Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/21**

Paper 2 Written **October/November 2017**

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 October/November 2017 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is a registered trademark.

© UCLES 2017

There is a new discussion forum for Commerce O Level on the Teacher Support website at: https://teachers.cie.org.uk/community where you can post questions / have discussions with other teachers and the Principal Examiner. Commerce is under Social Sciences, on the Community tab. If you need help to access the site, please contact: info@cie.org.uk

® IGCSE is a registered trademark.

This document consists of **25** printed pages.

© UCLES 2017

Question	Answer	Marks	Guidance
1(a)	**Identify which sector of production Arthur is involved in.** • Primary	**1**	
1(b)	**Explain how transport might assist Arthur.** • Arthur will use road transport/truck (1) over short distances (1) to send his cattle to the local butchers (1) to other areas/e.g. market/auction house/taking infested cattle away for treatment (1) • In order to meet the butchers (1) e.g. discuss prices (1) • He will also have deliveries of supplies (1) e.g. medicines/cattle feed (1) and equipment (1) • He could use transport to get around the farm (1) and to transport his workers (1) • He could use rail transport (1) for longer distances (1) • To advertise (1) logo/on side of vehicle (1) • He could use sea transport (1) for the import of machinery (1) to export cattle (1) • To deposit his takings (1) at the bank (1) • Without transport Arthur would have not be able to herd his cattle to the butchers (1)	**4**	
1(c)(i)	**Describe two risks he could insure against.** • Fire (1) damage or destruction to his buildings or machinery (1) • Theft (1) of his machinery (1) • Consequential loss (1) cover against losses to his business' income caused by fire or theft (1) • Premises/Buildings insurance (1) cover against the risk of floods/wind/earthquake/damage caused accidentally by third parties (1) • Employer's liability (1) to cover risk of accident to workers (1) • Motor vehicle (1) comprehensive/third party (1) • Public liability (1) covers negligence to customers (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
1(c)(ii)	**Explain why it is important for Arthur, when applying for insurance, to observe the insurance principle of utmost good faith.** • Utmost good faith means that both parties (1) must tell the truth (1) and give all the relevant facts (1). Allow example such as, if Arthur did not disclose the remoteness of the farm in his insurance proposal (1) • This helps the insurance company to set a premium (1) and withholding information will affect the premium paid (1) and might make the policy null and void (1) with no compensation paid (1)	**3**	
1(c)(iii)	**Arthur has received an insurance policy. State two purposes of this document.** • Provides written evidence/proof of the contract/insurance • Gives terms and conditions of the policy/type of policy • Shows the amount of cover provided • Shows the risks insured against • Shows the premium to be paid • Shows the period of cover • Shows the renewal date • Procedure for effecting a claim/able to claim if any risk occurs	**2**	

© UCLES 2017

Question	Answer	Marks	Guidance
1(d)	**A large supermarket chain has offered to buy all the cattle that Arthur produces for the next three years. The contract is at slightly lower price than he obtains from the local butchers. Discuss whether or not he should sell to the supermarket chain. Give reasons for your answer.** Advantages of selling to the supermarket chain rather than to small local butchers: • Fixed price so that Arthur can plan his income more easily. • If the chain is well established then payment should be certain. • Delivery will be to one destination. • Arthur knows that he can sell all his cattle. • Guaranteed market for three years. Disadvantages of selling to the supermarket chain rather than to small local butchers: • The contract is at a lower price, which will mean less income for Arthur. • The local butchers may go out of business faced with supermarket competition and a lack of supply. • This could make Arthur unpopular in the community. • It could also mean that, when it is time to renew the contact, there is no alternative to the supermarket chain, who will then be able to dictate lower prices. • Prices cannot be altered to allow for any new external factor. Decision: • The steady contract with the supermarket is attractive but may have negative long term implications. • Arthur would like the goodwill of the local community. • One solution would be to enter into a contract with the supermarket for say 50% of his cattle and retain the other 50% for the local butchers.	**6**	Level 2 (4–6 marks) Has discussed whether or not Arthur should sell to the supermarket chain and given reasoning Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.

