Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/22**

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)	**What is meant by: <u>the producer</u>** A provider/maker/manufacturer of goods	**1**	Note: 0 marks for *produce* goods 0 marks for examples
1(a)(ii)	**What is meant by: <u>human wants</u>** What people would like to make life more pleasant/comfortable/not necessary/not essential for survival	**1**	Note: 0 marks for examples
1(b)	**Explain why the chain of distribution is not complete until it reaches the consumer.** Chain of distribution is part of production (1). It is only when finished products are produced (1) and they can be sold to / bought by consumers (1) delivered to the consumers (1) who use the goods (1) because production is made for consumption (1) that completes the chain of distribution otherwise production will not have taken place (1), as production is made for consumption / to meet consumer demand (1)	**3**	Any 3 × 1 marks

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Question	Answer	Marks	Guidance
1(c)	**Describe <u>two</u> services that wholesalers provide for producers.** Providing raw materials (1) home-produced or imported (1) Purchasing in bulk (1) saving manufacturer the costs of dealing with many retailers (1) Clearing production lines (1) do less capital is tied up in stock (1) Enabling manufacturer to produce ahead of demand (1) so mass production can be continued (1) Advice / knowledge of market / customer tastes (1) so keeping manufacturers informed of changes in demand (1) Payment (1) within a reasonable period (1) Storage (1) of goods in warehouse (1) Preparing goods for sale (1) example (1) Reservoir of goods (1) helping to balance out seasonal fluctuations (1) Risk bearing (1) so it is the wholesaler that loses if demand/fashions change (1) Delivery/distribution (1) collecting goods from factories / transporting to their warehouse (1) Breaking of bulk (1) by splitting bulk into smaller saleable quantities (1) Advertising widely (1) makes the goods known / increases demand (1)	**4**	1 mark for service and 1 mark for description × 2
1(d)	A credit note is a commercial document used when the customer is **overcharged.** Trade discount is offered to encourage **bulk buying.**	**2**	1 mark for each correct answer

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Question	Answer	Marks	Guidance
1(e)	**Discuss how important the wholesaler is to the small-scale retailer.** Many small-scale retailers cannot buy in bulk as they do not have the capital to buy directly from manufacturers. Many small-scale retailers only require small quantities of goods as their turnover is small, and they do not want to waste products if they overbuy. Manufacturers prefer to deal with large-scale retailers making bulk/bigger purchases. Small-scale retailers do not have the resources to buy a variety of goods from different manufacturers who will not deliver to small-scale retailers Wholesalers are located near to small-scale retailers and can supply their needs quickly as they warehouse the goods giving the small-scale retailer choice and providing them with credit. Small-scale retailers do not have large warehousing facilities. <u>Evaluation</u>: Wholesalers are very important to small-scale retailers as they would find it very difficult to survive without the services wholesalers provide because they cannot afford to bulk-buy, transport their own goods or have their own warehouses.	**6**	Up to 2 marks for describing wholesaler services to the small-scale retailer Up to a further 2 marks for analysing the importance of the wholesaler services to the small-scale retailer Up to a final 2 marks for evaluating the importance of the wholesaler to the small-scale retailer

Question	Answer	Marks	Guidance
2(a)(i)	**Identity <u>two other</u> pieces of information which might have been included in the Deed of Partnership.** Name of partnership Objectives of partnership Nature of the business Duties/role of each partner Amount of salary to be paid to each partner Conditions for ending the partnership Witnesses Place of business Signatures Share of profits/losses Interest on capital Limited or unlimited liability	**2**	1 mark for each piece of information
2(a)(ii)	**Explain why it is important to draw up a Deed of Partnership.** It is legally binding on the partners (1) acts as proof/evidence (1) can be used in court (1) to prevent fraud (1) partners must act according to the deed of partnership provisions (1) prevents misunderstanding (1) and future disputes (1)	**3**	Up to 3 marks for justified reasoning

