CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the October/November 2013 series

7100 COMMERCE

7100/21 Paper 2 (Written), maximum raw mark 80

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1 (a) Any three points × 1 mark each –

the fisherman is concerned with producing food i.e. fish
to send to the consumer/fish processor/canning factory
using natural resources from the earth
the fisherman is in the first stage of production
and concerned with renewable resources
so is an a non-exhaustive primary industry

any other relevant point [3]

(b) (i) Any three ways × 1 mark each –

obtaining loans/overdrafts (finance = 0 marks)
using bank means of payment (or an example) to pay bills
saving surplus cash to earn interest
depositing into a current account
carrying out financial transactions using Internet banking
seeking financial advice from the bank

any other relevant point [3]

(ii) Any four points × 1 mark each or two well developed points × 2 marks –

to reduce risk especially of financial loss
the fisherman needs to insure his boat and any premises against fire and theft
he will be able to claim compensation for the loss
the fisherman may have employees – required by law to take out employer's liability
insurance to cover him against claims made by employees because of his negligence.
insurance helps to build business confidence – the fisherman may have invested
a lot of his own money in the business – he would lose this money if a disaster occurred
and he was not insured

any other relevant point [4]

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(c) Level 2 (4–6 marks)

Has discussed how important warehousing is to the fishing industry and has given a reasoned opinion.

Warehousing is unlikely to be important for individual fishermen. They might have storage on the fishing boats to hold the catch while they continue to fish. They may have a small amount of storage ashore to store machinery, nets and other equipment. Fish is a perishable commodity and would be sold in fish markets directly to consumers or to processors of fish in large quantities.

On the other hand a canning factory or fish processing company would need warehousing, particularly cold storage, to preserve the fish until it can be processed. This would ensure continuous production. A canning factory would also need warehousing to store the canned fish awaiting sale or awaiting transport. In some countries canned fish is an important export and needs to be stored awaiting export or loading into containers for transport.

Warehousing is important to the fishing industry as a whole because it offers protection against theft, damage or deterioration. It will help to even out seasonal variations in the sizes of catch landed so that the fish processor can operate all the year round. It will ensure supplies when needed and help to prevent fluctuations in the price of canned fish. Warehousing is, therefore, very important for some parts of the fishing industry but not for everyone concerned with the fishing industry.

Level 1 (1–3 marks)

Has commented on the importance of warehousing to the fishing industry.

A fisherman will need storage for his nets. He will not store his fish. He needs to sell it as quickly as possible. A canning factory will need to store fish. It will also need to store canned fish. Warehousing protects products against theft and damage.

[6]

(d) Any four points × 1 mark each or two well explained points × 2 marks –

the canning factory might have its own website giving information about the products it sells and contact details
the canning factory may receive enquiries from potential customers by telephone or email
the canning factory may keep in touch with potential buyers/retailers/wholesalers/exporter agents by telephone or email
problems about consignments of canned fish may be solved by discussion on the telephone
the canning factory is unlikely to meet buyers face to face but some may come to the factory and be shown around
documents involved with the sale of canned fish may be sent by letter post
advertising material/price lists might be sent by email/letter post

any other relevant point [4]

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2 (a) Any two factors × 2 marks each –

nearness to potential customers – people are not likely to travel distances to visit a coffee bar, may be reliant on passing trade so needs to be on a busy street
competition – will not want to be too near to other coffee bars who may already have established trade
availability of premises – may be premises available with planning permission for a coffee bar, may need to obtain planning permission
supply of labour – will need to find workers for the coffee bar, may require workers to work unsocial hours or weekends
security – will want to be in an area where instances of theft or vandalism are low
accessibility of site – the coffee bar will need to be on the ground floor where people are able to gain access easily

any other relevant factor explained [4]

(b) Level 2 (4–6 marks)

Has discussed the extent to which Maisie is involved in trade and has given a reasoned opinion.