© UCLES 2017

Question	Answer	Marks	Guidance
2(a)	**What is meant by *speciality store*?** • Only sells one/particular line of products	**1**	
2(b)	**State one difference between a credit card and a debit card?** • Credit card does not require a current account (1), whereas debit card requires a current account (1) • Credit card allows you to pay later/a form of credit (1), whereas debit card is instant payment (1) • Credit cards have interest charges if amount due is not paid off (1) debit cards do not have charges (1) • A credit card sends a monthly statement (1) and debit card is itemised on bank statement (1) • Credit cards issued by credit card company (1) and debit cards issued by bank (1) • You do not need money in your account to use credit card (1) but money is needed to use debit card (1)	**2**	
2(c)	**Describe two disadvantages to individual customers of buying on hire purchase.** • The buyer may be tempted to purchase/impulse buy (1) more that they can afford (1) • The goods are not owned (1) until final payment (1) • There will be problems making the payments (1) if the buyer becomes ill/unemployed (1) • You have to pay a higher price (1) due to interest payments (1) • The goods may be re-possessed (1) if payments are not made (1) • Goods cannot be sold to a third party (1) until all monies owed are paid (1) • The process is lengthy (1) with much documentation (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
2(d)(i)	**Define the following terms:** • **trade credit** is buying/selling goods or services (1) and expecting to pay/payment for them after an agreed period of time/later (1), e.g. 30 days (1) • **trade discount** is the reduction in the price of a product (1), e.g. 20% (1) deducted from the invoice (1) listed in the trade catalogue (1) when it is sold to someone in the trade (1), and may be given by the manufacturer to the wholesaler/or by the wholesaler to the retailer (1)	**4**	
2(d)(ii)	**What do you think would be the best method of communication for Lee to use with the customers who owe him money?** • Letter/email (1): acts as proof/record/evidence (1); can be referred to in (1) formal request for payment of the amount owed (1); seen as an important step in legal proceedings (1); information cannot be distorted (1); avoids any misunderstandings (1); cheap/fast (1); can include attachments (1). • Telephone (1): allows for one-to-one communication (1); questions can be asked about why the payment has not been made (1); cheap/fast (1); letter can be ignored (1) • Face-to-face (1): by visiting the customer (1); message received directly (1); matter can be resolved at that moment (1).	**3**	

© UCLES 2017

Question	Answer	Marks	Guidance
2(d)(iii)	**Discuss whether or not Lee should continue to allow trade credit. Give reasons for your answer.** Discussion: • There will be no risk of bad debts to Lee when customers pay by cash or debit or credit card. As long as he follows the correct procedures there should be no chance of fraud to Lee. • Lee's cash flow will be better if trade credit is not given since he will not have to wait for the customer to pay him. There will also be less administration, which reduces costs. • Allowing trade credit will help to tie a customer to Lee, but not allowing it will free up the customer to trade with Lee's competitors. • When customers pay by debit card, Lee will receive the payment into his bank account almost immediately. There may be a slight delay when the customer pays by credit card, but in both instances Lee will receive the money quicker than allowing trade credit. Decision: • With the problems Lee has had with bad debts there are advantages to switching all trade customers to credit or debit cards. • He will not want to lose long-established customers, so may want to continue offering trade credit to those customers who always pay on time. He should not open any new trade credit accounts.	**6**	Level 2 (4–6 marks) Has discussed whether or not Lee should continue to allow trade credit and given reasoning Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.

