Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/21**

Paper 2 Written **October/November 2021**

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 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Question	Answer	Marks	Guidance
1(a)(i)	**Give <u>one</u> example of mining**. • Coal • Gold • Diamonds/gemstones • Metals or e.g. copper/tin/iron/lead/steel • Potash • Rocks/stone/gravel/sand	**1**	Note: 0 marks for 'quarrying'
1(a)(ii)	**State <u>one</u> industry that might be included in 'Other industries in the primary sector.'** • Farming/agriculture • Quarrying	**1**	
1(b)	**Is it a good idea for this country to specialise in primary production? Give reasons for your answer.** Yes – it has many primary industries (1) comparative/absolute advantage (1) benefit from economies of scale (1) increases efficiency (1) able to reduce costs of production (1) lower prices (1) increased output/mass production (1) increased quality of goods (1) workers become more skilled (1) may produce excess output (1) less need for imports (1) allowing more exports to take place (1) increases balance of trade/payments (1) increasing economic growth/national income/gross national product (1) earning foreign currency (1) leading to more employment (1) higher standard of living (1) No – it may be too dependent on primary/finite resources/non-sustainable resources (1) when these resources are exhausted/depleted run out (1) primary producers will go out of business (1) the economy will lose its main export revenue (1) people will become unemployed (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses

Question	Answer	Marks	Guidance
1(c)	**Explain <u>two</u> advantages of using goods trains to transport primary goods.** • Cheap (1) than air/sea/road transport (1) • Can carry heavy/bulky goods (1) e.g. coal (1) • Often provides direct access (1) to ports/factories (1) • Fast/quick (1) over long distances (1) • Reduces congestion (1) on roads (1) • Train wagons can be specially designed to carry particular products (1) e.g. coal/gravel trains (1) • Reduces noise/pollution (1) created by heavy goods vehicles (1) • Larger capacity (1) for bulky loads/can add wagons on to train (1) • Use of containers (1) to prevent damage (1) • Fewer delays (1) not affected by traffic jams/weather (1) likely to arrive on time (1) • Environmental benefit (1) reduces CO2 emissions (1)	**4**	1 mark for each advantage plus 1 mark for each explanation × 2 Note: Explanations can be mixed and matched if suitably linked
1(d)	Exploitation of forest natural resources causes **deforestation** A new discovery of oil could benefit a country's **visible trade**	**2**	1 mark for each correct circled answer

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>1(e)</td><td>

Consider the following two channels of distribution that fishermen could use to sell their fish in their country

1 fish market → cash buyers
2 wholesalers → retailers → consumers

Discuss both options. The fishermen want to sell all of their fish using only one channel of distribution. Which one would you recommend? Give reasons for your answer

Fish market:
- The fish is sold immediately without the need for warehousing costs/space
- The fishermen receive their money without delay, helping their cash flow
- Eliminates the middleman, saving any commission costs
- No transport costs saves money
- May not sell all fish caught leading to losses
- Fish sellers cannot negotiate prices as they are selling a highly perishable product that needs to be sold quickly

Wholesalers to retailers to consumers:
- Wholesalers can buy fish in bulk, therefore they might buy all of the fish from a seller
- Wholesalers can carry out all the logistical functions of cleaning, sorting, boxing and transportation
- Wholesalers may provide deliveries to shops and consumers
- Wholesalers can advise fish sellers about retailer/consumer needs
- Wholesalers will charge commission, taking away some of fish sellers' profits

</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 thorough evaluation of whether fishermen should sell their fish through fish markets and wholesalers.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of whether fishermen should sell their fish through markets or wholesalers.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to fish, of channels of distribution, selling through markets or wholesalers.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

</td></tr>
</table>

Question	Answer	Marks	Guidance
1(e)	**Evaluation:** Fish is a perishable product needing proper preservation and transportation so must be sold quickly. Fish sellers are bound to sell their produce to wholesalers at a lower price but may be able to achieve a higher price at the market although there is the risk that they may not sell all their fish stock.		

Question	Answer	Marks	Guidance
2(a)	**State <u>two</u> characteristics of a hypermarket.** • Large shops • Self-service • Large site • Car parking • On the edge/outskirts of towns • Sell a large variety/wide range of goods • Low prices • One-stop shopping/all goods under one roof • Delivery • Credit/credit cards/store cards • After-sales service • Use of checkouts • Lifts/escalators • Long opening hours • ATMs • Security/CCTV • Many facilities or e.g. restaurants/toilets	**2**	1 mark for each characteristic Note: 0 marks for breaking bulk

