CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

MARK SCHEME for the October/November 2014 series

7100 COMMERCE

7100/22 Paper 2 (Written), maximum raw mark 80

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1 (a) (i) One mark for primary industry. [1]

(ii) Any two ways × 1 mark each –

Manufacturing or making/processing/adding components/welding/stitching/ assembling/cutting/packaging/canning/branding/dyeing
Allow specific examples related to a particular industry e.g. adding zips to clothing.

Any other relevant example. [2]
No marks for costs e.g. labour, price, distribution, storage, transport, advertising.

(iii) Any two aids × 1 mark each and 1 mark each for explanation –

- Transport – enables goods to reach their markets/extends the markets for goods
- Banking/finance – enables payments for goods to be handled/provides loans to carry out trade
- Warehousing/storage – enables storage of goods before sale/transport/ protects goods
- Advertising – makes goods known to consumers/persuades consumers to buy
- Communication – enables buyers and sellers to keep in touch/informs buyers of when goods may arrive
- Insurance – protects traders against financial loss/provides compensation against loss when trading or example.

Any other relevant point. [4]

(b) Any two advantages explained × 2 marks each –

- Enables the manufacturer to take advantage of division of labour so that the work is divided into processes
- Increases output of standardised products so the manufacturer can take advantage of economies of scale
- Enables the manufacturer to make greater use of machinery/technology and the use of robotics so saving labour costs
- May lead to greater efficiency as new techniques are used
- Tasks are often simple so less skilled labour may be employed.

Any other relevant point. [4]

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(c) Level 2 (4–6 marks)

Has discussed whether or not it is more difficult to sell in the global market than in the home market and has given a reasoned opinion.
(If a candidate has considered only the home or global market, award 4 marks max)

Distributing goods in any market may have problems. Manufacturers will need to make use of commercial services in order to trade whether it is at home or globally. They will need transport, banking, finance, advertising, warehousing, insurance and communication. They are, however, likely to encounter more problems in the global market largely because of distance and perhaps unfamiliarity with the markets in which they wish to operate. They may need different forms of transport such as air or ship. They may make greater use of warehousing, such as bonded warehousing, because duties may be imposed. They will use different methods of payment. They are, however, likely to insure against the same risks e.g. loss of goods in transit but the premiums may be higher. They will need to advertise and communicate and the use of the Internet and email will enable them reach customers both at home and in other countries.

When trading in the home market, it is possible that manufacturers may find trading conditions difficult. They may be operating in competitive markets where there is strong foreign competition. The economic climate of the country may not encourage trade.

It is also possible that manufacturers may be trading with neighbouring countries or countries within the same trading bloc. The difficulties may, therefore, be reduced. But there may still be problems with different languages, different currencies (unless there is a common currency) and the risks of non-payment. It is therefore likely to be more difficult to sell in the global market than in the home market.

Level 1 (1–3 marks)

Has commented on difficulties encountered when selling in the home/global market with/without an opinion.

It will be more difficult to trade in the global market. There may be different languages. Trade may be in larger quantities. There will be different methods of transport. It is likely to cost more. Distances will be greater. There will be different currencies and methods of payment. There will be greater risks. [6]

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(d) 1 mark for the means of payment and 2 marks for the description –

- Electronic transfer (cable/telegraphic)/online transfer – fast computerised transfer of funds between banks, involves minimum paperwork, reduced risk of theft as takes place between banks, works on current exchange rates
- Bill of exchange – promise to pay a debt at a future fixed time, guaranteed by the bank, gives period of credit to the buyer, can be discounted (sold at less than face value before date due)
- Letter of credit/documentary credit – letters of undertaking issued by the importer's bank and sent to the exporter to guarantee payment for the goods. On presentation of the letter of credit and other documents the exporter can receive payment.
- Bank draft – draft drawn on a bank on payment of the sum owed so safer than payment by an individual. On presentation of the draft, payment is made.
- Allow PayPal.