© UCLES 2017

Question	Answer	Marks	Guidance
3(a)(i)	**Explain why governments encourage businesses to export their products.** • Governments encourage businesses to export because this helps the balance of trade/payments (1) all governments strive to have a surplus of exports over imports (1) • The foreign currency earned from exports (1) helps to pay for the imports (1) • Individuals/firms have been able to produce more goods and services than can be consumed at home (1) this prompted a search for foreign opportunities for surplus production (1) • Individuals/firms have been able to sell goods or services to other countries at prices higher (1) than the prices they can obtain domestically (1) • Helps employment opportunities (1) for people in exporting (1) • Helps economic growth (1) improving national income/GDP (1) • Export income can help in infrastructure projects (1) improving standard of living (1) • Builds relationships with countries (1) helping future trade (1)	**4**	
3(a)(ii)	**How important is distance when exporting?** • Very important (1) as transport costs will depend on the distance the goods have to be transported to their final destination (1): the longer the distance, the costlier the type of transport used (1), e.g. exporting goods from UK to Africa (1); this will affect profit (1) • Will have to consider what goods to be carried (1), e.g. if perishables, would prefer a shorter distance (1) and would require refrigeration for longer distances (1). It would not be economic to use rail transport to send potatoes from Nigeria to UK (1) • No need to use air/sea for short distances (1), e.g. delivering bread supplies to local area (1) • Air becomes more competitive on longer distances (1) if the value to weight ratio is not too low (1) • Greater risk of non-payment (1) by buyers further away from the seller (1)	**3**	

© UCLES 2017

Question	Answer	Marks	Guidance
3(a)(iii)	**Identify one other problem that ZZ might face when exporting its products.** • Currency fluctuations • Language barriers • Cultural differences • Different time zones • Trade restrictions/tariffs/quotas • Communication • Legal system differences • Credit risks • Differences in weights/measures • Extensive documentation/paperwork • Political changes • Trading regulations	**1**	

© UCLES 2017

Question	Answer	Marks	Guidance
3(b)	**ZZ Company would like to export to a large South American country. Should it use its own sales staff or appoint agents in the country. Give reasons for your opinion.** • Appointing their own sales force would mean a team dedicated to selling ZZ products. This could maximize their sales • The sales force will have to be recruited and trained in the South American country and this will be at a high cost • They may have difficulty in recruiting salespeople who are knowledgeable about the market for carpets and rugs in that country • Agents represent more than one company and there will be no dedicated sales force • Agents are easier to set up and run than a separate sales force, and the initial costs will be much cheaper • Agents work on commission and therefore the cost of an agent is directly related to the volume of sales generated • It may be recommended that, in the early stages, agents are used since the initial costs are less, and they should have a good knowledge of the local market • Only when sales have been established and the local market understood, should ZZ consider setting up their own sales force • Alternatively, if market research has shown that their products should be successful, and ZZ have had previous experience of setting up a foreign sales force, then they may want to make a greater immediate impact by setting up their own sales force. It could be said that this is the riskier option	**6**	Level 2 (4–6 marks) Has discussed whether or not ZZ company should use its own sales staff or appoint agents and given a reasoned opinion Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.

