Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/23**

Paper 2 Written **May/June 2023**

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.

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

Cambridge International is publishing the mark schemes for the May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U 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.

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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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Question	Answer	Mark	Guidance
1(a)(i)	**Which method of appeal is shown in Fig. 1.1?** • Emotion/sympathy/fondness for animals/animals/cat lovers/humour/comedy/love of a bargain	**1**	
1(a)(ii)	**Explain what is meant by an insurance quotation.** • Insurance document (1) from the insurance company/insurer (1) after the insurance applicant/insured has enquired about obtaining insurance (1) details of possible insurance cover/risks that can be covered/bought/policy (1) what it costs/price/the amount to pay (1) for the premium (1) methods of payment (1) to receive the insurance/policy (1).	**2**	Up to 2 marks for relevant linked explanation
1(b)	Advertising is an example of **an aid to trade.** Pollution caused by motor vehicles leads to **global warming.**	**2**	1 mark for each correct circled answer
1(c)	**Explain <u>one</u> reason why a customer might prefer to make an insurance enquiry by text message rather than by telephone.** • Evidence (1) it is written/record/permanent (1) • Can refer back to message sent/check message (1) to check for mistakes//information is not missed/forgotten/for future reference (1) • Written message (1) can be better/clearer to understand (1) • Privacy (1) so that people do not know your business (1) • Accessibility (1) no background noise (1) • Less time-consuming/quicker (1) holding on the phone line/may not want to discuss points/(1) • Convenient for customer to send (1) as many people prefer sending texts (1)	**2**	1 mark for reason plus 1 mark for linked explanation

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Question	Answer	Mark	Guidance
1(d)	**State <u>two</u> reasons why companies ask customers to pay by direct debit.** • Payment is guaranteed/secure • Control in taking money from customer accounts • Reduces chance of bad debts • Money is received immediately/direct payment/no late payments • Aids cash flow/does not rely on punctuality of debtor • Less staff needed to count/handle cash/saving of time on credit control/no errors in amounts paid • Less cash on premises/better security/safer/less theft • No need for staff to go to bank/saving time depositing money • May increase sales/customer retention rates	**2**	1 mark for each correct reason

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Question	Answer	Mark	Guidance
1(e)	**Do you think a digital billboard on a highway is a good way to advertise motor insurance? Give reasons for your answer.** Yes – Highways are used by many people (1) it can be easily seen by drivers (1) because of their size (1) as they are large (1) over long distances (1) eye-catching/can attract their attention (1) with colour/moving images (1) especially if the traffic slows down/traffic jam/at traffic lights (1) it is targeting the specific consumers needed for motor insurance/target market (1) reminds drivers of the motor insurance (1) who will be persuaded to buy insurance (1) this advertisement/Fig. 1.1 is related to insurance/suitable location to advertise motor insurance (1) to car drivers who would be more interested in receiving an insurance quotation (1) cheaper/more cost effective (1) than broadcast media/printed media or e.g. such as newspapers (1) as they do not have to be printed (1) no risk of fading/being torn (1) No – There is a brief exposure period/less time to read (1) drivers will be paying more attention to the road ahead than to billboards (1) can be easily missed/unable to remember information when driving (1) there is also limited information (1) and there can be poor visibility on wet days (1) and large trucks can block out the sign (1) may lead to accidents if driver is not paying attention to the road (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>1(f)</td><td>Evaluate whether the principle of utmost good faith is more important than the principle of insurable interest when taking out motor insurance. Give reasons for your answer.

Motor Insurance protects the driver, their vehicle and other motorists against liability in case there is an accident. It provides financial compensation to cover any injuries caused to people or their property. There are three types of motor insurance cover, namely, third party, comprehensive and third party, fire and theft.

Utmost good faith: All questions on the proposal form must be answered truthfully and all relevant facts, such as type of vehicle, the area of use, the physical condition of vehicle, the name of driver and the driving accident record must be accurate so that the insurance company has all the details to enable it to calculate a correct premium. If the driver was to tell lies on the proposal form and then try to make an insurance claim, then they will find their insurance policy is void.

