Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/21**

Paper 2 Written **October/November 2019**

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.

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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	Mark	Guidance
1(a)(i)	**Identify <u>one other</u> method of transport not shown in Fig. 1.1.** • Rail/train • Canal • Pipeline	**1**	
1(a)(ii)	**Name <u>two</u> types of sea transport.** • Ferry/roll-on/roll-off (roro) • Cargo ship • Tanker • Bulk carrier • Oil, bulk, ore (obo) • Container ship • Cruise liner • Coastal shipping • Hovercraft • Submarine	**2**	
1(a)(iii)	**Calculate the percentage of carbon emissions for road freight transport shown in Fig. 1.1.** Correct answer = 26% (2) Method 4% + 21% + 6% + 43% = 74% – 100% (1)	**2**	
1(b)	**Explain <u>one</u> reason why increased use of public transport might reduce vehicle emissions.** • It reduces number of private cars/vehicles on the road/less people will buy cars (1) leading to less traffic/cleaner air/less pollution (1) • Can carry more passengers (1) reduces carbon emissions/carbon footprint (1)	**2**	
1(c)	• A delivery note would be used in **home trade** • A document providing temporary motor insurance is known as a **cover note**	**2**	

Question	Answer	Mark	Guidance
1(d)	**Is private motor transport a human need or a human want? Give reasons for your answer.** Yes – it is a want as it is not essential/not a basic necessity (1) can survive without it (1) like for example food (1) a motor car is a luxury (1) many people cannot afford it (1) you can walk/use public transport instead (1) No – it is a need as it is essential (1) to make life more comfortable/easier (1) if for example people live far from their workplace/travelling long distances (1) to reach inaccessible places for urgent needs/natural disasters, e.g. helicopter for doctor to reach patients on Mount Kilimanjaro (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses.

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Question	Answer	Mark	Guidance
1(e)	**Discuss how important air transport is in the chain of distribution. Give reasons for your answer.** A major goal of a distribution operation is speed, to reduce the time to get products to customers, particularly for perishables or valuable goods which need to get to market quickly. The growth of the global economy has led to the chain of distribution importing and exporting more goods and to increased demand for luxury items, such as electronics which are lightweight. Goods need to be kept securely/safe in airports and must be of sufficiently high value to cover the costs of air transport. More cargo planes have become available with greater capacity, and an increasing number of airports are making more air routes for distribution available. However, businesses also want to get their goods to their customers in the most cost-effective way. Air transport can involve higher costs than other options, and is not suitable for all goods. Flights are subject to delay or cancellation, and fuel and currency surcharges will usually be added to freight costs. Further transportation may be needed from the arrival airport to the final destination. **Evaluation example:** Air transport is very important as a fast method of transport. However, although more goods are transported by air, the vast majority of goods are carried by road in home trade and by sea in international trade. Road and sea transport can carry bulk goods more cheaply and have greater accessibility. So air transport is important in the chain of distribution but it is not the only important method of transport.	**6**	Up to 2 marks for **describing** air transport in the chain of distribution. Up to a further 2 marks for **analysing** the use of air transport in the chain of distribution. Up to a final 2 marks for **evaluating** how important air transport is in the chain of distribution. Note: allow consideration from the perspective of land-locked countries as well as those with seaports

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Question	Answer	Mark	Guidance
2(a)	**State <u>two</u> features of a street market.** • Use of stalls/not permanent buildings • May operate on different days of week/variable hours • Goods sometimes not priced/labelled correctly • Use of bargaining/negotiate prices/low prices • Can sell seconds/low quality goods • Dependent on weather • Sell a limited range of goods/small quantity of goods • Operated by small scale retailers/sole traders/single owners • May be operated by local councils	**2**	
2(b)	**Do you think street markets are a good place to buy goods? Give reasons for your answer.** Yes – you can make personal contact with the seller (1) and haggle/bargain over prices (1) get a cheaper deal than you might in a shop (1) fresh produce can be sold (1) long opening hours (1) No – you may be sold defective/poor quality goods (1) which are difficult to return/lack of refund policy (1) the seller may not be at the market again (1) goods often sold without a warranty (1) may be sold unhygienic/unwashed goods (1) poor environment (1) can cause illness (1) lack variety of goods (1) lack range of payment methods (1) no credit given (1) usually no car parking (1) or fitting room (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses.

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Question	Answer	Mark	Guidance
2(c)	**Explain <u>one</u> reason why street market traders usually require customers to pay in cash.** Market traders do not want to wait for payment (1) by offering credit (1) they have already paid for their stock (1) Cash helps the traders cash flow to pay for more stock (1) mostly low cost products anyway (1) no need to use other payment methods for larger amounts (1) Other payment methods can take longer / be more costly to process (1) e.g. taking a cheque (1) could lead to bad debts (1) if customers do not pay (1) uncertainty about creditworthiness (1) No electricity/network for electronic payment methods (1) to swipe cards / make transfers (1) do not want to pay for bank or credit card charges (1) cash is legal tender (1)	**3**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Busi wants to buy a cheap computer game from a city store. Discuss whether Busi should pay with a credit card or with cash. Which would you recommend? Give reasons for your answer.