© UCLES 2017

Question	Answer	Marks	Guidance
3(c)(i)	**Explain what is meant by *sales revenue*.** • Sales revenue is the value of sales earned (1) over a period of time/one month (1) • It is the total number of products sold multiplied by price (2) • It is the income/turnover made/received by a business (1) as a result of selling its goods/services (1)	**2**	
3(c)(ii)	**Describe two ways in which ZZ Company could improve their sales revenue.** • Sales revenue can be increased by sales promotions (1), e.g. 3 for 2 or offering a free prize draw with every purchase (1) • By advertising (1) e.g. television (1) • New products or changes to existing products/wider range (1) e.g. better rubber underlay (1) • Offering good credit terms (1), e.g. longer payment period (1) • Improved after-sales service (1) free delivery/repairs (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
4(a)	**Which factor do you think is the most important to T Toys Ltd when choosing the location of its new factory? Give reasons for your answer.** • Labour (1) to make their products (1) • Skilled labour to make toys (1) of good quality (1) • Land (1) for expansion (1) space to keep stock (1) • Near to suppliers (1) for raw materials (1) to be transported quickly when required (1) • Good infrastructure/network (1) for ease of access (1), e.g. road/rail links (1) so there are no delays (1) • Utilities (1) like electricity needed (1) so that production is not stopped (1) • Nearness to market (1), e.g. near toy shops/customers (1) to purchase the toys (1) which reduces transport costs (1)	**3**	
4(b)	**Explain two sources of long-term finance that would be suitable for the purchase of the new factory.** • Shares (1) - to sell to new shareholders / types of shares, e.g. preference (1) • Debentures (1) – loan / fixed rate of interest / for a specific time (1) • Mortgage (1) – loan / interest / secured against the property (1) • Loan (1) - fixed term or long period of time / fixed amount / fixed interest / collateral (1) • Leasing (1) - renting the factory / paying monthly (1) • Government grants (1) - no interest /open to government inspection (1) • Venture capital (1) - loans /share capital: agreed percentage of shares given to lenders / shareholders (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
4(c)(i)	**State two features of a multiple chain.** • Centralised/Head Office control/operations/e.g. bulk buying from Head Office • More than 10 branches • Can be a specialist/variety chain • It is a large-scale retailer • Located in town centres • All branches have the same prices • All branches have the same decoration/displays • All branches have the same goods/standardised • Supplies come from central warehouse or regional distribution centre	**2**	
4(c)(ii)	**Discuss which two sales promotions you think would be the best for the multiple chain to use. Give reasons for your choices.** • The free gift is very specific to sales of Teddy Bears and will not help other sales • The 10% discount is attractive and may encourage customers to spend over $100 • The prize draw is also attractive to those only spending $10 or more • The loyalty points will be collected by everyone spending more than $5 and may not be attractive to everyone • Overall the 10% discount and the free draw are possibly the most attractive because both will encourage customers to spend more	**6**	Level 2 (4–6 marks) Has discussed two sales promotions and given reasoning. Level 1 (1–3 marks) Has commented on the statement If a candidate has discussed only one sales promotion award 4 marks max.

© UCLES 2017

Question	Answer	Marks	Guidance
4(d)	**Suggest one device that a multiple chain selling toys might use in its advertising**. • Music • Movement • Humour • Romance • Colour • Emotional • Masculine/feminine • Love of children • Caring for animals • Durability • Family life • Colour • Hero worship/celebrity • Nostalgia	**1**	
4(e)	**A customer has returned a faulty toy to one of the stores. Explain how the customer might make a successful complaint.** • Look for a warranty/guarantee • Go to the store/see the store manager • Go within a reasonable time • Be polite/remain calm • Take receipt with you • Take photograph of faulty toy • Ask for replacement/repair/refund/credit note • If not satisfied, ask whether there is a complaints procedure • Find name of person to write to/telephone • Provide details of what has happened • Report matter to Trade Association/Consumers Association if not satisfied	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
5(a)(i)	**Explain two benefits to Bepe of having a savings account.** • A savings account will earn interest (1) on the outstanding balance (1) which will increase the amount of money Bepe has (1) that Bepe can use later (1) • It is a safe place (1) to keep surplus/excess/save money (1) since most accounts are guaranteed by the government (1) with no bank charges (1) and no notice of withdrawal (1) • A range of saving accounts (1), e.g. long-term notice (1) offering higher rates of interest (1)	**4**	
5(a)(ii)	**Explain two differences between a direct debit and a standing order.** • A direct debit can be for a variable amount (1), whereas a standing order is for a fixed amount (1) • A direct debit has irregular intervals of payment (1), whereas a standing order has regular intervals/e.g. monthly intervals (1) • A direct debit authority is sent to the payee (1), while a standing order authority is sent to the customer's bank (1) • A direct debit originates from the creditor collecting payment (1), while a standing order is collected by the bank (1)	**4**	
5(b)(i)	**How might Bepe obtain cash when the bank is closed?** • Automated Cash Machine (ATM) • Make a purchase at a store and ask for cashback	**1**	
5(b)(ii)	**Using Fig. 2, identify the best way for Bepe's employer to pay her. Give reasons for your choice.** • Cash (1): she would like the money immediately (1), no need to visit bank (1), no risk of non-payment (1) • Cheque (1): safer than carrying cash (1) safer than having cash on premises (1), crossed cheque would be safe (1) • Credit Transfer (BACS) (1): goes directly from employer's bank account to Bepe's bank account (1) electronically (1): therefore safe/secure (1); no administrative costs involved (1); instantly available to Bepe	**3**	