Maisie is involved in trade to some extent. She is involved in home trade. She is involved in the retail trade. She is selling food and drink to her customers in order to make a profit. She is using wholesalers to supply her with various food products and drinks. These wholesalers will supply her with various services. They will break bulk and supply her in small quantities. They will advise her about new products on the market. They may also offer her cash and carry services. They are also likely to offer Maisie goods on credit.

On the other hand, Maisie is not involved in foreign trade. She is unlikely to import any products for her coffee bar, although the wholesalers might do so. She will not be taking part in the export trade. Maisie, therefore, is involved in trade but not in all aspects of it.

Level 1 (1–3 marks)

Has commented on Maisie's business in relation to trade with/without an opinion.

She is involved in trade. She sells food and drink. She sells to customers. She buys from wholesalers. Maisie is not involved in foreign trade. [6]

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(c) Any four points × 1 mark each or two well explained points × 2 marks –

Maisie is involved in the catering/food and beverage industry and so will be subject to various rules and regulations and to regular inspections
consumers expect clean premises and safe food
consumers have certain rights e.g. right to a safe environment
if they are not satisfied they will go to a competitor as the food and beverage industry is highly competitive
if she builds up a reputation for looking after her customers, she will encourage repeat business
and customers will recommend her coffee bar to others leading to increased sales
if she does not look after customers she may be prosecuted for an offence e.g. health issue and be heavily fined

any other relevant point [4]

(d) (i) Any four points × 1 mark each or two well explained points × 2 marks –

she is likely to be buying regularly and would want to pay at regular intervals
she wants to sell the goods she buys before having to pay for them so that she can use some of the money from the sale to pay the bill
it provides interest-free credit for a period of time
it will aid her cash flow
she may have insufficient money to be able to pay upfront
she could use the money she would have used to pay for the supplies to pay for other things

any other relevant point [4]

(ii) Any two points × 1 mark each –

to enable her to make a profit
to encourage repeat business
to encourage her to buy in bulk
so that the supplier can increase sales
because she is a retailer buying for resale

any other relevant point [2]

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3 (a) (i) Any one way × 1 mark –

only $12.50
second one half price
buy now while stocks last
all credit cards accepted
sweaters for every occasion [1]

(ii) $12.50 + $6.25 (1 mark) + $4 postage and packing (1 mark) = $22.75 (1 mark)

OFR applies. Award full marks for the correct answer without working. [3]

(iii) Any two reasons × 1 mark –

to attract increased sales
because many people order and pay online
because people can use them when ordering over the telephone
because it would not be able to accept other means of payment

any other relevant reason [2]

(iv) Any three points × 1 mark each –

debit card (1 mark)
enables the customer to make instant payment
payment is guaranteed to the retailer
there are no bad debts to the retailer
if there is no money in the customer's account, the debit card will be rejected
developed as a substitute for cheques

any other relevant point [3]

(b) Any five points and up to 2 marks for a well developed point –

will have premises which are cheap to rent such as on a trading estate – multiple chain will require premises in busy streets where rents are expensive
will not need to employ large numbers of shop assistants
mail order catalogue companies may offer a wider variety of goods than a multiple chain who will specialise in one retail area e.g. shoes
mail order catalogue companies have wide appeal among consumers and so the catalogue company can tap into this market
many catalogues are now available on the Internet so there are savings in costs of printing catalogues and advertising costs of using other media
catalogue companies appeal to particular groups of customers particularly the housebound
catalogue companies appeal to consumers who prefer Internet shopping rather than visiting multiple chain stores and other retail outlets in shopping areas

any other relevant point [5]

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(c) Level 2 (4–6 marks)

Has discussed both ordering goods by telephone and ordering online and has given a reasoned opinion.
(If a candidate discusses only one method of ordering, award 4 marks max)

If a customer orders using the telephone, the customer is promised rapid service by the company. The customer will know if the order has been received and will be able to discuss any aspect of the order or ask questions about the order. It is likely that there will be quite long opening hours when the telephone will be answered or there may be an after-hours automated service. The customer is also likely to be told if the goods are available or not and when the goods will be delivered.

