Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/21**

Paper 2 Written **October/November 2018**

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.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	Answer	Marks	Guidance
1(a)(i)	**Identify the type of production used to make the cars.** Division of labour / specialisation / secondary / manufacturing / mass production	**1**	Note: There are 0 marks for assembly line or assembling
1(a)(ii)	**State <u>two</u> advantages to a business of using this type of production.** It increases output It makes greater use of machinery / mass production / higher quality Reduces the need for labour / reduces labour costs /cheap Leads to increased efficiency / saves time Easier to train workers / cost of training is reduced Less time is wasted by workers moving from job to job Increases the skill of workers / workers become experts Allows the business to take advantage of economies of scale	**2**	1 mark for each advantage
1(a)(iii)	Car making is classified as **<u>a secondary industry</u>.** (1) When a car is bought through hire purchase, the buyer becomes the owner of the car at the time of **<u>the last payment.</u>** (1)	**2**	1 mark for each correct answer
1(b)(i)	**State <u>one</u> feature of a multinational company (MNC).** Has head office in one country (home) Has factories/manufacturing in multiple other countries (host countries) Usually large / global organisations / public limited companies	**1**	

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Question	Answer	Marks	Guidance
1(b)(ii)	**Explain <u>two</u> ways in which the activities of a MNC might <u>not</u> benefit a country in which it is located.** • Bring in employees from other parts of world (1) e.g. managers (1) less scope for local people (1) who often end up in lower paid jobs (1) become unemployed (1) • Exploit a country's cheap labour rates (1) e.g. use of child labour (1) • May leave the country when grant/agreement runs out (1) especially if labour costs are cheaper elsewhere (1) leading to unemployment (1) • Profits leave the host country back to HQ country (1) the host country does not get the benefit of it (1) reducing the country's foreign currency exchange reserves (1) • May exploit or harm the environment (1) pollution from industrial waste or waste materials (1) air pollution from factories (1) breaking international regulations (1) • Exploiting natural resources (1) e.g. raw materials, such as cotton (1) once resources are used up, MNC may move on (1) leaving the country with less/no natural resources (1) • Local firms may go out of business (1) local consumers may prefer branded goods (1) but local firms cannot compete with economies of scale achieved by MNCs (1) • Damage local culture/traditions / disregard for national customs (1) e.g. working on days of worship (1)	**4**	1 mark for each way and 1 mark for each explanation × 2 Note: Award 0 marks for advantages to a host country

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>1(c)</td><td>The production manager of the MNC needs to communicate with an overseas supplier because there is a problem with the delivery of car parts.

Discuss <u>two</u> suitable methods of communicating with the overseas supplier. Which would you recommend? Give reasons for your answer.

Methods of suitable communication include:
Email – direct form of communication with a written record. Cheaper and quicker to send all over the world than sending a letter, and the car parts might be urgent.
Letter – external form of communication that provides detailed written information to be kept as a reference. The car parts may not be urgently required or the email mailbox may be full or email ignored.
Telephone – one-to-one communication with instant contact and feedback, with decisions made and delivery agreed straightaway.
Teleconferencing – avoids travelling to see the overseas supplier, saving time and money.
Videoconferencing/video call – can see the body language of the supplier, and avoids travelling to see the overseas supplier, saving time and money.

<u>Evaluation</u>:
It is not known whether the car parts are urgent but it is recommended that if they are the telephone is used to gain immediate contact. If not quite so urgent, an email might be used so a written record is created. A written form would be best when there is a problem so there cannot be any later confusion/disagreement.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Mark</th><th>Description</th></tr>
<tr><td>3</td><td>7–8</td><td>The candidate is able to offer a recommendation with a thorough evaluation of two suitable methods of communication.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of one or two suitable methods of communication with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of methods of communication when communicating with the overseas supplier.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
Note: maximum 5 marks only if only one suitable method chosen
Note: 0 marks for social media
Note: Any type of phone is grouped as telephones
Note: Allow written, oral and electronic as communication methods</td></tr>
</table>