© UCLES 2017

Question	Answer	Marks	Guidance
5(c)(i)	**Explain what is meant by *mail order shopping*.** • Mail order shopping is a type of home shopping / it is carried out from home (1) buying goods (1) through catalogues (1), use of agents (1), sent by post/delivered by courier/shop (1), paid by cash on delivery (COD) (1)	**2**	
5(c)(ii)	**Bepe could have bought the same dress from a retail store. Discuss whether or not it would have been better for her to buy the dress from the retail store. Give reasons for your answer.** • She could have tried the dress on at the retail store and would have been more likely to have got a dress that fitted well • It will be quicker going to the store than waiting for a dress to arrive through post • The variety of dresses at the retail store would have probably been less than at the mail order company • She should have compared the prices at the two outlets. She would have to remember there may be an extra charge for postage from the mail order company • If there was any fault with the dress, it might be easier to return it to the retail store • If the prices at the two outlets were similar then it would probably be better to buy the dress at the retail store as there may be more customer service • However if the price were considerably less at the mail order company then this may make the purchase from them more attractive	**6**	Level 2 (4–6 marks) Has discussed whether or not Bepe should have bought the dress from a retail store and given reasoning Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.
6(a)	**Explain two benefits of XTL using its own transport for collections.** • Goods are better supervised (1), less theft (1) • Flexible (1), no fixed timetable (1), transport available at short notice (1) • Pick up times can be arranged (1) to suit XTL/the supplier (1) • Saves money (1) that would have been paid to hire a vehicle (1) • Advertising (1) can be done on the side of the truck (1) • Can pick up from several suppliers (1) on the same journey (1), saving money / cutting down journey times (1) • It is more economic (1) if there are regular loads of sufficient quantities (1) • Less documentation (1) is needed when own transport used (1) • Can be hired out to other firms (1) when not needed to obtain extra income (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
6(b)	**Discuss whether or not XTL should use containers to export the kitchen equipment. Give reasons for your answer.** • Containerisation speeds up the transport of goods because, once packed at XTL's warehouse, the container is not unpacked again until it reaches its final destination • Trans-shipment from road to ship to road again is efficient with specialised equipment available • There is less chance of theft or damage because the goods are in locked metal containers • The containers do not have to be warehoused since the container acts as a warehouse whilst in transit • There are drawbacks to using containers: ports have to be re-organised to accept containers and this costs money and training time for staff. Therefore, shipments to some smaller ports cannot be made using containers • Whole containers are sometimes lost overboard in rough weather or by being misrouted • Small amounts of goods may be uneconomical to send by container unless other goods can be found to fill the container reasonably full • Using containers will usually be an economical way of exporting clothing and provides good security. The only exception would be when exporting small amounts or exporting to small ports where container handling facilities are not available	**6**	Level 2 (4–6 marks) Has discussed whether or not XTL should use containers to export the kitchen equipment and given reasoning Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.
6(c)(i)	**State one form of communication that XTL could use when negotiating a sale with the importer in another country.** • Email • Telephone • Videoconference • Teleconference	**1**	

