower exchange rate (1) to increase exports/reduce imports (1)	4
1(d)	Tourism is an example of **tertiary production.** Tourists can collect their mail from any post office in a country by using **poste restante.**	2

© UCLES 2020

Question	Answer	Marks
1(e)	**Country A is involved in home trade as well as importing and exporting. Discuss how important transport is in the chain of distribution.** Up to 2 marks for **describing** chain of distribution/transport Up to a further 2 marks for **analysing** the importance of transport in the chain of distribution. Up to a final 2 marks for **evaluating** whether transport is important in the chain of distribution. A distribution channel is the chain of businesses or intermediaries through which goods or services pass until they reach the consumer. It can include wholesalers, retailers, distributors, importers, exporters and the internet. Transport can be by road, rail, air or sea. Transport enables raw materials to be moved from extraction to where they can be processed. Manufactured (finished) goods are moved from factories to wholesalers/retailers/consumers preventing shortage/surplus of goods and higher/lower prices by using transport to supply markets on time. Transport also enables goods to be imported/exported so allowing markets to expand and global markets/customers to be satisfied. **Evaluation:** Transportation is very important in the chain of distribution for a country that imports and exports because it provides the essential service of linking a country to its suppliers and customers wherever they are in the world. Transport supports the interdependence of countries in the move towards globalisation, which can help a country's economy to grow which might also be considered very important.	**6**

© UCLES 2020

Question	Answer	Marks
2(a)	**State <u>three</u> features of a shopping centre.** A range of shops/examples Large building/area Several floors Lifts/escalators Information desks/customer service Food courts/restaurants Play areas/rest rooms Cinema/bowling alley Car parking Security guards ATMs/cash dispensers Petrol station Air conditioning Location outside a town / within a town	**3**
2(b)	**Explain <u>two</u> advantages of being a sole trader.** Quick decision making (1) has nobody else to refer to (1) Own boss (1) has total control over what she does (1) Easy to set up (1) few forms to complete (1) Can be flexible in time worked (1) can take holidays when wanted (1) Keeps all the profits herself (1) no sharing with a partner / other owners (1) Can gain job satisfaction (1) from achievements/growing the business (1) Usually small amount of capital to set up (1) family can support (1)	**4**
2(c)	**Should Esah have used a wholesaler instead of a cash and carry warehouse to obtain her supplies of sweets? Give reasons for your answer.** **Yes** – a wholesaler will give credit to Esah (1) allowing time for Esah to sell sweets (1) and make a profit/have the money to pay the wholesaler (1) **No** – Esah will have immediate access to the cash and carry (1) allowing her to restock when needed (1) without waiting for the wholesaler to deliver (1)	**3**
2(d)	**Esah is going to use a mark-up of 20% on each packet of sweets. A packet of sweets costs her $1. Calculate the selling price for a packet of sweets. Show your working.** Price: $1.20 (2) Method: $1 × 20% = 0.20 (1)	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(e)</td><td>

Esah's new kiosk opened today. She has decided to do some promotion on customers' first purchases. Discuss whether she should use a prize draw competition, or coupons offering 10% discount. 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 prize draw competition and discount coupon.</td></tr>
<tr><td>2</td><td>5-6</td><td>Candidate offers a satisfactory analysis 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 Esah's kiosk.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

Prize draw competition:
Will incentivise customers to visit her kiosk and possibly lead to impulse purchases so increase sales. It allows Esah to meet and talk to potential customers building up relationships for possible future sales. We are not told what Esah's prize is; if it is not an attractive prize, consumers will not be interested and continue to buy sweets from their usual retailers.

Discount coupon:
Can be cheap to produce and distribute and will encourage repeat purchases leading to increased revenue. However, there will be a 10% loss of revenue because of the 10% discount so Esah will only make 10%, instead of 20%, on each sale.

Evaluation:
Both sales promotions will boost short-term sales but it will depend on what the prize is as to which is more successful. For example, if the prize is expensive it is doubtful that Esah will make enough from the sales to cover the cost of the prize. It might be safer and cheaper to give out coupons, but maybe with a smaller discount.

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

© UCLES 2020

Question	Answer	Marks
3(a)	**Identify the type of wallet shown in Fig. 3.1.** Mobile (wallet)	**1**
3(b)	**Explain what is meant by *electronic transfer*.** Computerised/online/immediate (1) transfer from one person/account to another (1)	**2**
3(c)	**Would Zaka's friend prefer to receive money by an electronic transfer rather than a cheque? Give reasons for your answer.** **Yes** – quick payment (1) no need to wait for cheque to be cleared (1) certain of money (1) as cheque may bounce (1) convenience (1) no need to have to go to the bank to pay in cheque (1) **No** – security of bank's online system (1) hackers may steal money/data (1) no hard copy proof of transaction (1)	**3**
3(d)	**Discuss the importance of the mobile/smartphone as a multi-functional tool. Give reasons for your answer.** Up to 2 marks for **describing** mobile phones Up to a further 2 marks for **analysing** the importance of mobile phones Up to a final 2 marks for **evaluating** the importance of mobile phones as a multi-functional tool. The smartphone can be used to make and receive telephone calls as well as functions such as messaging, camera and internet. This means access to social media channels such as Facebook, access to email and banking when on the move. These functions play a major role in trade and commerce now that businesses can use smartphones for mobile banking, managing their bank accounts from anywhere. Contactless payments can also be made from smartphones and many retailers also use online marketing and advertising, targeting consumers with messages and advertisements often via text or social media. **Evaluation:** A smartphone has become a very powerful and important multi-functional tool that performs many functions quickly and simply, saving the time and money wasted when sitting at a desk computer. Many people even think that a smartphone is essential nowadays, rather than a luxury as people have come to expect answers/results/resolutions quickly.	**6**