Any other relevant point.
N.B. do not accept credit card/Western Union/money transfer/bill of lading/money order/remittances/money gram/cash on deliver/bank transfer/Internet banking. [3]

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2 (a) (i) Any two types × 1 mark each –

Mail order or catalogue/telephone shopping/television shopping or telesales or telemarketing/online shopping (shopping using the Internet) or websites or e-commerce or e-tailing/party selling/pedlars/door to door selling/radio (3).

(ii) Level 2 (4–6 marks)

Has discussed whether or not home shopping benefits retailers and has given a reasoned opinion.
(A one-sided argument – 4 marks max)

Over recent years there has been significant growth in home shopping especially in online shopping. For many reasons consumers often shop from home. They may be housebound, they may work full-time or they may not like to go to shopping centres or live near towns and city streets where most shops are situated. Some retailers have benefited from this. Online retailers like Amazon have developed global businesses. Many retailers such as supermarkets have changed their methods of trading and developed online selling along-side traditional methods of retailing. Online retailing other types of home shopping have enabled some retailers to save on labour costs and the costs of renting/owning expensive high street sites for shops.

On the other hand the growth of home shopping has not assisted many retailers. Many small-scale retailers located in high streets have closed. Some multiple chains have experienced difficult trading conditions and reduced profits and have had to close branches or close completely. They have had to look at other ways of maintaining sales – better service, different range of goods, more advertising or developing their own home shopping services.

In some parts of the world, however, home shopping has not had an impact. Where there are difficulties in delivering goods and security issues regarding payment, people still prefer to shop locally and so these retailers have neither benefited nor been affected by the growth of home shopping.

It is true to say that home shopping has benefited some retailers who have made huge profits from it but it has certainly not assisted all retailers.

Level 1 (1–3 marks)

Has commented on home shopping in relation to retailers with/without an opinion.

Home shopping is growing in importance. Many people like to shop from the comfort of their homes. Many high street shops have had to close. Some retailers have benefited and made profits. They have developed online retailing businesses. Other retailers have changed how they trade. They are offering different goods. They offer online shopping alongside traditional shopping. They may provide after-sales service. [6]

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(b) 1 mark for name of means of payment and 2 marks for explanation –

- Credit card – enables the postponement of payment, card number can be given by phone/on Internet/can be used for any amount up to credit card limit/safeguards against fraud/can be used internationally.
- Debit card – gives immediate payment, money is automatically deducted from buyer's account/can be used internationally/replaced cheques/useful where buying on credit is not generally acceptable/no bad debts/card rejected if no funds available.
- Cash on delivery – cash collected on doorstep/no bad debts/helps retailer's cash flow.
- Accept PayPal
- Accept cheques.

Any other relevant point. [4]

(c) (i) Any two points × 1 mark each and any two examples × 1 mark each –

- A method of boosting sales
- Attempts to bring products to the attention of consumers immediately/attracting customers/persuading customers to buy
- May be used to introduce new products
- May be used to dispose of old stock
- Two examples such as offers, loyalty cards, competitions, buy one get one free,
- samples, games, free gifts, loss leaders, sponsorship, discounts/reduced prices.

Any other relevant point. [2]

(ii) One mark for –

Colour, endorsement by famous people, love of food, love of animals, appeal to emotions, ambition, romance.

Any other device (allow a description). [1]

(d) Any two ways described × 2 marks each –

- By parcel post – charge according to weight, may be guaranteed next day delivery for an extra fee, may be insured, delivered by postal service, may be signed for on delivery
- By letter post – if lightweight goods
- By overseas parcel post – either by air or surface mail if goods to go to another country
- By courier – using delivery van, motor cycle, signed for on delivery, often offer a nation-wide service
- By freight forwarder/named examples – if sent overseas, company organises all the documentation
- Allow one method of transport described × 2 marks max.

Any other relevant point. [4]

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

- Transport routes – likely to be less congested than in town centre, better roads leading to other parts of the country so easier to move the finished carpets
- Labour – from the surrounding area may find it easier to reach the factory, easier car parking
- Accessibility by suppliers – suppliers may find it easier to make deliveries especially if they make regular deliveries
- Land – likely to more land available for expansion
- Planning rules – likely to be geared towards the needs of an industrial area
- Cost of site – rent charged, taxes, cost of conversion of the site
- Power, water
- Government subsidies and grants
- Industrial inertia.