© UCLES 2017

Question	Answer	Marks	Guidance
6(c)(ii)	**Does the importer benefit from using a bonded warehouse to store the kitchen equipment? Give reasons for your answer.** • Yes/importer benefits (1): bonded warehouses are used to store imported/dutiable goods (1) before the import duty has been paid/no need to pay duty straightaway (1) • The importer may be looking for buyers/delay payment (1) and may remove samples (1) pay the duty on the samples (1) and obtain a sale before paying all of the duty/buyer pays the duty (1) economises working capital (1) by keeping cash flow stable (1) • The importer can package the goods while they in the bonded warehouse (1), goods can be inspected by the prospective buyer (1) and then re-exported (1) without paying duty (1) • No (1): the bonded warehouse will only benefit the importer if the goods attract duty (1). If the sporting equipment does not attract any import duty (1) then a bonded warehouse should not be used (1) and the goods can be stored in an ordinary warehouse (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
6(d)(i)	**Calculate the price of kitchen equipment to the consumer when the cost to the importer is $55 and he needs to make a mark-up of 30%.** $55 × 30/100 (1) = $16.50 (1) $55 + $16.50 = $71.50 (1) or 3 marks for the correct answer	**3**	OFR applies.
6(d)(ii)	**The importer has surplus stock. Suggest two ways in which he can dispose of it.** • He can sell the stock at a discount • Have promotion offer/e.g. free dishwasher with kitchen • He can advertise kitchens at cheaper showroom prices • He can advertise special offers • Donate it • Telephone kitchen fitters • Sell to a wholesaler • Sell to a retailer • Sell to other businesses	**2**	

© UCLES 2017

Question	Answer	Marks	Guidance
7(a)(i)	**Name another form of business organisation that operates in the private sector.** • Private limited company • Partnership • Sole trader/proprietor	**1**	
7(a)(ii)	**Explain two differences between the private and public sectors.** • Businesses in the public sector are owned by the state/national government (1) while businesses in the private sector are owned by individuals or other private sector businesses (1) • Profit is a major goal for a private sector business (1) while the welfare of its citizens is a major goal of a public sector business (1) • The government provides all investment for public sector businesses (1) while there are many different sources of investment for private sector businesses, e.g. shares (1)	**4**	.
7(b)	**Do you think it is beneficial for the B Bus Company to be a public limited company? Give reasons for your answer.** • Will be able to sell shares to the public (1) thus making it easier to raise finance (1) and it is easy to invest / buy and sell shares (1) through stock exchange (1) • Shares are easily transferable (1), attracts investors to invest (1), a public limited company usually has many shareholders (1) from 2 to an unlimited number of shareholders (1) including employees (1) • Limited liability (1) means that a shareholder can only lose the amount of his investment/not personal assets (1) making it attractive to invest in the company (1) • Can take advantage of economies of scale (1), e.g. bulk buying / technical economies (1) • It is a legal / separate entity / incorporated (1), separate from its directors/shareholders (1), can only be sued in its own name (1), has continuity of existence (1) even when the ownership of shares changes / shareholders die (1) • Yes/generally it would be considered beneficial for any large business to be a public limited company (1), although there are problems, such as the expensive initial registration (1) and the closer scrutiny by the stock exchange authorities (1)	**4**	

© UCLES 2017

Question	Answer	Marks	Guidance
7(c)	**The State Bus Company is about to have competition from B Bus Company plc. Discuss the best ways in which the State Bus Company can face this competition.** • The State Bus Company has previously had a monopolistic situation but now must face competition from a private sector business • This means that the competition will have marketing strategies and State Bus Company must also start marketing its services • It could do this by advertising in the markets in which it operates. The advertising could be institutional promoting State Bus Company as a long established business owned ultimately by its customers, the tax-payers • It could use sales promotion techniques, such as lower fares at off-peak times and season tickets for frequent travellers • It must be aware of the competition and adjust its timetables to maximize its numbers of customers and hence its sales revenue	**6**	Level 2 (4–6 marks) Has discussed the best way the State Bus Company should face competition and given reasoning Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.
7(d)(i)	**Which postal service might be the most suitable for B Bus Company to use to send a contract of employment out to a new driver? Give a reason for your answer**. • Registered post / recorded delivery / special delivery (1): proof of posting (1) proof of delivery (1) tracking service online (1), better than post which has no proof of getting to destination (1) • Ordinary post/letter post (1): can be sent first class / second class (1), cheaper than registered post (1) • Express mail (1): fast (1), proof of delivery (1) • Business reply/freepost (1): no need to pay for postage (1), has envelope included with business reply (1)	**3**	
7(d)(ii)	**Explain one circumstance in which a driver might use a telephone to contact B Bus Company?** • If a driver has an accident (1) the driver could report it by phone to head office (1) • If he is going to be late for a delivery (1) he could phone the customer to advise them (1) • If his truck breaks down (1) the driver could phone for help/advice from head office / ask for another bus (1) • In an emergency (1) there is no access to computer / needs immediate help (1) • Needs clarification (1), e.g. for a job application (1)	**2**	