Credit card:
Often used for buying expensive goods. Relatively easy and quick to use although it may require authorisation. Busi will receive the computer game right away. It is safer to carry a credit card than cash. Free credit is usually available for at least a month because payment to the credit card provider is postponed. Credit cards are accepted by many retailers, although they may charge a transaction fee – particularly for a low value purchase like a cheap computer game.
There is interest to be paid if the amount owed to the credit card provider is not paid in full by the specified date. Some retailers may not accept certain types of credit card or may not have the facilities to accept electronic payment. Paying by credit card might encourage over-spending. If you do not report a stolen credit card, you may be responsible for the loss. The credit card might not work. Busi will have to pay off the outstanding balance owed.

Cash:
Cash is legal tender and is widely accepted. Cash requires no authorisation so it is convenient for Busi to pay for small amounts. The use of cash does not involve any transaction fees or extra charges. Cash is an easy-to-carry form of payment with no special hardware required to complete a transaction. There is no need for extra paperwork to be completed.
The drawback of using cash is that if you lose it, it's gone. It can get relatively bulky and heavy. Busi would have to have enough cash with her to pay for the computer game. Cash does not provide any of the points/promotions offered by credit cards.

Evaluation example:
Because the game is cheap, Busi would be able to carry enough cash with her so she would probably use that for payment. However, there might be pick-pockets in a city so it might be safer to carry a credit card (carefully) than to have cash in her pocket or bag because that cash cannot be replaced but a credit card can be stopped if it’s stolen.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Marks</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 both using a credit card and cash.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of using credit card and/or cash, with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of using credit cards or cash for a cheap computer game.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
</td></tr>
</table>

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Question	Answer	Mark	Guidance
3(a)	**State who receives the profits of a public limited company.** Shareholders	**1**	
3(b)	**Explain what is meant by gross profit.** Sales/revenue minus cost of goods sold/cost of sales (2) The profit that is left after the cost of goods sold (1)	**2**	
3(c)	**The sales turnover of the one of the hotels in 2017 was $900 000. The gross profit was $315 000. Calculate the gross profit margin.** GP margin = 35% (2) Method 315 000 / 900 000 × 100 or correct formula (1)	**2**	
3(d)	**Explain <u>two</u> sales promotion methods that ZZ plc could use to improve its sales revenue.** Loyalty rewards (1) reward points offered to customers that provide future discounts on hotel accommodation (1) Sponsorship (1) to raise awareness of hotel amongst a target group/market (1) Special offers/BOGOF (1) e.g. book a room and receive a free evening meal (1) Discounts (1) e.g. 40% off rooms in January (1) Gifts (1) e.g. free bathrobe (1) Discount coupons (1) to encourage customers to spend (1) Contests (1) e.g. customers might compete to win a weekend hotel break (1)	**4**	

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Question	Answer	Mark	Guidance
3(e)	**Do you agree that location is the <u>most</u> important factor for the success of ZZ plc? Give reasons for your answer.** Location is important to hotels to be near to their target market, e.g. tourists or businesspeople, which should help to increase room bookings thereby increasing sales and profits. Hotels should also be located near a supply of skilled labour, e.g. chefs, so that customers are not disappointed. It is also important to be near transport links, e.g. motorways or railway stations, so they are convenient for customers to get to. Hotels will also have to consider the amount of competition. For instance, are there too many similar hotels in the area for the likely number of guests? If so ZZ may have to reduce prices which would affect profits. They may not be able to reduce prices because the costs of a city centre location are likely to be high and lower prices could imply a lower quality service and affect the hotel's ability to attract customers. Other factors may also affect ZZ's success, such as the personal preferences of guests, e.g. wanting to stay in a 4-star hotel, or a scenic location with attractive views. The hotel might not have enough capacity in terms of the number of rooms, restaurant seats or car parking spaces available. Also, if customer service, clean rooms and good social media reviews are key features why a person chooses a hotel, the location may not matter as much. **Evaluation example:** Overall, it depends on how success is measured. Location is undoubtedly important to gain more customers and thereby increase profits, but it is not the only factor that might make ZZ plc's hotels successful, they would still need clean rooms and good customer service to fill more rooms than their competitors.	**6**	Up to 2 marks for **describing** city hotel location factors Up to a further 2 marks for **analysing** other location factors and/or for a city hotel Up to a final 2 marks for **evaluating** whether or not location is the most important factor to the success of ZZ's hotels

Question	Answer	Mark	Guidance
4(a)	**Define *global market.*** Where goods and services are bought and sold/traded/exchanged (1) worldwide/internationally/different countries (1)	**2**	
4(b)	**Do you think email was the best method of communication for Kito's enquiry? Give reasons for your answer.** Yes – sent immediately/quickly (1) 24/7 (1) cheap (1) can be seen on a number of devices (1) has written details (1) can be used as reference/legal proof (1) Exporting Advice Centre offers responses by email (1) could attach documents (1) and sent to multiple addresses (1) No – email may not be read immediately/replied to (1) personal discussion easier on telephone (1) get more information more quickly on telephone (1) internet/network connection issues (1) email be deleted by mistake (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses
4(c)	**State <u>two</u> features of a good website**. • Text is not too small/easy to read • Relevant information/up-to-date • User friendly/easy to navigate/easy to find/access information • Use of good graphics/images/colour • Contact information • Security/trustworthy • Social media links • FAQ	**2**	