Any other relevant factor. [4]
No marks for availability of raw materials, less pollution or security

(b) (i) Any four points × 1 mark each (must cover both current and deposit account) –

- Needs to pay in receipts and make withdrawals from current account
- Needs to pay workers from current account
- Needs to make other payments e.g. to suppliers from current account
- Needs the deposit account to save any surplus money/so that it can earn interest
- Deposit account may provide instant access to money when needed
- Deposit account provides a safe means of keeping money.

Any other relevant point [4]

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

- When seeking finance for the expansion
- If a takeover bid/merger was suggested by another company
- If the company wanted to export its carpets
- On the progress of its business
- To discuss a possible relocation of the business
- When in financial trouble
- When wanting to open a new bank account
- When seeing investment advice
- When wanting advice on insurance.

Any other relevant circumstance.

N.B. setting up the business = 0 marks. [2]

(iii) One mark for (bank) loan/mortgage [1]

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(c) Any three reasons × 1 mark each and up to 2 marks for a well-developed point –

- To store them
- They may need final preparation for sale – packaging/branding
- They may be awaiting sale
- They may be awaiting transport to a buyer
- They may be awaiting export
- There may be no sale as there may be a glut in the market
- To protect them from theft/damage/deterioration (2 marks)
- To display them to potential buyers
- Maintain production ahead of demand
- Enables sales direct from warehouse
- Avoids price fluctuations
- Allow comment on bonded warehouses.

Any other relevant point. [3]

(d) Level 2 (4–6 marks)

Has discussed whether or not it is better for BB Pty Ltd to be a public limited company and has given a reasoned opinion.
(If a candidate has discussed only advantages or disadvantages, award 4 marks max)

Changing to a public limited company enables the company to raise capital from many potential investors through the stock exchange and also may make it easier to raise money from its bankers. Shareholders will continue to have the benefits of limited liability. Although ownership of the shares may change, the company is assured of continuity of existence. With opportunities to acquire large amounts of capital, the company can benefit from economies of scale such as bulk buying and the latest technology for the manufacture of carpets. It will be able to take advantage of specialist management and directors from a wide range of expertise.

There are, however, some disadvantages to being a public limited company rather than a private limited company. The company may be subject to take-over bids from other companies. Ownership of shares is restricted in a private limited company and ownership of shares cannot be transferred without the consent of the other shareholders. There is also the problem of separation of ownership from management – shareholders interested in short-term profits and not in long-term policies. The company may be so large that there is a loss of personal contact between management and workers and between customers and the company.

On the other hand, BB Pty Ltd as a carpet manufacturer could not remain as a small business. It needs capital investment in the latest technology in order to remain competitive. It wishes to expand and so will need to raise significant amounts of capital that only a public limited company could do.

Level 1 (1–3 marks)

Has commented on BB Pty Ltd becoming a public limited company with/without an opinion.

BB Pty Ltd needs large amounts of capital for its business. It can raise this capital through the stock exchange. It will have many directors. It can expand its business. It can use the latest technology. It is better for it to be a public limited company. [6]

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4 **(a)** Any two points × 1 mark each and up to 2 marks for a well-developed point –

- To obtain information about price/payment/delivery/terms (2 max)
- To compare with other quotations from other companies
- Because she sent them an enquiry
- To make a decision about what to buy.

Any other relevant point. [2]

(b) **(i)** One mark for advice note [1]

(ii) Any three points × 1 mark each –

- Used to show a series of transactions
- Within a trading period (a month)
- For people buying using trade credit
- Each line shows one transaction – purchases made, payments made, discounts given, credit notes issued
- serves as a reminder to pay
- Enables the buyer to check her accounts
- Confirms the transactions made during the trading period
- Shows evidence of transactions
- Guard against fraud.

Any other relevant point [3]

(c) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- She is able to postpone payment so it may help her cash flow
- She may be able to sell the goods and use some of the money gained from the sale to pay for the goods
- She may be placing orders on a regular basis so it would mean an increased workload to make individual payments
- She will not pay interest in the credit period allowed but she would have had to pay interest on an overdraft
- Helps build up relationship between buyer and seller/allows return of goods
- Can benefit from discounts
- May lead to bulk buying
- Able to obtain more goods quickly without saving for them.