© UCLES 2017

Question	Answer	Marks	Guidance
8(a)(i)	**Name the document shown in Fig. 3.** • Statement of Account	**1**	
8(a)(ii)	**Calculate how much D Stores owed KML at the end of March. Show your working.** • $330 + $200 (1) = $530 (1) or 2 marks for the correct answer	**2**	OFR applies.
8(a)(iii)	**Explain the entry on 27 March. Give one reason that may have caused it.** • The entry is a credit note (1) which has the effect of crediting the account of D stores (1) and thus reducing the amount that D Stores owes KML (1) • A credit note (1) can be used when D Stores return goods (1), e.g. faulty/damaged goods (1) • A credit note (1) can also be used if a delivery from KML to D was short / less goods were delivered than were ordered (1) • A credit note (1) issued for $30 (1) due to an overcharge (1)	**3**	

© UCLES 2017

Question	Answer	Marks	Guidance
8(b)(i)	**Should KML now sell exclusively to W Wholesale Ltd? Give reasons for your answer.** Advantages: • KML will not have to employ its own sales force but can now rely on W Wholesale's sales force, and will therefore reduce its wage costs • KML will only have to deliver to W Wholesale, which will reduce transport costs • KML can deliver in bulk to W Wholesale and rely on W Wholesale breaking bulk • W Wholesale can provide storage, thus reducing the need for storage at KML's premises • As long as W Wholesale is credit-worthy then the risk of bad debts will be reduced Disadvantages: • The price to W Wholesale will be lower than the former price to KML, thus reducing the gross profit of KML • The relationship with the retail customers will be lost, and KML will therefore lose a valuable way of understanding changes in the market • The sales force of W Wholesale will not be exclusively selling KML's products, therefore there may be sales lost to competitors • KML may feel uncomfortable with its over-reliance on W Wholesale Decision: • The savings in wages and transport costs must be weighed against the lower gross profit. If the savings are less than the reduction in gross profit, then this indicates that KML should reject W Wholesale's approach • Even if the figures are indicating that KML should switch to W Wholesale, KML must be satisfied that its present customers are going to continue to buy KML's products through W Wholesale • KML must have no doubts about the credit-worthiness of W Wholesale and of the competence of its sales force	**6**	Level 2 (4–6 marks) Has discussed whether or not KML should sell exclusively to W Wholesale and given reasoning Level 1 (1–3 marks) Has commented on the statement If a candidate has presented a one-sided argument, award 4 marks max.

© UCLES 2017

Question	Answer	Marks	Guidance
8(b)(ii)	**To what extent do you think that warehousing is essential to W Wholesale Ltd?** • W Wholesale will use the warehouses to break bulk (1) and store the goods (1) bought from the manufacturers (1) before delivering them to its customers (1) allows inspection by buyers (1) • The warehouse will protect goods (1) from weather/theft/damage (1) • The warehouse balances out supply and demand (1); will act as a stockpile for out of season goods (1) until they are needed again (1); stabilise prices (1); release goods when there are shortages (1) • Some warehouses offer special facilities (1): refrigeration (1) for perishable goods (1), seasonal goods (1) • To enable manufacturers to make goods ahead of demand (1), package/weigh/process goods (1) so that they have space for production (1) • Yes/generally warehousing is essential to W Wholesale (1)	**4**	
8(c)	**KML is in the secondary sector of production while W Wholesale Ltd is in the tertiary sector. Explain two ways in which businesses in these sectors are interdependent.** • The secondary sector is where products are made (1) and relies on the secondary sector to distribute the products (1) • The aids to trade, such as banking and warehousing, are found in the tertiary sector (1) but are essential to the secondary sector (1) • Without the secondary sector making the goods (1) the tertiary sector would have no goods to distribute/sell (1)	**4**	

© UCLES 2017