© UCLES 2020

Question	Answer	Marks
4(a)	**What is the difference between long-term and short-term finance?** Long-term finance can usually be paid back over several years (1) used for longer term/investment projects, e.g. purchase of assets (1) usually has fixed and often lower rate of interest (1) short-term finance is usually paid back within one year (1) used for day to day financial requirements/to cover any shortfall between income and expenditure/working capital (1) can be flexible/arranged relatively quickly but charges are often high (1)	**2**
4(b)	**Do you think a loan is the best way to buy the new planes? Give reasons for your answer.** **Yes** – loans are usually for a large amount (1) suitable for planes which are expensive (assets) (1) repaid over a long period of time/spread repayments (1) loan would be cheaper than overdraft – if AA plc could get one for that amount (1) **No** – security/collateral required (1) which AA plc may not have (1) and which the bank could take if loan is not repaid (1) this might put AA out of business (1) it may be better to lease (1)	**4**
4(c)	**Explain <u>one</u> impact that more flights will have on the environment.** Noise pollution (1) affects the well-being of people living on flight paths (1) Air pollution (1) emit greenhouse gases into the atmosphere (1) Climate change (1) depletion of ozone layer (1) Depletion of natural resources, (1) e.g. oil (1)	**2**

© UCLES 2020

Question	Answer	Marks
4(d)	**Discuss the importance to a company of making profits. Give reasons for your answer.** Up to 2 marks for **describing** profit Up to a further 2 marks for **analysing** why profit is needed. Up to a final 2 marks for **evaluating** the importance of profit. Profit is the financial return or reward that companies aim to achieve to reflect the risk that they take. Profit can be measured and calculated in different ways. The formula to calculate profit is total sales – total costs. Most companies invest in order to make a return, this profit earned by a business can be used to measure the success of that investment. Profit is also an important indicator to other providers of finance, e.g. banks, suppliers and other lenders are more likely to provide finance to a company that can demonstrate that it makes a profit (or is very likely to do so in the near future) and that it can pay its debts as they fall due. Profit is also an important source of finance for a business – for growth/future investments. **Evaluation:** Profit is very important for companies. Even social enterprises still want to make profit to re-invest into the business, e.g. for a charity to fund research. Without the possibility of earning a profit, there would be no incentive to take the risk of setting up and running a business or investing capital to expand an existing business. Profit is often called the lifeblood of a successful company.	**6**

© UCLES 2020

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>Calculate the insurance premium the insurance company would charge each company for fire insurance. Show your working.

Premium = $500 (3)
Method: 20 × $25 000 = $500 000 (1) $500 000 / 1000 (1)</td><td>3</td></tr>
<tr><td>5(b)</td><td>Explain <u>one</u> purpose of insurance, apart from providing compensation.

Risk reduction (1) transferring risk to the insurer (1)
Financial protection (1) to replace losses (1)
Confidence in the business that it can continue to trade (1) because losses can be recovered (1)
Legal requirement, (1) e.g. third party motor insurance (1)
To cover risks of international trading, (1) e.g. export credit guarantees (1)</td><td>2</td></tr>
<tr><td>5(c)</td><td>Which of these statements about insurance are true and which are false?

<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>Customers can make payment for insurance premiums by hire purchase.</td><td></td><td>✓</td></tr>
<tr><td>Insurance is a secondary industry</td><td></td><td>✓</td></tr>
<tr><td>Insurance policies can be sent out by letter or email.</td><td>✓</td><td></td></tr>
</table>
</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(d)</td><td>

Evaluate the insurance principles of utmost good faith and indemnity when making an insurance claim. Which do you think is the more important insurance principle? Give reasons for your answer.

<table>
<tr><td>Level</td><td>Mark</td><td>Description</td></tr>
<tr><td>3</td><td>7–8</td><td>The candidate is able to offer a recommendation with a thorough evaluation of the principles of utmost good faith and indemnity</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the principles of utmost good faith and indemnity 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 an insurance claim</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

Utmost good faith:
The insurer will refuse to pay out any compensation if the questions in the proposal form have not been answered truthfully by the insured, or if relevant facts have been omitted, because these answers determined the premiums to be paid. If the proposal form had been completed incorrectly by the insured to reduce the premium paid or to minimise the danger of the risk, the insurer may declare the contract void and not pay out any compensation in the event of a claim.

Indemnity:
The insured is placed in the same position after a loss as before the loss with no profit made, e.g. the insured can only claim back the amount of loss from a fire, they cannot claim back more than the damaged assets are worth; otherwise a business owner could over-insure to gain money.

Evaluation:
With indemnity, it is important to have the cost of fire damage restored, for example, so that the business can start again. With utmost good faith, the business would not receive any money if lies about the building had been made, e.g. saying that it did not contain flammable materials when it did. Therefore, utmost good faith is the most important principle on the grounds that you lose everything if the truth has not been told, but if the insured is completely honest then indemnity is more important to them.

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

© UCLES 2020