Any other relevant point. [4]

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(d) Level 2 (4–6 marks)

Has discussed whether or not it is necessary to use documents in a commercial transaction and has given a reasoned opinion.

Millions of commercial transactions take place between buyers and sellers each day. Many of them are cash transactions and there is no need to keep a large number of records of these purchases.

Other transactions are more complex. The buyer may be purchasing on credit and make several transactions in a particular time period delaying payment until a future date. Buyers may place orders months before they require the goods to make sure of supplies. It is, therefore, necessary for both buyer and seller to keep records of each stage of the transaction so that nothing is forgotten. Many transactions involve several people and several processes, so written documentation helps to make sure that the transaction is completed successfully. Having documentation, either written or computerised, reduces the chances of mistakes, helps to sort out disagreements between buyer and seller and helps to prevent fraud. Documents relating to transactions are required for accounting purposes and for tax purposes e.g. reclaim of tax and also provide proof of purchase and proof of payment.

Therefore for many commercial transactions, especially those involving credit, documents are necessary.

Level 1 (1–3 marks)

Has commented on the use of documents in a commercial transaction with/without an opinion.

Documents are needed in a commercial transaction. They are used to order goods. They are used to give the prices of goods. They are used to give details of goods bought. They are used to show proof of purchase and proof of payment. They are important. [6]

(e) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- She may be a small-scale retailer so could not afford to buy in bulk from manufacturers
- She may want to make use of cash and carry services
- She may want a variety of goods without going to several manufacturers
- The wholesaler may be local to her and offer her delivery services
- The wholesaler will break bulk and supply her with relatively small quantities
- May provide her with advice and information on new products
- The wholesaler may offer her good credit terms but manufacturer may not offer credit
- The wholesaler may save her storage space and supply when she needs the goods
- Stronger relationship with wholesaler
- Wholesaler takes risks of out-dated stock
- Provide after-sales service.

Any other relevant point. [4]

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5 (a) (i) Any two functions × 1 mark each –

- Selling goods/services to consumers
- Providing conveniently sited shops
- Providing a wide variety of goods
- Offering delivery
- Offering advice/after sales service
- Displaying goods for sale
- Clearing production lines of manufacturers
- Supplying wholesalers/manufacturers with information about customers/their tastes
- Adding value to goods
- Provides goods in small quantities
- Advertising goods
- Provides credit.

Any other relevant function.

[2]

No marks for buying from wholesalers/storage.

(ii) One mark for department store/supermarket/hypermarket/multiple chain/variety chain store [1]

(iii) Any two reasons explained × 2 marks each –

- Able to bulk buy direct from manufacturers/ and so obtain discounts
- As they purchase at discounted prices/ they are able to offer lower prices to consumers
- Use computerised systems/ that enable them to have tight stock control /so reducing wastage
- Can act as their own wholesalers/ using regional distribution centres
- May have strong purchasing power/ so can lay down specific standards from their suppliers
- May have their own delivery vehicles/ to supply their shops/deliver to customers
- Can take advantage of economies of scale/e.g. national advertising
- Greater variety/leading to one stop shopping
- Provide self-service/enabling shoppers to shop in their own time
- Offer other facilities to customers/such as petrol station or coffee shop
- Provide parking/to enable shoppers to shop in bulk.

Any other relevant point. [4]

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(b) (i) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- To provide protection against financial loss
- To enable the fortunate to assist the unfortunate by spreading risk among a large number of people
- To provide compensation against loss
- To help build business confidence
- To transfer risk to the insurer
- To assist businesses who are sued by their employees or by the general public
- To enable businesses to continue is a loss occurs – consequential loss.

Allow examples = 2 marks max

Any other relevant point. [4]

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(ii) $400 000 ÷ $50 000 = 8 (1 mark)
$28 × 8 (1 mark) = $224 (1 mark)
OFR applies. If the correct answer is given without working, award full marks. [3]

(iii) Level 2 (4–6 marks)

Has discussed the relationship between pooling of risk and the level of insurance premium paid and has given a reasoned opinion.