Insurable interest: The insured needs to have a direct financial interest to receive the benefit if there is a possibility of incurring losses. Therefore, you can only insure goods which belong to you and from which you will suffer loss. For example, you cannot insure a motor vehicle that you do not own. So, if you’ve bought your car outright, you have an insurable interest. If you buy it on finance, the finance company also has an insurable interest.</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>The candidate is able to offer a thorough evaluation of the principles of utmost good faith and insurable interest when taking out motor vehicle insurance.</td></tr><tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the principles of utmost good faith and/or insurable interest when taking out motor vehicle insurance without evaluation.</td></tr><tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of insurance principles applied to motor vehicle insurance.</td></tr><tr><td>0</td><td>0</td><td>No creditable response.</td></tr></table></td></tr>
<tr><td>1(f)</td><td>Evaluation:
Both insurance principles are important. A driver will not be able to obtain insurance in the first place without some proof of ownership of the vehicle, so there would be no point in applying. In terms of utmost good faith, it is vital that the driver is accurate about their, and the car’s, details. Otherwise, the policy would be made void without payment of a claim/compensation and the driver would have wasted money on any premium paid</td><td></td><td></td></tr>
</table>

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Question	Answer	Mark	Guidance
2(a)	**Identify the type of industry that extracts oil.** • Primary/exhaustive	**1**	
2(b)	**Define *global market.*** • Goods or services bought or sold/imported or exported or traded (1) worldwide/internationally/to other countries (1)	**2**	
2(c)(i)	**State whether the following transactions would be recorded as exports or imports on the UK Balance of Trade.** **Selling oil to Japan** • Export	**1**	
2(c)(ii)	**Buying drilling equipment from the US** • Import	**1**	

Question	Answer	Mark	Guidance
2(d)	**Do you agree that pipelines are the best way to transport liquids such as oil? Give reasons for your answer** Yes – they are very safe/less theft/secure (1) compared to rail/road (1) with few accidents (1) less environmental damage/less pollution/more environmentally friendly (1) not affected by weather (1) cheap to operate (1) maintenance costs are low (1) less labour needed (1) take a direct route/door-to-door (1) to oil refinery/pipelines connected to oil tanks (1) no transhipment (1) often quicker/quicker than road/no traffic (1) can reach remote places/long distances (1) continuous supply (1) large capacity/high volume (1) low amount of energy (1) No – Risk of attack (1) e.g. vandals/terrorists (1) to gain political advantage (1) with damage to one section of pipeline causing a compete break in supply (1) difficult to detect leakages (1) can leak/rupture (1) causing oil spills (1) the capacity cannot be increased once constructed (1) not flexible (1) one-way transportation (1) might be better to use road (1) e.g. oil tankers (1) as they can go anywhere (1) or trains (1) can carry large volumes/quick (1) only used for certain liquids/gases (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>2(e)</td><td>BB now wants to extract oil in a new host country.

Evaluate the advantages and disadvantages to the new host country of BB’s activities.

MNCs are controlled by a Head Office with operations in other countries.

Advantages:
• It can boost economic growth of the country by reducing the amount of foreign oil imported.
• The country will benefit from lower fuel prices improving people’s standard of living.
• A multinational oil company would have the experience and expertise of successfully developing oil fields.
• The capital necessary to develop the new oil field would come from the resources of the multinational. The multinational would employ many local workers, particularly in the less skilled jobs.
• Many local firms would benefit from the multinational entering into contracts with them. For example, there would be catering contracts.

Disadvantages:
• Bring in employees from other parts of world e.g. managers, with less scope for local people who often end up in lower paid jobs becoming unemployed.
• Exploit a country’s cheap labour rates e.g. use of child labour.
• May leave the country when grant/agreement runs out, especially if labour costs are cheaper elsewhere, leading to unemployment.
• Profits leave the host country back to HQ country, so the host country does not get the benefit of it reducing the country’s foreign currency exchange reserves.</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>The candidate is able to offer a thorough evaluation of the advantages and disadvantages to the new host country of BB’s activities.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantages and/or disadvantages to the new host country of BB’s activities without evaluation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to multinationals.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
</td></tr>
</table>