On the other hand mistakes may be made because the operator mishears what is required. The order line may be busy and it may be difficult to make contact.

If a customer orders online, the customer will be able to study the goods on offer before making a decision. The customer will be able to order goods at any time because the Internet is available 24/7. The customer will know if goods are available or not and can look for alternatives. Some goods supplied by the company may be available only online or there may be special offers for those ordering online.

Some customers may consider the Internet insecure for placing orders and paying for them. This can be overcome by using secure websites.

Many customers prefer to order online. It may be easier and cheaper than using the telephone. They will be given written confirmation of the order by email. Others prefer to use the telephone because they wish to speak to someone. It is probably sensible for the company to offer both means of ordering. On balance it is preferable to order online. Any difficulties that customers may encounter will be overcome as more and more people use the Internet for their everyday requirements.

Level 1 (1–3 marks)

Has commented on ordering goods by telephone and/or ordering online with/without an opinion.

More and more people order goods online. The Internet is available all the time. It is possible to view the goods available. People can pay using credit cards. Telephone ordering is useful. You need a catalogue or advert to use telephone ordering.

[6]

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4 (a) (i) Any three features × 1 mark each –

owners are partners
the aim of the business is to make a profit
enable people to pool together their skills/knowledge/contacts
capital provided by the partners
unlimited liability
profits distributed among the partners
number of partners is usually 2–20
control of the partnership is by the partners

any other relevant feature [3]
N.B. can have sleeping partners = 0 marks

(ii) Any four points × 1 mark each or two well explained points × 2 marks –

partners have unlimited liability and so are responsible for all the debts of the business personal assets are at risk
disagreements between partners may hinder the partnership and could lead to the break up of the business
each partner can bind the other partners to a certain course of action that may not have been agreed upon
profits are shared among several people
the number of partners is usually restricted. This could limit the partnership's ability to raise capital
there may be lack of continuity as the death of a partner may lead to the break up of the partnership unless provided for in the Partnership Deed
the partnership is not a legal entity. Each partner could be sued individually. Each partner has complete responsibility legally for the actions of the partnership

any other relevant point [4]

(b) Any three points × 1 mark each –

a partner who contributes capital
and shares in the profits
but does not take an active part in the business
and has no voting rights in the business

any other relevant point [3]

(c) Award one mark for the decision and three marks for the reasons.

no
business failure is a non-insurable risk
the risk of failure cannot be assessed/mathematically calculated
as there are no past records to identify what is business failure
and so no premium can be fixed
it is possible that the partners may deliberately cause the business to fail in order to collect the compensation

any other relevant point [4]

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(d) Level 2 (4–6 marks)

Has discussed all three options (or two or the options) and has shown, with reasons, whether or not any or all of them would benefit the business.
(If a candidate has discussed only one option, award 4 marks max.)

Lucy and Imran might decide to introduce a store card for customers. If it is a large shop, with many customers, this may be worthwhile but if it is a small shop, the costs of setting this up and the administrative costs may be prohibitive. Many customers may not be interested in the store card and many of the customers may not visit the shop on a regular basis. There would also be the risk of bad debts.

Lucy and Imran might offer informal credit to their regular customers. They are likely to be selling quite expensive clothing and may increase sales by allowing regular customers to pay gradually for items on a weekly basis. There would be no interest added so there would not be an immediate monetary benefit but it might lead to increased trade.

Lucy and Imran might provide loyalty cards for customers. They are in a competitive market and providing loyalty cards might make customers use their shop rather than those of their competitors. Again there would be costs in setting up the scheme and providing cards to customers. They would have to decide what rewards to offer to return customers such as money off additional goods or free gifts and again this could add to their costs.

The most likely option to benefit the business is informal credit. There would be some administrative work involved but it is possible that increased trade would result. The other two options involve costs and the business might find that these costs outweigh the benefits.