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Question	Answer	Marks	Guidance
2(b)	**Explain <u>two</u> effects on retailers in the shopping mall when the hypermarket opens.** • Loss of business (1) customers go to the hypermarket (1) leading to less sales/profits (1) • Closure of some shops (1) leading to unemployment (1) • Shopping mall may have empty shops (1) with run-down appearance/vandalised premises (1) • Need to compete with hypermarket (1) to attract customers (1) might have to offer different goods/services (1) • Might have to offer lower prices (1) reduces profit margin (1) • Market share declines (1) reduces number of sales (1) • More congestion on local roads (1) making travel more difficult for retailers/customers (1) • May decide to sell items not sold at the hypermarket (1) to beat competition (1) • May bring more customers to shopping mall (1) because they will visit both (1)	**4**	1 mark for each effect and 1 mark for each explanation × 2 Note: Explanations can be mixed and matched if suitably linked
2(c)	**Do you think the hypermarket should offer hire purchase for expensive items such as televisions? Give reasons for your answer.** Yes – some customers cannot afford expensive goods (1) attracts customers/encourages them to buy (1) impulse buying (1) increases sales/profits (1) increases rate of inventory turnover (1) so inventory is moved faster (1) creates customer loyalty (1) more repeat business (1) gains profit from interest (1) receives cash monthly (1) can always repossess goods if customer fails to pay (1) No – can be delays in payments (1) increased administration/paperwork (1) keeping records (1) there is the danger of bad debts (1) if customer does not keep up with repayments (1) difficulty in disposing of second-hand goods (1) capital is tied up (1)	**3**	Up to 3 marks for justified reasoning

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Question	Answer	Marks	Guidance
2(d)	**Evaluate how important location is to the success of the new hypermarket. Give reasons for your answer.** **Location is important:** • Convenience – shoppers can buy all needs/wants in one place • Close to market – hypermarkets want to locate within easy travelling distance of large numbers of consumers • Competition – it might be difficult for a new hypermarket to break customer loyalty from the nearby shopping mall • Size of land – large car park area and petrol station • Cost of land – land is cheaper away from city centres • Transport links/infrastructure – easy access for customers and supplier/deliveries • Close to utilities – e.g. electricity • Secure area – less theft **Location is not important:** • Convenience – if customers only want a few items they are more likely to go to their local convenience store • Online shopping – as customers do more of their shopping online, it does not matter where the hypermarket is located **Evaluation:** Location is very important because customers will only travel to a hypermarket if it offers easy transport links, car parking, lower prices and a wide range of goods not offered by other local retailers.	**6**	Up to 2 marks for **describing** location factors of a hypermarket Up to a further 2 marks for **analysing** location factors of a hypermarket Up to a final 2 marks for **evaluating** whether location of a hypermarket is the most important factor in its possible success

Question	Answer	Marks	Guidance
3(a)(i)	**What is the cost of sending a large letter within SADC?** $2	**1**	

Question	Answer	Marks	Guidance
3(a)(ii)	**What is the cost of sending a packet weighing 750 grams to Europe?** $13	**1**	
3(a)(iii)	**Which postal service would Keeya use to provide proof of delivery?** Registered post	**1**	
3(b)	**Explain <u>two</u> differences between orders and invoices** • An order is sent from the buyer to the seller (1) whereas an invoice is sent from the seller to the buyer (1) • An order is a request for goods to be supplied/goods wanted (1) whereas an invoice is a demand/bill/request for payment/payment for goods/goods purchased (1) • An order does not include the total cost (1) whereas an invoice shows the total cost/amount due (1)	**4**	2 marks for each difference × 2
3(c)(i)	**Define the term *tariff*.** Tax on imported goods	**1**	
3(c)(ii)	**Explain the effect of a $2 dollar tariff on each mobile phone sold by Keeya.** The price of each phone will increase (1) because of the $2 tariff added to the selling price (1) increases Keeya's expenses (1) which may lead to less demand/sales/reduce profit (1) Keeya may decide to increase the prices of the phones (1) customers may decide to buy mobile phones in their own country (1)	**2**	1 mark for effect and 1 mark for explanation

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Question	Answer	Marks	Guidance
3(d)	**Discuss whether or not the internet is an effective advertising medium to promote her mobile phones?** Internet advertising includes for example, Keeya's own website as well any social media. **Arguments for internet advertising*:*** • Cost – compared to TV and newspapers, internet advertising is inexpensive • Wide coverage – easy to reach global market • Measurement – easy to track how effective the internet advertising is using online surveys, etc. so Keeya knows how to increase effectiveness • Target consumers – to particular groups of consumers based on customer profiling **Arguments against internet advertising*:*** • Advertising overload – too many banners and popups appear so consumers ignore them • Scope – there are consumers who prefer not to view or buy over the internet • Blocking – some consumers block adverts on their browser so the advert will not be seen • Distractions – consumers can get distracted by other items they see on the internet such as the news and forget about the advert **Evaluation:** Internet advertising can be very effective for Keeya, especially if her own website can be easily found by a search engine and she also uses social media adverts. Keeya will need to measure the responses to her internet advertising and if it is not effective, create a better/different style of advertisement.	**6**	Up to 2 marks for **describing** internet advertising Up to a further 2 marks for **analysing** internet advertising in promoting Keeya's mobile phones Up to a final 2 marks for **evaluating** internet advertising for promoting Keeya's mobile phones