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Question	Answer	Marks	Guidance
2(a)(i)	**State <u>two</u> features of a cold storage warehouse.** Temperature controlled / low temperature Refrigerated/freezer compartments Controlled by computers Storage of perishable/seasonal products Large building	**2**	1 mark for each feature Note: There are 0 marks for advantages
2(a)(ii)	**Should SWW have a cold storage warehouse? Give reasons for your answer.** Yes, as SWW are dealing with perishable goods (1) so goods must be kept at the right temperature (1) the food needs to be fresh or preserve the goods (1) they would be ruined by frost/damp (1) particularly over long periods (1) so would not be saleable (1) and whilst in storage gives SWW time to sell the goods (1) find a market / meet demand (1) No, if SWW is selling food that is in cans/boxes (1) this will preserve the food (1) and that will mean that it does not require refrigeration (1).	**2**	Up to 2 marks for justified reasoning
2(b)(i)	**Trade discount of 25% is allowed on goods with a total value of $3680. Calculate how much the retailer would pay. Show your working.** $2760 (3) Method $3680 × 0.25 = $920 (1) $3680 – $920 (1)	**3**	OFR applies

Question	Answer	Marks	Guidance
2(b)(ii)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to SWW of giving *trade credit* to retailers.** Advantages: • Improved sales (1) persuades retailer to buy more goods (1) as they can pay later for the goods (1) • Improved margins (1) SWW adds extra to its prices to cover the trade credit costs (1) OR as a disadvantage: the cost of offering discounts (1) reduces the margin on sales (1) • Improves trading relationship (1) leading to customer loyalty (1) Disadvantages: • Bad debts (1) payment not made by the retailer (1) delay in payment (1) leading to cash flow problems / losses made (1) • More administration needed (1) leading to extra costs (1)	**4**	1 mark for advantage and 1 mark for explanation 1 mark for disadvantage and 1 mark for explanation

Question	Answer	Marks	Guidance
(c)	**Discuss whether or not the retailer should introduce self-service, or open for longer hours. Recommend a course of action. Give reasons for your answer.** Arguments for and against introducing self-service: • Lower wage cost – more customers are served with fewer staff as assistants only need to re-stock shelves / act as cashiers • Better use of space in shop – greater variety of stock to attract more customers / sell more • Better display space – encourages impulse buying so retailer gains more profit from customers buying extra • Better service offered – customers don't have to wait in checkout queue so may become more loyal/return • Sales may increase – customers prefer self-service as they can inspect goods before buying • Loss of customer loyalty and reduced sales – personal customer-retailer relationships could be lost • Cost of implementing self-service – new shelving and new technical equipment scanning items at tills / barcoding Arguments for and against opening longer hours: • More sales as more opportunity to buy – e.g. workers, can visit rather than go to a supermarket which is already likely to open for longer hours • Costs of paying existing staff more money – their working hours would increase, or employing more staff. • Costs of hiring/training new staff – existing staff may not be willing to work extra hours as they have existing commitments which they cannot change <u>Evaluation</u>: If the small-scale retailer can afford the layout changes to implement self-service and it will actually reduce staff costs they should go for the self-service option because it will increase sales for the future. However, if maintaining personal customer relations is more important to the loyalty of their customers then opening for longer might be the more suitable option.	**6**	Up to 2 marks for describing the selling techniques Up to a further 2 marks for analysing how the selling techniques can help / impact on the survival of the small-scale retailer Up to a final 2 marks for a justified recommendation on what selling technique the retailer should introduce Note: maximum 4 marks in only self-service OR longer hours considered Note: Arguments must be directed to the small-scale retailer and not to the customer

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Question	Answer	Marks	Guidance
3(a)	**Do the calculations to complete the gaps at (i)–(iv) in the table in Fig. 2.**		1 mark for each correct answer
3(a)(i)	137 (1)	**1**	
3(a)(ii)	Trade / visibles (1)	**1**	
3(a)(iii)	8 (1)	**1**	
3(a)(iv)	– 2 (1)	**1**	
3(b)	**Assess which country has the <u>better</u> Balance of Payments. Explain your answer.** Country Y (1) it has a surplus / favourable balance ($6 bn) (1) whereas Country X has a deficit / unfavourable balance (–$2 bn) (1)	**3**	Up to 3 marks for justified reasoning OFR may be applied from part (b)
3(c)(i)	**Identify <u>two</u> features of a container used to transport goods.** • Sizes can vary • Sizes are standard • Metal boxes • Fitted with handling devices / lifted by cranes • Fitted with locks / can be locked • Can be carried on different forms of transport or examples • Can be refrigerated • Numbers used for identification	**2**	1 mark for each feature Note: There are 0 marks for protection or having more space for goods