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Question	Answer	Mark	Guidance
2(e)	• May exploit or harm the environment / pollution. If oil production rate is higher, then there will be more usage, thus generating more greenhouse gases. • Also, the drilling process will disturb the organisms (plants and animals) living in those areas. • Exploiting natural resources, and once resources are used up, MNC may move on leaving the country with less/no natural resources. • MNCs damage local culture/traditions / disregard for national customs e.g. working on days of worship. • Due to their size, they can have significant influences on the policies of governments in the countries that they operate. For example, they might use their power to influence better tax rates or pay little taxes. • In low-income economies, they can use their size to push local firms out of business. **Evaluation:** The advantages and disadvantages of oil drilling by a MNC is a debatable issue. Some people in the country will say that oil is a basic necessity that is utilized for carrying out our day-to-day activities so why not drill oil to meet their requirements, other than relying on foreign oil. This will bring about a reduction in the price of oil. On the contrary, the environmentalists in the country will oppose the idea stating that oil drilling increases environmental pollution and disturbs the biodiversity of that area. There is also the problem of possible oil spills. If the new host country does allow the MNC to drill for oil, it should make sure that there are suitable controls put in place to ensure the multinational pays fair taxes, and does not move all its profits overseas to minimise tax agreed with the government.		
3(a)	**Identify <u>one</u> other chain of distribution that WW Wholesalers could use.** • Wholesaler to retailer to consumer • Wholesaler to consumers (at fish market) • Wholesaler to consumer (online)	**1**	1 mark for relevant chain of distribution

Question	Answer	Mark	Guidance
3(b)(i)	**During 2022, WW Wholesalers made 20% gross profit and 5% net profit on sales revenue of $800 000.** **Calculate for 2022 the gross profit.** Amount = $160 000 (2) Method = $800 000 × 0.2 (1)	**2**	
3(b)(ii)	**Calculate for 2022 the cost of goods sold** Amount = $640 000 (2) Method = $800 000 – $160 000 (1)	**2**	Allow OFR
3(b)(iii)	**Calculate for 2022 the net profit.** Amount = $40 000 (2) Method = $800 000 × 0.05 (1)	**2**	

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Question	Answer	Mark	Guidance
3 (c)	**Do you think increasing selling prices will increase WW Wholesaler's sales revenue? Give reasons for your answer.** Yes – More money will be collected (1) e.g. if the price of fish is raised by 10%, sales revenue might be expected to rise by 10% (1) only if it does not negatively impact sales (1) if retailers think that the fish is good quality (1) pleased with their supply/delivery times (1) they will remain loyal (1) and pay higher prices (1) some fish are inelastic (1) not sensitive to changes in price (1) No – When prices rise, some retailers will be not willing to purchase/pay/afford higher prices (1) wholesaler's fish becoming less competitive (1) leading to less demand/less sales/less profit (1) resulting in lower revenue (1) lose custom of retailers (1) because retailers will look at competitors' goods/prices (1) and may decide to buy their goods at other wholesalers (1) because it is cheaper (1) some fish are elastic (1) sensitive to price changes (1) other substitutes can be switched to (1) Depends on the size of the price rise (1) if there is only a small price rise, there may be no impact (1) might consider selling more fish at the same price (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses

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Question	Answer	Mark	Guidance
3(d)	**Discuss how important road transport is in the chain of distribution. Give reasons for your answer**. Road transportation in the chain of distribution refers to the movement of products from one location to another, by motor vehicles such as trucks and vans. It begins at the start of the chain of distribution as materials make their way to the warehouse and continues all the way to the end user with the customer's order delivered at the doorstep. The chain of distribution is the ways in which goods are transferred from producers to consumers. Important: • It provides door-to-door service for all the freight deliveries. Road transport is the only extensive system that gives transportation to the final destination. Whereas, with rail or air transport, there needs to be delivery to the train station or airport and then take road transport to reach the final destination. Also, these transportation terminals are usually in inaccessible areas as compared to road transport. With road transport, you can just load the items at factory or warehouse, drive and unload at the shop or to the customer. • If you need to transport goods with short notice, then road transport is preferred to rail or water transport. With the other transports, it requires extra time to book the goods and take delivery. If goods are not distributed quickly, there will be surpluses in the warehouses and shortages in shops.	**6**	Up to 2 marks for **describing** road transport / the chain of distribution. Up to a further 2 marks for **analysing** the use of road transport in the chain of distribution. Up to a final 2 marks for **evaluating** how important road transport is in the chain of distribution.