Premiums create a common fund or pool from which claims are made. This pooling of risk means that the fortunate help the unfortunate – everyone shares the risk. From this pool compensation is paid to those making claims. It should also provide enough funds for administrative costs and for the insurance company's profits. It is sometimes thought that the larger the pool, the less the premium that will need to be paid. If the pool is large i.e. has a large number of policyholders, there will probably be a larger number of people making claims. But if the pool is small e.g. footballers insuring against injury, the premiums will need to be high to cover any claims that are made.

The level of insurance premium paid, however, is usually affected by the level of risk involved(the higher the risk, the higher the premium). Using the example of the footballers insuring against injury, the premiums would be high because the risk of injury occurring is very high and so there will be many claims. Insurance companies keep records of past statistics of claims. On the basis of this statistical evidence, and personal information given in the insurance proposal form, premiums are calculated.

The level of premium paid is largely affected by the level of risk but it may also depend on the size of the pool of premiums.

Level 1 (1–3 marks)

Has commented on pooling of risk and the level of insurance premium paid with/without an opinion.

Pooling of risk is the fortunate helping the unfortunate. Claims are paid from the pool. Premiums are charged according to risk. If the risk of a fire is high, the premium to be paid will be high. Insurers keep past records. If there are no past records, they cannot provide insurance cover. [6]

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6 (a) Any three points × 1 mark each which may show it is important to supply direct or may show that it is not necessary –

Supplying directly – Office furniture is likely to be bulky and may be easily damaged in transit so it is better to deliver directly to the buyer
It may be custom-built for individual companies so may need to advise on site
Saves the costs of using an intermediary such as wholesaler
May have greater customer satisfaction as gives personal service
Sales will increase
Furniture has a long shelf life
Able to assess consumer tastes
Serves local area so may be known to customers
May need to do this to be competitive.

Not supplying direct – May have additional costs such as storage, delivery
Wholesaler or retailer would help to clear production lines
Wholesaler or retailer might buy in larger quantities.

Any other relevant point. [3]

(b) Any two methods of communication × 1 mark each and 1 mark each for when they would be used – Beware Handling orders as in question

Letter/written/accept PO service – When sending out catalogues of office furniture
When sending out a quotation

Email/Internet/electronic/online – Acknowledging an order
Giving details of when the furniture might be delivered

Telephone/call/mobile – Discussing any problems that might arise
Clarifying any detail of the order

Face to face/verbal/tell – When explaining what is available
When a client visits the showroom

Fax – When a document needs to be sent
When an order is received.

Any other relevant point [4]

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(c) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- The customer may need to complain if the office furniture is faulty or broken or unsafe
- The company may not have supplied goods fit for purpose including example
- The company may ignore complaints by customers/business is stronger than customer
- Customers may feel that having a consumer organisation to back them up will give them more success than as individuals
- They will be able to see that the furniture is made to a certain standard e.g. BSI mark
- Consumer legislation will provide them with some protection e.g. correct descriptions
- They may be buying on credit and need the protection of consumer credit legislation
- Consumers are more aware of their rights.

Any other relevant point. [4]

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(d) (i) Any two points × 1 mark each or one well developed point × 2 marks –

- Informal credit usually involves small amounts of money and the office furniture is likely to be expensive
- Informal credit is usually for a short period; credit for the office furniture may be required for some time
- Informal credit is usually given to customers who are known to the seller, Tippo Industries may not know many of its customers
- Does not want the risk of bad debts
- Does not help the cash flow
- Not a small-scale retailers so no personal contact.

Any other relevant point. [2]

(ii) One mark for credit card/hire purchase/extended credit (deferred payments)/interest free loan for a certain period. [1]

(e) Level 2 (4–6 marks)

Has discussed whether or not Tippo Industries should use vans from local transport firms or own its own fleet of vans and has given a reasoned opinion.
(If a candidate discusses either hiring vans or owning its own vans, award 4 marks max)

If Tippo Industries has used vans from local transport firms to make deliveries, it is likely that this has always been successful. It is likely that the charges made have been reasonable and the vans have been available when required. It may be now that trade has increased or that hire charges have gone up or that there have been problems with the hired vans.