Level 1 (1–3 marks)

Has commented on some of the options and has shown with/without reasons whether or not they would benefit the business.

Store cards are offered by department stores and other large-scale retailers. Store cards would cost too much. There may be bad debts. Informal credit means paying weekly. Some customers might like this. No interest is paid. Loyalty cards might make customers return. They will need to reward their loyalty. This will be costly. None of these may benefit the business. [6]

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5 (a) Any two ways explained × 2 marks –

offer quality service and extra facilities
offer promotions + example such as 7 days for the price of 6
advertise more widely using several media
listen to complaints and act upon them
lower prices at certain times of the year
move into other markets e.g. conferences, exhibitions
open more hotels in other countries
offer a range of different hotels in widely different locations
offer many ways of making bookings especially online booking

any other relevant point [4]

(b) Any three ways explained × 2 marks each or six points × 1 mark –

it will need long-term finance and a large amount of money in order to purchase/lease land and build a resort hotel with a large amount of accommodation and many other facilities
it might retain profits if there is sufficient but it is likely to have to borrow as well
it is likely to be a public limited company so it might make a rights issue to existing shareholders
it might seek a bank loan with fixed interest and repayments from future business
it might seek finance from the Hong Kong government who might want to encourage increased tourism
it might sell debentures on which fixed interest is paid and which may be secured against company assets
it might seek finance from a merchant bank who might offer a loan

any other relevant point [6]

(c) Any four points × 1 mark each or two well explained points × 2 marks –

to provide information about its hotels, sports and leisure facilities
to advertise its hotels, sports and leisure facilities
to save money on using other more expensive advertising media
to provide contact details
to provide a facility for online bookings
to show any special promotions it may have
to give extra information about any special event being held
to give added emphasis/advertising to particular hotels
to provide up-to-date information on its business
so that it can compete with other businesses in the hospitality industry

any other relevant point [4]

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(d) Level 2 (4–6 marks)

Has discussed in the context of a multinational in the hospitality industry whether or not Brookdown's trading activities are important to the countries in which it operates and has given a reasoned opinion.
(If a candidate gives a discussion with no context, award 4 marks max.)
(If a candidate gives a one-sided reasoned argument, award 4 marks max.)

Brookdown's trading activities are important to many of the countries in which it operates. It will be contributing to the country's tourist and hospitality industry. Guests from other countries are likely to be staying in its hotels and leisure complexes and spending money within the country. Brookdown is, therefore, earning foreign currency for the country and contributing to its invisible exports.

Brookdown is likely to have the financial resources to develop expensive projects such as the resort hotel in Hong Kong. It will employ large numbers of the country's workers in many positions within the hotel and so will reduce unemployment within the country. It will offer them training and make them more employable. It may bring in employees from other countries who will spend in the country's economy. It may buy many of its supplies from businesses based in the country.

On the other hand, although Brookdown is likely to be profitable and to pay taxes in the country, much of its profit will be moved overseas for the benefit of the multinational. As a very large company, Brookdown may have undue influence on the economy of the country and in some countries, be involved in the politics of the country. If its hotels are not successful, Brookdown may either close them down or sell them to another company, so suddenly making people unemployed.

However, it is extremely likely that Brookdown's activities will prove to be important to the countries in which it operates and it will be encouraged to do business there.

Level 1 (1–3 marks)

Has commented on multinational companies in relation to the countries in which they operate with little or no context.