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Question	Answer	Marks	Guidance
3(c)(ii)	**An importer has received a container of goods and needs to pay for them either by letter of credit (documentary credit) or by electronic transfer.** **Discuss the factors that would affect the choice of method of payment. Which method would you recommend? Give reasons for your answer.** Factors affecting the choice of using a letter of credit or electronic transfer: • Distance – both are useful for international trade when buyers and sellers are in different countries • Acceptability/location – payments can be made in the buyer's currency, the seller's, or any freely traded currency • Speed of transfer – transfer between banks' electronic accounts in different countries can happen on the same working day • Safety – reduced risk of loss/theft because the transactions are made from the business' bank account to another bank account • Costs – Banks charge for both services • Amount – large payments can be made on both services • Convenience – electronic transfers are easier to set up than letters of credit as there are more stages in the payment process <u>Evaluation</u>: In this instance the importer has already received the goods, so will take advantage of the speed and ease of electronic payment. If in the future the importer was buying from an unknown exporter then the security of guaranteed payment between banks, as a result of a letter of credit agreement, might be a better recommendation.	**6**	Up to 2 marks for describing the factors of using letter of credit and electronic transfers Up to a further 2 marks for analysing the factors of their use Up to a final 2 marks for evaluating whether a letter of credit or an electronic transfer should be used to pay for a container of goods that has already been delivered Note: maximum 4 marks if only a letter of credit OR an electronic transfer is considered.

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Question	Answer	Marks	Guidance
4(a)	**Distinguish between advertising and sales promotion.** Advertising is informing (1) persuading consumers to buy goods (1) e.g. TV advertising (1) whereas sales promotion is any attempt to boost sales quickly / short-term boost / motivate consumers to buy (1) special offer (1) Advertising positions a product or service against that of competitors to convey a brand message to consumers / to enhance its value in the consumer's eyes / to spread information (1) whereas sales promotions include a variety of strategies designed to offer purchasers an extra incentive to buy / to promote sales / usually in the short-term (1) Advertising is emotional in nature (1) e.g. perfumes, makeup and jewellery need imaginative advertising to create the allure needed to sell these products (1) whereas sales promotions, on the other hand, are unemotional in their approach (1) e.g. money-off coupon for cereal appeals to the consumer's rational mind because the consumer weighs the price of one cereal brand versus others (1) Advertising uses indirect and subtle methods to create a brand image (1) while sales promotions are much more direct (1) Advertising for a mobile phone service might emphasise the network coverage area, speed and the many styles of phones available (1) whereas a mobile phone sales promotion might emphasise a free phone for signing a two-year contract if sign-up is within the next month (1)	**4**	4 × 1 marks Max 2 marks for only advertising OR sales promotion Note: There are 0 marks for attracting customers
4(b)	**State <u>two</u> advantages of using leaflets to attract her customers.** Cheap Can be kept for reference / long lasting Can be targeted at a particular audience Can be passed around to other people Can supply details/information Usually in colour.	**2**	1 mark for each advantage Note: 0 marks for easy to carry around

Question	Answer	Marks	Guidance
4(c)	**Claire receives a complaint about the entertainment provided at a recent children's party.** **Describe <u>two</u> actions that Claire could take.** Apologise (1) in letter / telephone / in person (1) Allow refund (1) to customer of all/part monies paid / for the poor entertainment (1) Offer another party for free (1) using another entertainer (1) Find out what went wrong (1) e.g. questionnaire to affected party hosts / what she needs to do to improve the service (1) Contact/inform entertainer (1) and discuss with them how to improve / not use them again / hire new entertainer instead / provide training (1)	**4**	1 mark for each action and one mark for each description × 2 Note: 0 marks for do nothing or have different entertainment activities

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>It has been suggested that Claire sets up a website to promote her business more widely.

Discuss whether or not Claire should set up a website or continue with her current sales promotions. Which would you recommend? Give reasons for your answer.