If Tippo Industries decides to invest in its own fleet of vans it will need to consider the capital costs of purchasing the vans, the costs of insurance, garaging and fuel costs and the costs of drivers. It will have to make sure that they are used most of the time or perhaps hired out to other companies. Owning your own vans has many advantages – the vans will be available when required, the furniture can be taken door to door in the quantities required, the vans can be used for advertising and there should be greater protection for the furniture as it is under the direct control of a company employee.

I would recommend that Tippo Industries continues to use hired vans unless it is sure that using its own vans is economically justified. It might decide to investigate leasing instead.

Level 1 (1–3 marks)

Has commented on hiring vans and/or using its own transport with/without an opinion.

Hiring vans can be expensive. They may not be available when required. If the company buys vans this will be expensive. There will be fuel and labour costs. They must be used all the time. I recommend purchasing some vans. [6]

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7 **(a)** Any two points × 1 mark each –

- Buying and selling (both required)/exchange
- For profit/money
- To dispose of surpluses
- To purchase what is needed
- To satisfy needs and wants
- To provide goods and/or services
- To increase imports/exports.

Any other relevant point. [2]

(b) **(i)** Any one reason × 1 mark –

- Competition
- Fall in demand for doors and windows
- Lack of house building
- Economic climate/inflation
- Additional costs from exporting
- Fall in quality
- Increased prices.

Any other reason. [1]

(ii) Any two ways described × 2 marks each –

- Reduce prices and introduce sales promotions
- Better marketing – use of the Internet, lifestyle magazines, advertising
- Change the products e.g. materials used
- Contact existing or past customers with special offers
- Improve the service offered – after sales service
- Diversify into other products e.g. conservatories
- Advertising – to inform and persuade
- Market research – to find out what customers want
- Offering better terms to attract customers.

Any other relevant way described. [4]

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(c) One mark for each correct link –

- Yobe Ltd – import agent in importing country – retailer/builders' merchant/builder – consumer
- OR Yobe Ltd – Yobe's agent (broker/del credere agent) – retailer – consumer
- OR Yobe Ltd – selling to export merchant – retailer – consumer
- OR Yobe Ltd – wholesaler – retailer – consumer
- OR Yobe Ltd – forwarding agent – wholesaler – retailer – consumer.

N.B. 0 marks for Yobe Ltd [3]

(d) Any four points × 1 mark each and up to 2 marks for a well expressed point –

- The company is selling both at home and overseas so needs an advertising medium
- That will reach worldwide/24/7
- Can give full details of what it is selling including contact details, prices and materials
- Can answer questions if interactive website
- Can make use of various devices e.g. colour, pictures of doors and windows in use
- Its competitors are likely to be using the Internet
- Costs may be low apart from setting up and updating the website
- Customers can place orders online
- Help to increase sales revenue
- Can use social media
- Can update it easily.

Any other relevant point. [4]
0 marks for easy/cheap etc. unless qualified.

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(e) Level 2 (4–6 marks)

Has discussed the use of containerisation in relation to Yobe Ltd's products and has given a reasoned opinion.
(One-sided argument – 4 marks max)

Containerisation is the use of standard sized containers that can be loaded from one type of transport to another without unpacking. Using containers will speed up the transport of the doors and windows as mechanisation and special handling equipment is used at specially developed ports. Transhipment reduces the costs of handling and transport between the factory and the port or airport and also the port or airport and final destination. The containers provide storage for the doors and windows and also protection against theft and damage. Customs officials may supervise the packing of the container at the factory and when it is unpacked at the destination.

It is possible that Yobe Ltd may not have enough goods for export to fill a whole container. The container can be shared with other companies – mixed cargo or groupage. The doors and windows are fragile and will need protection against breakage. Specialised containers can be used with padding and extra packaging. There is a danger of misrouting with so many containers being sent all over the world. There is also the danger of containers being lost overboard from a ship.