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Question	Answer	Mark	Guidance
4(d)	**Explain <u>two</u> difficulties that Kito might face in exporting his greeting cards** • Distance (1) makes it difficult to establish close trade contacts between traders (1) • Language (1) price lists / advertisements may need translation (1) • Communication (1) face-to-face may be expensive (1) • Risk in transit (1) foreign trade involves much greater risk than home trade because goods have to be transported over long distances e.g. perils of the sea (1) • Lack of information about foreign traders (1) more difficult to establish creditworthiness of foreign buyers / higher credit risk / greater risk of bad debts (1) • Customs duties/tariffs (1) tax on imported goods increases cost (1) • Quotas (1) limit on imported goods so may not be able to buy as many as wanted/needed (1) • Documentation (1) exporters have to prepare several documents which involves extra time and money (1) • Foreign markets (1) can be difficult to learn about / collect up-to-date information on these new markets (1) • Currency (1) every country has its own currency and the rate at which one currency can be exchanged for another fluctuates making transactions more complicated (1) • Weights and measures (1) e.g. may have to convert kilograms into pounds (1)	**4**	

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Question	Answer	Mark	Guidance
4(e)	**Discuss how important warehousing will be to Kito. Give reasons for your answer.** Warehousing may become more important to Kito due to increased demand from new export customers – if he does decide to export. Greeting cards are produced all year round, although some demand is seasonal, so constant storage will be required. A warehouse will protect stocks of cards from damage/theft/weather and can also be used for processing, e.g. packaging/branding/labelling. But, warehousing is a cost to the business and can be expensive. If Kito decides to export he may well need increased storage capacity before he receives the income from his export sales. **Evaluation example:** It mostly depends on security and if Kito decides to export. If he does export, he will need a safe place to store his greeting cards at the port to await arrival of ships to take them abroad. If it is not in a secure warehouse, his stock could be stolen or damaged and he would lose money. Also, his customers may not receive their cards in time and would not see Kito as a reliable supplier.	**6**	Up to 2 marks for **describing** the use of warehousing for greeting cards Up to a further 2 marks for **analysing** the importance of warehousing for greeting cards Up to a final 2 marks for **evaluating** how important warehousing will be to Kito

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>5(a)</td><td>What would be the working capital of Jemila's business if the current assets were valued at $30 000 and the current liabilities at $27 000?

Correct answer $3000 (2)
Method $30 000–$27 000 (1)</td><td>2</td><td></td></tr>
<tr><td>5(b)</td><td>State <u>one</u> reason why small businesses find it difficult to obtain finance.

• Poor/no credit history
• Limited cash flow
• Limited assets/lack of collateral
• Unable to access financial markets
• Uncertainty for investors/concerned that they will not be paid</td><td>1</td><td></td></tr>
<tr><td>5(c)</td><td>Which of the following statements about banking are true and which are false?

Tick (✓) TRUE or FALSE in the correct column.

<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>A paying-in slip is used to deposit money in a savings account.</td><td>✓</td><td></td></tr>
<tr><td>A debit card is used to postpone payment.</td><td></td><td>✓</td></tr>
<tr><td>Internet banking has led to bank branches closing.</td><td>✓</td><td></td></tr>
</table>
</td><td>3</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td>Jemila wants to buy a small piece of land next to her business to provide parking for her customers. Should she apply for a bank loan or a bank overdraft to pay for the land? Discuss both options. Which would you recommend? Give reasons for your answer.

Bank Loan:
Would usually be repaid by monthly instalments over a set period of time, with a fixed rate of interest. It is a long-term source of finance usually for a large amount. Jemila would receive a fixed amount. Normally used for a specific purpose, such as buying equipment, i.e. an asset such as land because the bank will use it as security/collateral, but Jemila might still need a deposit.

Overdraft:
Would enable Jemila to spend more than she has in the bank, up to an agreed limit. Interest is charged on the amount overdrawn. Overdrafts tend to be used in the short term for working capital requirements – such as buying more stock – currently she has $3000 working capital. The interest charged is likely to be higher than for a loan. They do not require much paperwork to complete. The overdraft can be received quickly and repaid at irregular intervals – when Jemila has the money – but interest will be charge until she has repaid in full.

Evaluation example:
Jemila needs finance for a specific project – a fixed asset of land – so a loan seems most appropriate if she doesn’t have enough cash available, but it will depend on how much the land costs. If it is a large amount of money, which would have to be repaid over a longer time, then a loan is again the recommended option, but if the land is a relatively small amount of money, Jemila might just use her overdraft and clear the overdrawn amount quickly, or use her working capital of $3000.</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 both a loan and an overdraft to buy land.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of a loan and/or an overdraft to buy land, with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of a loan and/or an overdraft to buy land.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
Note: Maximum of 5 marks for a one-sided answer.
</td></tr>
</table>

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