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Question	Answer	Mark	Guidance
3(d)	• Even if air or rail transport is used for long-distance transports, the end destinations require the use of road transport. Road transport acts as a connecting link to other modes of transport; the other transport modes all depend on road transport to transfer freight to and from depots, rail terminals, airports and seaports. • Most of consumers' daily necessities, such as fresh food from the supermarket or corner shop, newspapers and magazines, electronics and appliances, clothing, and so on, depend on road transport at some point in the chain of distribution. • Road transport, as part of an integrated transport system moves goods to markets across the world. This helps international trade to expand the global economy and produce more. **Evaluation:** Road transport is a key component in the logistics process of the chain of distribution. It is very important in connecting the producer with the final consumer. It enables goods to be transferred on time, whether it is moving raw materials to be processed or moving the finished goods to warehouses, wholesalers, retailers or the consumers.		

Question	Answer	Mark	Guidance
4(a)	**Explain <u>one</u> way a catalogue helps customers to choose which goods to buy.** • Descriptions/details of goods/information of goods/pictures of goods/large variety of goods (1) can identify what they prefer/what looks best/helps decision-making/can compare/helps selection/easier to make choice/analyse (1) • Shows prices of goods (1) can compare prices/choose/prefer the cheapest (1) • May recommend (1) making choice easier/quicker (1) • Contains an index (1) making it easier to search for items (1)	**2**	Up to 2 marks for relevant linked explanation
4(b)	**The mail order catalogue business issues an invoice once an order has been received from a customer. Explain the purpose of an invoice.** • Shows details/proof of goods ordered/purchased (1) e.g. quantities/prices (1) on credit (1) required by law (1) • Can be used to check accuracy of sale/charges (1) to check for any mistakes (1) • Evidence of sale (1) can be used in court (1) • It is a bill (1) amount to pay/to pay (1) shows amount owed (1) reminder to pay/to request payment (1) • Can be used for bookkeeping/tax records (1) to track sales made (1)	**2**	Up to 2 marks for relevant linked explanation
4(c)	**Describe a situation in which the mail order catalogue business might issue a credit note.** • When goods have been overcharged (1) e.g. sent an invoice for $40 instead of $4/charged more than the catalogue price (1) • Mistake/error on the invoice (1) e.g. missing goods (1) • If plants/seeds/goods have been damaged (1) giving a refund (1) • When customer not happy with service (1) giving them a partial or full refund instead (1) • When goods have been returned (1) example (1) • When order has been cancelled (1) example (1)	**2**	1 mark for any situation plus 1 mark for linked description

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Question	Answer	Mark	Guidance
4(d)	**Discuss <u>two</u> disadvantages of buying plants and seeds by mail order. Which is the more important disadvantage? Give reasons for your answer.** Mail order is selling goods by using postal services. The orders are received by post or telephone, using order forms in the mail order catalogue and then delivered by post or courier. Disadvantages: • Have to wait for delivery/delivery is slow which can be inconvenient compared to getting them right after you pay for them in a florist. If they do not do same-day delivery, the plants might wilt. • There may be the extra cost for shipping/posting the plants and seeds which means that you end paying more than you would for the plants and seeds if you had just bought them in a shop. • There is a lack of personalised service compared to going to a florist who would be able to provide expert advice. • You cannot assess the quality of plants. There is the lack of touching them. Some of the plants that are sent may be in full bloom while others may be budding or at the end of their life. • You might receive the wrong plants or seeds; those that are not ordered. • Plants might perish before you receive them. • Might receive damaged plants that are not fit for purpose. • Plants and seeds may go missing if not properly packed. • Can be difficulty in returning plants e.g. paying for postage. **Evaluation:** Receiving damaged plants is probably the more important disadvantage as they cannot be used and time and money will be needed to send them back. If you do mind the inconvenience of waiting for the plants and seeds to be delivered, then going to a florist is probably a better option than mail order.	**6**	Up to 2 marks for **describing** disadvantages of ordering plants and seeds using mail order. Up to a further 2 marks for **analysing** two disadvantages of ordering plants and seeds using mail order. Up to a final 2 marks for **evaluating** which is the more important disadvantage.