If some doors or windows are required urgently they can also be sent using aircraft. They might be packaged as they are but they could also be containerised in specially designed containers for aircraft. It is also possible that the doors and windows are to be exported to a neighbouring country with land borders. Road transport would be suitable using trucks designed for carrying containers or specially designed trucks for carrying doors and windows could be used instead.

It is certainly true that doors and windows can be carried using containers. The use of containers is likely to be economical and to offer the best protection for these products.

Level 1 (1–3 marks)

Has commented on the use of containers with/without reference to Yobe Ltd and with/without an opinion.

Doors and windows should be exported by sea. They are heavy and may be sent in large quantities. Containers protect fragile goods. Containers are easily handled. Containers can be carried by land or by sea. Containers can be transferred between different forms of transport. Containers are suitable for transporting doors and windows. [6]

8 (a) (i) One mark for $0.20 or 20c [1]

(ii) $\frac{\$12.0}{\$3.00} \times 100$ (1 mark) = 40% (1 mark)

OFR applies. If the correct answer is given without working award full marks. [2]

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(iii) Any three items × 1 mark each –

transport/advertising/promotion/storage/market research/public relations/ communication/logistics/packaging/branding.

Any other relevant item [3]

(b) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Selling high volume – small profits on each litre but overall profit is made
- Offer other services such as repairs and maintenance of vehicles
- Provide a shop selling newspapers and essential groceries
- Operate as a franchise for a large petroleum company
- Keep labour costs for selling petrol to a minimum by self-service at the pumps
- Offer shop facilities to a well-known chain e.g. Marks and Spencer
- Open a coffee shop selling hot drinks and snacks often with a well-known brand
- Offering personal service
- Being near to many of its customers
- Family business – benefits of another income or labour provided by family.

Any other relevant point. [4]

(c) Any four points × 1 mark each and up to **4** marks for a well-developed point –

- Oil companies drill for oil and may send it to another country/ for refining so exporting oil/ a visible export/ so contributing to the Balance of Trade
- Oil companies contribute to the Balance of Payments of the country because the Balance of Trade is part of the Balance of Payments.
- Balance of Payments consists of visible trade (goods including oil) and invisible Trade (trade in services both imported and exported) – definition 2 marks max
- The oil company may move its profit out of the country in which it is drilling and this would adversely affect the Balance of Payments of the country
- Oil company exports/increase in foreign currency for country/pays for imports/better standard of living.

Any other relevant point. [4]

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(d) Level 2 (4–6 marks)

Has discussed some of the types of transport and has given a reasoned recommendation. N.B. May consider them all.
(if a candidate has discussed only one type of transport, award 4 marks max)

It will depend on where the oil field is situated in the country and where the refinery is located in the other country. It will also depend on whether or not the oilfield and the refinery are in neighbouring countries or whether the oilfield is at some distance from the refinery and across the sea.

If the oilfield is at some distance from the port of the country, a pipeline might be used to pump the oil to the port for loading on to a tanker. A pipeline would be suitable because it can carry liquids for hundreds of kilometres across different kinds of terrain. Although it is expensive to install, it is cheap to operate and the oil can be sent continuously on a direct route. If the refinery were in the neighbouring country, the pipeline could link the oil field and the refinery. It would be better than using road tankers as it can move oil in bulk quantities. Assuming that the oil is to be sent some distance to another country, an oil tanker (ship) should be used. It carries oil in bulk especially if it is a supertanker, and may be able to load and unload at special oil terminals in the ports. The refinery is likely to be close to the port with an unloading facility as part of the complex.

The road tanker and the goods train are unlikely to be used. They will move refined fuels within the country. The road tanker will deliver fuel to garages and homes. Tank wagons, as part of a goods train on the railway, will move fuel in large quantities to fuel depots from where it can be delivered.

Level 1 (1–3 marks)

Has commented on one or more types of transport with/without a recommendation.

I recommend using oil tankers to carry the crude oil across the sea. Road tankers could be used to move the oil from the port to the refinery. Oil should be moved in bulk. Tankers carry bulk cargoes. The pipeline might get broken. It is expensive. Goods trains might not be available. [6]

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