Reasons for setting up a website:
A website provides information such as dates/times
Would enable Claire to be more widely known, if that’s useful to her
Can use multimedia, with videos and visuals of the children’s parties
Website can be easily changed to offer sales promotions at short notice
The number of responses can be monitored
Claire may have technical problems when displaying material
Websites can be expensive to construct
Coverage may be restricted to those who can use/have the internet
May be difficult for Claire to get the website seen by potential customers as she will have to compete with other websites offering the same service.
Reasons for continuing with sales promotions:
Sales promotions are discounts, competitions, free gifts, free samples etc.
Sales promotions cost money and therefore reduce profitability
They are short-lived as they only last for a certain period
Sales promotions attract new or returning customers who may be persuaded to give Claire’s parties a go
However, if the sales revenue increases, this should lead to increased profitability.

<u>Evaluation</u>:
Claire is a small business so it may not be worth the time or expense of setting up a website, unless she can do it herself with the apps now available. She only wants to attract local consumers, not worldwide.
Specifically targeted social media advertising might be better. It might be best to continue using sales promotions with a cheaper method of advertising such as social media to promote her children’s parties.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Mark</th><th>Description</th></tr>
<tr><td>3</td><td>7–8</td><td>The candidate is able to offer a recommendation with a thorough evaluation of the two methods to promote Claire’s business.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the website and/or sales promotion with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of the two methods to promote Claire’s business.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
Note: max 5 marks for only website OR sales promotions
</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5 (a)(i)</td><td>How many car accidents per 1000 drivers have drivers aged between 25–34 had?

80</td><td>1</td><td></td></tr>
<tr><td>5(a)(ii)</td><td>Explain <u>one</u> reason why you would expect younger drivers to have more car accidents than older drivers?

Lack of experience (1) will encounter road conditions never met before (1)
More likely to take more risks (1) e.g. cutting in and out of traffic / driving too fast or wanting to speed (1)
Night driving (1) more likely to be going out / drive more at night than older drivers (1)
Distracted while driving (1) e.g. use of mobile phone / friends in car (1)
Drinking (1) impact on ability to drive correctly / more reckless (1)</td><td>2</td><td>1 mark for reason and 1 mark for explanation</td></tr>
<tr><td>5(b)</td><td>Which of these statements about transport and the environment are TRUE and which are FALSE?

<table><tr><th></th><th>TRUE</th><th>FALSE</th></tr><tr><td>An example of sustainable transport is encouraging people to use public transport.</td><td>✓</td><td></td></tr><tr><td>City traffic congestion contributes to increased greenhouse gases.</td><td>✓</td><td></td></tr><tr><td>Electric car development is a social factor affecting commercial activity.</td><td></td><td>✓</td></tr></table></td><td>3</td><td>1 mark for each correct answer</td></tr>
</table>

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Question	Answer	Marks	Guidance
5(c)	**Evaluate the insurance principles that apply when making an insurance claim after a car accident. Which do you think is the <u>most</u> important insurance principle? Give reasons for your answer.** Insurable interest – the insured must have a direct / financial interest in the asset insured, i.e. they must own the car. This is important because otherwise someone could insure something just to make a profit, rather than to protect against loss. Utmost good faith – both the insurer and the insured must reveal all the relevant facts and tell the truth. This is important because an insurer can refuse to pay any compensation if the questions on the proposal form have not been answered truthfully or relevant facts had been omitted. The insured might lie to reduce the premiums they have to pay but if the insurer finds out they are very likely to declare the contract void. Indemnity – is when the insured is returned to the same position after a loss as they were in before the loss, with no profit being made. This is important so the car owner can claim back the amount they have lost. Contribution – where someone insures for the same risk with more than one insurance company. Each insurance company will contribute towards payment of the claim. Subrogation – when an insurance company pays out compensation to the value of the car but the damaged item then becomes the property of the insurance company. <u>Evaluation</u>: Insurable interest is important when insuring a car because you must be the owner of the insured car. Indemnity is also important so you can start again from the same position as before the loss / replace the car. However, utmost good faith is probably the most important principle because if the insured has been dishonest they could lose everything / be unable to replace the car which they might need to travel to work.	**6**	Up to 2 marks for describing at least two insurance principles Up to a further 2 marks for analysing their importance when making an insurance claim Up to a final 2 marks for evaluating which insurance principle is the most important when making an insurance claim Note: 4 marks maximum for an answer based on only one insurance principle.

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