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Question	Answer	Marks	Guidance
2(b)	**Apart from bicycle repairs, suggest <u>two other</u> after-sales services that this business might offer to its customers.** Warranty/replacement after a period Service/maintenance checks Third party insurance Advice/information hotline Delivery Cleaning service / bicycle wash Instruction manual / guidebook Selling spare parts Refunds/Exchanges Updating of new products Assembling parts	**2**	1 mark for each service

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Question	Answer	Marks	Guidance
2(c)	**Would setting up internet banking be an advantage to the business? Give reasons for your answer.** • Yes, as the business will have 24 hour access (1) when its bank closes, it can still access its account (1) and transact online (1) • Yes, as it can access its account from anywhere (1) if the owners are on a business trip or at home (1) they can still keep an eye on the business' money / financial transactions (1) • Yes, as conducting business online is generally faster than going to the bank (1) long teller lines can be time-consuming (1) • Yes, as many features/services are typically available online (1) e.g. the business can apply for loans/overdrafts (1) without having to go to the bank (1) • Yes, as able to setup/view/cancel standing orders / direct debits (1) pay bills (1) and move funds from one account to another (1) • Yes, as it's generally secure (1) as the bank's website should have a valid security certificate (1) so the business will be protected from cyber-thieves stealing personal/financial information (1) • No, although internet banking is generally secure it is not always secure (1) with identity fraud (1) which can take months to correct the problem, if at all (1) • No, customer service can be below the quality expected from personal / face-to-face service (1) as some people simply take comfort in being able to talk to another human being (1) and going through an automated telephone 'menu' can be very irritating (1) • No, as not all online transactions are immediate (1) as internet banking is subject to the same business-day parameters as traditional banking (1) • No, as there may be internet network failure (1) or the business may be in a very rural area without any, or with limited, access to a network (1)	**4**	Any 4 × 1 marks

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>They are considering applying for a bank loan or taking on another business partner.
Discuss each of these two options. Which would you recommend? Give reasons for your answer.

Advantages of a bank loan:
paid back in fixed instalments, fixed rate of interest so business can budget for it, bank does not have any ownership control or receive any share of profits
Disadvantages of a bank loan:
interest has to be paid, can be high, collateral can be lost if loan not repaid, can be difficult to obtain – especially for small/new business – and a long process to receive the money
Advantages of another partner:
extra capital, additional expertise, share responsibility, share losses
Disadvantages of another partner:
share profits, share control, possible conflict between partners

<u>Evaluation</u>:
It depends whether Kayla and Malik have any business assets to sell. This is unlikely as they are in the first year of business. Bank loans are more likely to be given to more established businesses. Recommend increasing capital by taking another partner but will have to be careful who they choose.</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 sources of finance.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of one or two sources of finance with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of sources of finance.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
Note: Maximum of 5 marks if only bank loan OR partner discussed.
</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(a)</td><td>Calculate the value of Expenses. Show your working.

210 (2)
Method 350 – 140 (1)</td><td>2</td><td></td></tr>
</table>

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Question	Answer	Marks	Guidance
3(b)	**Is profit important to a public limited company such as PP90 plc? Give reasons for your answer.** Yes: It is a source of capital / can be used for reinvestment (1) that does not need to be repaid (1) and can be used for future growth (1) e.g. machinery (1) Shareholders want dividends (1) as a return on their investment (1) to attracts future investors/shareholders (1) as potential investors see profit as success (1) No: Ethically based companies / not-for-profit organisations (1) whose primary purpose is not to make a quick profit (1) and wants to source its materials in a responsible way (1) and pay its workers a fair wage (1)	**4**	Up to 4 marks for justified reasoning
3(c)(i)	**State <u>one</u> reason why some manufacturers sell goods in plastic packaging.** Plastic packaging is strong/lightweight/flexible/durable/long life use/easier to carry/water-resistant/can put several items in one package/cheaper than glass or tin/hygienic/can advertise of packaging/prevents damage	**1**	
3(c)(ii)	**Explain <u>one</u> negative effect on the environment of plastic packaging.** Plastic packaging is non-biodegradable/toxic (1) which pollutes land/air/water (1) is just thrown away (1) leading to pollution(1) Plastic packaging placed in landfill / not recycled (1) emits hazardous gases (1) remains in the ground for years (1) difficult to decompose (1) Can lessen the growth of plants (1) by blocking the absorption of minerals/water (1) Plastic dumped in water (1) can contaminate fish life (1) Animals die (1) from ingesting plastic (1)	**2**	1 mark for effect and 1 mark for explanation