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Question	Answer	Mark	Guidance
5(a)(i)	**Identify the type of retail store shown in Fig. 5.1** Department store	**1**	
5(a)(ii)	**Explain <u>one</u> reason why this type of retail store has gifts and cosmetics on floor 1.** • Quick-selling gift items (1) that have a fast turnover (1) • High value goods (1) higher profit margins for store/increase sales (1) • Attractive odours/samples (1) that draw people in from the street/increased footfall (1) • Quick access/convenience (1) as goods are located on ground floor (1) some customers would not want to go to higher floors for these goods (1) • As everyone enters the store on this floor (1) means that everyone will see them/more customers on floor 1 (1) easy to grab/attract their attention (1) tempt them to look at goods on other floors (1) • Can lead to impulse buying (1) increasing store sales (1)	**2**	Up to 2 marks for relevant linked explanation

Question	Answer	Mark	Guidance
5(b)	**Explain <u>two</u> effects that large-scale retailers have on small-scale retailers.** • Many small shops have had to close (1) as they have found it hard to compete with large-scale retailers/lack capital/economies of scale (1) • Lack of customers/difficult to attract customers (1) as large-scale retailers can sell cheaper goods (1) • Many small-scale retailers have relocated to cheaper rental areas (1) as large-scale retailers can afford expensive rents (1) • Lower prices by large-scale retailers (1) have led to small-scale retailers using services such as cash and carry to compete (1) • As large-scale retailers offer a range of payment methods (1) small-scale retailers have introduced non-cash payments as well (1) • Some small-scale retailers now offer self-service (1) to reduce costs/compete with large-scale retailers (1) • Some small-scale have diversified their product range (1) to provide goods/services not offered by large-scale retailers (1) • Some small-scale retailers now offer loyalty reward schemes (1) to compete with similar schemes used by large-scale retailers (1) • Becoming part of a voluntary chain (1) to compete with lower prices charged by large-scale retailers (1)	**4**	1 mark for each effect plus 1 mark for each linked explanation x 2

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>5(c)</td><td>Which of these statements about types of credit offered by large-scale retailers are true and which are false?

Tick (✓) true or false in the correct column

<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>The same store card can be used in all shops.</td><td></td><td>✓</td></tr>
<tr><td>The customer becomes the owner of hire purchase goods after paying the final instalment.</td><td>✓</td><td></td></tr>
<tr><td>Extended credit is offered for purchase of items with a low second-hand value.</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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Question	Answer	Mark	Guidance
5(d)	**Large-scale retailers use regional distribution centres (RDC**). **Why are RDCs essential to large-scale retailers? Give reasons for your answer.** Regional distribution centres are warehouses. They are used by large-scale retailers to supply goods to their branches/shops. Large-scale retailers are where a variety of products are sold in the same physical store. Common characteristics include being large in physical space and often part of a chain of stores e.g. supermarkets. Essential: • Large-scale retailers can order in bulk and request delivery to the regional distribution centre, thus taking advantage of bulk purchase and reducing delivery costs from the manufacturer. • Delivery to individual branches can be based on what they need, and many different products can be sent in one shipment. • Reduces transport costs by not having to go to various warehouses to deliver and collect goods from. • There is increased inventory kept there and greater storage capacity. • Centrally located so it reduces inbound distribution costs as well as enabling shorter transport distances to retailers. • Head office will have closer control over stock levels. • Buffer stocks can be kept at the regional distribution centre in case branches run out. • Buying staff at the individual branches will no longer be needed. **Evaluation:** Regional distribution warehouses are essential to large-scale retailers. They simplify inventory and logistics by having central storerooms that consolidate orders in an efficient way. If it was not for regional distribution warehouses, large-scale retailers would fail to achieve their primary purposes of reduced delivery times, cutting costs and maximising customer satisfaction.	**6**	Up to 2 marks for **describing** regional distribution centres (RDC's)/large-scale retailers. Up to a further 2 marks for **analysing** the importance of regional distribution centres (RDC's) to large-scale retailers. Up to a final 2 marks for **evaluating** how essential regional distribution centres (RDC's) are to large-scale retailers.

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