Multinational companies provide employment. They pay taxes to the country. They train staff especially in the hotel trade. They are important in most countries. [6]

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6 (a) (i) Any two features × 1 mark each –

found in city centres
usually multi-storeyed
provide extra services or example
offer delivery service for large items
organised in sections/departments
offer credit accounts/store cards
provide one-stop shopping
offer online service

any other relevant feature [2]

(ii) Any two features × 1 mark each –

often held in the open air
traders usually sell one particular line
traders hire stalls from local council
may attract tourists in some places
traders have low overheads
consists of stalls
usually once/twice a week in a location
may sell seconds/unbranded goods
success subject to weather conditions
may be covered daily markets
bargaining may take place

any other relevant feature [2]

(b) Any clear distinction × 2 marks such as –

multiple chain store sells one particular product line
variety chain store sells wide variety of goods

any other relevant point [2]

(c) (i) 1 + 2 + 3 + 12 (1 mark) = 18 (1 mark)
(N.B. no marks for OFR as the candidate will not have identified all the large-scale retailers)
Award full marks for the correct answer without working. [2]

(ii) Any two reasons explained × 2 marks –

many consumers in the town may prefer to shop at the independent retailers who are offering what they require
some of the independent retailers may be speciality stores offering goods/services the large-scale retailers are not offering (+ an example)
the town council may have encouraged independent shops to stay in business by offering them low rates/car parking schemes
the independent shops may have formed an organisation to promote themselves to shoppers
the population of the town and surrounding area is sufficient to sustain all kinds of shops both large and small
independent shops are easy to set up and easy to run (points relating to this 2 max)

any other relevant point [4]

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(iii) Any two points × 1 mark each –

to encourage repeat business
to gain competitive edge
because they are sell goods that need maintenance/delivery
may produce additional income for the retailer

any other relevant point [2]

(d) Level 2 (4–6 marks)

Has discussed the importance of transport to large retail businesses owning supermarkets and has given a reasoned answer as to how important transport is to these businesses.

Transport is needed to move people and to move goods. A large retail business such as a supermarket will rely on people using their cars to come shopping and so provide large car parks. These people are likely to buy food and household products in large quantities and load their cars from trolleys. Many employees of supermarkets come to work in their own cars.

Most supermarkets own their own transport. They may have delivery vans to deliver shopping to customers who have ordered their groceries online. This is a growing trend in some countries.

These supermarkets will certainly have trucks that are used to carry goods from regional distribution centres often located close to motorways to deliver to surrounding supermarkets. Without this kind of transport, supermarkets would not be able to keep their supermarkets supplied. They would have to have large warehouses attached to each supermarket and rely on deliveries to these supermarkets either directly from manufacturers or from various wholesalers.

Transport is therefore **very** important for the successful operation of supermarkets. If there was no transport, supplies on supermarket shelves would soon run out.

Level 1 (1–3 marks)

Has commented on the importance of transport in relation to a large retail business.

Transport is needed to bring goods from the supermarket's warehouse to the supermarket. Transport is needed to keep the supermarket supplied. Supermarkets do not have much storage. They buy directly from manufacturers who supply to large warehouses. Trucks are used between these warehouses and the supermarkets. [6]

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7 (a) (i) Any well explained point × 2 marks –

taxes/on goods entering a country [2]

(ii) Any well explained point × 2 marks –

limits on the quantity/of particular goods entering a country [2]

(b) (i) Any two points × 1 mark each –

fewer cars will be imported
imported cars will be more expensive
so there will be less demand for these cars

any other relevant point [2]

(ii) there may be increased demand for home-produced cars
so the car industry within the country will be stimulated
there may be no effect
industries related to car manufacturing e.g. component factories may be stimulated

any other relevant point [2]

(c) (i) receipts from the sale of exported cars will add to total exported goods and so **contribute** to the Balance of Payments [2]

(ii) payments from the purchase of imported car components will add to the total of imported goods
and may lead to the country importing more than it is exporting and so
lead to a deficit on the Balance of Payments [2]

(iii) banking services are invisible exports
and will contribute to the Balance of Payments [2]

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(d) Level 2 (4–6 marks)

Has discussed the statement and has given a reasoned opinion.

Many countries are dependent on other countries and so they trade together. They may lack raw materials or sources of fuel and so have to import these from other countries. They may produce manufactured goods that other countries lack and so they export them to these countries. They may provide services such as banking and finance or be well known for transport services and sell these to businesses in other countries.