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Question	Answer	Marks	Guidance
(3)(d)	**Describe <u>three</u> factors that PP90 will need to consider when transporting these materials to other countries. Explain which is the <u>most</u> important factor? Give reasons for your answer.** • Destination/distance is important because landlocked countries cannot use sea transport, mountainous regions are often only accessed by air transport and roads can be poor / difficult terrain in some countries and some countries may be far away • Trans-shipment of goods between different forms of transport at ports/airports • Costs – because if it is too expensive if will lower profit margin • Laws/regulations/duty imposed by countries importing the products • Reliability / efficiency of transport method • Quantity/nature/type/security/urgency/convenience of goods to be transported <u>Evaluation:</u> Generally, much depends on the distance and the type of goods to be transported between countries because the longer the distance the greater the costs and more possible risks. However, plastic packaging is not likely to be expensive or heavy, nor is it likely to be stolen so the destination and trans-shipment factors will be most important to PP90 when transporting to other countries.	**6**	Up to 2 marks for describing the factors relevant to transporting materials to other countries Up to a further 2 marks for analysing why they are important to transporting materials to other countries Up to a final 2 marks for evaluating the most important factor when transporting materials to other countries Note: Reference to PEST is <u>not</u> expected in response to this question about transport. However, if any PEST factors are applied in context they may be rewarded. Note: Maximum of 5 marks for only two suitable factors Maximum of 3 marks for only one suitable factor

Question	Answer	Marks	Guidance
4(a)(i)	**Which method of appeal is shown in this advertisement?** Romance Sex appeal Love of a bargain	**1**	

Question	Answer	Marks	Guidance
4(a)(ii)	**How many different types of sales promotion are shown in the advertisement?** Six	**1**	
4(a)(iii)	**Calculate how much a customer will pay when buying the sofa in the weekend sale. Show your working.** $615 (3) Method 820 × 25 / 100 = 205 (1) 820 – 205 (1)	**3**	Allow OFR
4(a)(iv)	**Identify <u>two</u> features of hire purchase.** • Arranged by finance companies / contract with finance company • Type of credit • Cooling-off period • Deposit paid • Instalments • Good can be used before ownership • Ownership on last instalment • Buyer cannot sell the goods until final repayment • Goods can be repossessed • Will need a court order for repossession if one-third of amount owed is already paid • Used for goods with a resale value / example	**2**	Any 2 × 1 marks
4(a)(v)	**How will a customer access the SS Sofas app?** By downloading the app (from an app store / app provider) onto a smart phone/tablet/TV/watch	**1**	

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Question	Answer	Marks	Guidance
4(b)	**Explain <u>one</u> reason why warehousing would be important to this multiple chain store.** Furniture does not sell quickly (1) to keep / store goods (1) as furniture is a bulky good, it needs space (1) so it will not be damaged (1) so it can buy ahead of demand (1) so the store does not run out of stock (1) To obtain goods quickly (1) in order to replace furniture / increase income (1) so as not to lose / attract more customers (1) especially for popular / quick selling goods (1) To protect the furniture (1) from theft/weather (1)	**2**	Up to 2 marks for explanation

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Question	Answer	Marks	Guidance
4(c)	**Discuss the implications of online shopping for consumers. Give reasons for your answer.** Positive implications: • Convenience of shopping from any computer or mobile device, 24/7, avoiding the need to travel, pay for parking, queue in-store • Greater variety of goods as all styles/sizes are shown on more websites than any high street or shopping centre • Cheaper goods due to increased competition between retailers (for some on a global scale) brings down prices • Greater accessibility for those people living in rural areas or those with a disability that limits their mobility, can choose to have goods delivered • Comparably easier to research products or services thoroughly, comparing prices and product details to get the best deal • Negative implications: • Security concerns surrounding payments over the internet • Not being able to physically inspect the goods before purchase • Goods getting damaged during transport / not arriving in time or at all • Concerns over what information retailers are storing about customers e.g. buying habits <u>Evaluation</u>: Online shopping has made shopping easier for many consumers. Many people shop online rather than going to physical stores because it saves time and money. However, some people in some countries lack internet access and/or still want to visit shops for personal service and want to see/feel goods before buying. Overall, online shopping offers consumers another way of shopping so they have more choice.	**6**	Up to 2 marks for describing online shopping for consumers Up to a further 2 marks for analysing the implications of online shopping for consumers Up to a final 2 marks for evaluating the implications of online shopping for consumers Note: This question is about implications for consumers and not retailers Note: answers can have positive and/or negative implications with justified reasoning of either.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(a)</td><td>State <u>two</u> benefits of international trade for the people of a country.

• Creates jobs
• Increases standard of living
• Provides a wider choice of goods
• Able to obtain goods/services not available domestically
• Greater friendship / political links
• Provides better quality goods
• May lead to lower prices</td><td>2</td><td>1 mark for each benefit</td></tr>
<tr><td>5(b)</td><td>Which of these statements about transport are TRUE and which are FALSE?

<table><tr><th></th><th>TRUE</th><th>FALSE</th></tr><tr><td>Each container carries only one type of cargo.</td><td></td><td>✓</td></tr><tr><td>Logistics is a mode of transport.</td><td></td><td>✓</td></tr><tr><td>Marine insurance covers the loss of cargoes.</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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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(c)</td><td>Discuss whether or not the government should allow the MNCs to open their factories in the country. Recommend what the government should do. Give reasons for your answer.

Benefits of allowing MNCs to open factories:
MNCs provide jobs so reduce host country’s unemployment.
May offer training to local workers, developing their skills.
Multiplier effect on local economy as service / support firms start up.
MNC may provide goods, such as oil, not available in the country.
Can improve the infrastructure such as better roads.
Will attract investment which might then pay for imports.
Provide access to international brands so more consumer choice with possibly better quality of goods provided.
Increased competition, as local businesses have to respond, so lower prices.
Goods will have the standard required all over the world.
Help to meet the country’s demand in fast growing markets
Disadvantages of allowing MNCs to open factories:
MNC may exploit natural resources of a country; once resources are dried up the MNC may move on leaving the country without these resources, and sometimes pollution is left behind.
MNC may pay higher wages than local businesses so it might attract the best of the local labour / entice people away from primary occupations so that there is less production for local needs.
MNCs often bring in employees from other parts of the world, usually managers, and the local people can be left with the lower paid jobs.
Profits often leave the host country going back to the MNC’s home country thereby reducing foreign currency reserves.
Local firms can go out of business as they cannot compete with the economies of scale MNCs can achieve.</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 advantages and disadvantage of MNCs to a host country.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantages or disadvantages of MNCs with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of MNCs opening factories in a country.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
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Question	Answer	Marks	Guidance
5(c)	Evaluation: MNCs are influential global organisations that attract investment into a host country, so can help a developing economy to grow. Sometimes unwise or politically-biased decisions can be made about MNCs for short term / political benefits. The government should only allow an MNC once it's considered all the future best interests of the country.		

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