The development of commercial activities such communication and transport has speeded up transactions and widened markets leading to the growth of the global economy. The impact on commercial activity of computer technology, especially the use of the Internet and email, had made it far easier to keep in contact with other businesses in other countries. The development of electronic methods of payment has made it easier and safer to make payment for goods and services bought in other countries. The growth of multinational companies with branches in many countries, has meant that more goods are available to satisfy increasing global demand.

It is certainly true that as the global economy grows, many countries concentrate on what they are best at producing – the concept of comparative advantage – and specialise in particular industries. They, therefore, become dependent on other countries for what they do not wish to produce or cannot produce in order to satisfy their consumer needs and wants.

Level 1 (1–3 marks)

Has commented on the statement with/without an opinion.

Many countries rely on other countries. Singapore relies on Australia for some of its food. The Maldives relies on the Middle East for its oil. China supplies many countries with manufactured goods. This is the global economy. [6]

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8 (a) Any two points × 1 mark each –

because Latiff is aiming to sell to retailers
who are likely to use trade journals to find what is available
Latiff is aiming at specialist traders within a trade
such as electricians
Latiff can target its potential buyers better than when using a newspaper
it may be able to give more details about the goods it is selling

any other relevant point [2]

(b) (i) $\frac{1000}{100} \times \$200$ (1 mark) = $2000 (1 mark) OFR applies

Award full marks for a correct answer without working. [2]

(ii) Any two commercial documents × 1 mark each and 2 marks each for the description –

quotation – reply to an enquiry, shows terms and prices of goods requested
delivery note – copy of invoice, accompanies goods supplied, signed for on delivery
advice note – copy of invoice, sent before the goods are despatched
invoice – gives details of the order including the total cost
statement – send at the end of trading period, showing all transactions for that trading period, request for payment
credit note – used when overcharge made, goods returned, reduces the amount owed

any other relevant document [6]

(c) $\frac{2000}{100} \times \$50$ (1 mark) = $1000 (1 mark) $\$1000 \times \frac{15}{100}$ (1 mark) = $150 profit (1 mark)

OFR applies. Award full marks for a correct answer without working. [4]

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(d) Level 2 (4–6 marks)

Has discussed Latiff operating as both a cash and carry wholesaler and as a traditional wholesaler and has given a reasoned answer.
(If a candidate has given a one-sided answer, award 4 marks max.)

Wholesalers are under pressure in many countries because of large-scale retailers buying directly from suppliers. Many of the customers for wholesalers are small-scale retailers and businesses. In order to attract these customers Latiff has to offer competitive prices. This can be done by cutting some of the services offered by the traditional wholesaler such as delivery, credit and invoicing. The expenses are, therefore, lower and so Latiff can offer its customers electrical supplies at lower prices. Retailers and other business people can have easy access to the warehouse at their convenience, serve themselves and do not have to wait for deliveries. They can obtain supplies to satisfy sudden demand. They can save on storage space as Latiff will store the goods until they are required.

It may be that Latiff has to employ staff to stack shelves and to operate check-outs. It may have to open for longer hours than if it were operating as a traditional wholesaler. It may mean that it is selling in smaller bulk than a traditional wholesaler. It may mean that some potential buyers would not use Latiff as they cannot obtain credit but, on the other hand, Latiff does not run the risk of bad debts.

Latiff still performs some of the functions of the traditional wholesaler. Latiff would purchase from manufacturers, break bulk, warehouse goods and bear the risk of being left with stock.

On balance, it is better that Latiff operates as a cash and carry wholesaler as the business needs to attract trade customers. It may also widen its customer base by allowing other people to have membership cards.

Level 1 (1–3 marks)

Has commented on Latiff operating as a cash and carry wholesaler and/or a traditional wholesaler with/without an opinion.

Cash and carry wholesalers do not transport goods for their customers. Their customers pay using cash or debit cards. Latiff stores goods for customers. It displays the goods. It allows self service. Latiff should continue to operate as a cash and carry wholesaler. [6]

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