Question	Answer	Marks	Guidance
4(a)	**State <u>two</u> features of a cold storage warehouse.** • Temperature controlled/low temperature • Refrigerated/freezer compartments • Controlled by computers • Storage of perishable/seasonal goods	**2**	1 mark for each feature
4(b)	**Explain <u>two</u> possible disadvantages to CC Foods of being a private limited company.** • Cannot sell shares to the public to raise capital (1) limiting amount invested/small capital (1) • Legal procedure to set up company (1) costs time/money (1) • Financial situation is not private (1) accounts are publicly available (1) • In some countries, the number of shareholders is restricted to 50 (1) reduces expansion (1) • Shares are not transferable (1) as it has to be approved by existing shareholders (1) • Restrictions on what it can do (1) controlled by memorandum/articles of association of association (1)	**4**	1 mark for each disadvantage and 1 mark for each explanation × 2

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Question	Answer	Marks	Guidance
4(c)	**CC Foods can use either retained earnings (retained profits) or leasing to finance the cold storage warehouse. Discuss both options. Which would you recommend? Give reasons for your answer.** Retained earnings are profits made by a business in previous years and kept within the business for future use. Leasing is a method of renting/hiring assets. **Arguments for and against retained earnings:** • Do not have to find a financial institution to provide finance so time/cost is saved • There are no repayments and there is no interest to be paid • The retained profits may be insufficient to pay for the warehouse • There is the opportunity cost that the retained earnings cannot be used for something else **Arguments for and against leasing:** • No initial cost of purchase and payments can be spread to help cash flow • No cost to CC Foods for repairs/maintenance • Warehouse is owned by the lease/finance company • Lease agreement may have to be secured against assets so if not paid, assets can be repossessed **Evaluation:** It depends whether CC Foods has enough retained profits to pay for the warehouse outright immediately, if so CC should buy it because it becomes an asset of the business. If not, CC will have to use some form of leasing or borrowing. CC Foods may not like the fact that it does not own the warehouse but CC may be given the option to buy the warehouse at the end of the lease.	**8**	<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 thorough evaluation of whether CC Foods should use retained earnings or leasing to finance the cold storage warehouse.</td></tr><tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantages and/or disadvantages to CC Foods of using retained earnings and/or leasing to finance the cold storage warehouse.</td></tr><tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to CC Foods, of retained earnings and/or leasing for a cold storage warehouse.</td></tr><tr><td>0</td><td>0</td><td>No creditable response.</td></tr></table>

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Question	Answer	Marks	Guidance
4(d)(i)	**The cold storage warehouse will be valued at $150 000 but CC wishes to insure it for $100 000.** **Explain <u>one</u> reason why CC Foods might want to do this.** • CC Foods cannot afford (1) to pay high premiums (1) • CC Foods want to pay a lower premium (1) save money (1) • CC Foods believe the value is too high (1) they think the insurance cost have been incorrectly calculated (1) • The business is willing to act as its own insurer (1) are prepared to risk the loss of the other $50 000	**2**	1 mark for reason and 1 mark for explanation
4(d)(ii)	**Is it advisable for CC Foods to do this? Give a reason for your answer.** • No the warehouse would be under-insured (1) which is against the principle of indemnity (1) they cannot profit from a loss (1) • If CC make a claim (1) they will lose money/not fully compensated (1) • As they have only 2/3rds of the insurance cost (1) and there is damage costing $60 000, the insurer will pay 2/3rds or $40 000 of the claim (1) • If CC make a claim (1) the insurer may void/cancel the policy (1) just give back the premiums paid (1) • If CC leased the warehouse (1) it would not have an insurable interest (1)	**2**	1 mark for reason and 1 mark for explanation

Question	Answer	Marks	Guidance
5(a)	**Name the company selling the goods.** BB Ltd	**1**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(b)(i),(ii)</td><td>Complete (i)–(ii) on the letter of credit in Fig.5.1.

• Bill of lading
• Air waybill
• Insurance certificate
• Certificate of origin
• Invoice
• Bill of exchange
• Receipt
• Packing list
• License</td><td>2</td><td>1 mark for each document</td></tr>
<tr><td>5(c)</td><td>Which of these statements about international trade payments are true and which are false?

<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>A bank draft is a form of bank borrowing</td><td></td><td>✓</td></tr>
<tr><td>Electronic transfer is the fastest way to make an overseas payment</td><td>✓</td><td></td></tr>
<tr><td>Banks charge customers for using debit cards in foreign currencies</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(d)	**Companies need to consider several factors, such as speed of transfer, to decide which means of international payment to use.** **Evaluate <u>two other</u> factors a company should consider before making an international payment. Give reasons for your answer.** **Factors:** • Amount to be paid – for small amounts a credit card may be used but for large amounts a bank draft might be more suitable • Currency – the currency the supplier wants the payment made in • Exchange rate – with fluctuating exchange rates, the company should be seeking the best exchange so as to reduce costs • Security – it is important to know that no fraud or theft can occur • Reputation of money provider – to protect funds • Relationship with the supplier – important to build a relationship with a supplier because a regular supplier might be more flexible with the payment terms • Banking system within the country – whether it is stable and what methods of international payment it accepts • Cost of transfer – e.g. letters of credit are expensive • Ways of sending payment – e.g. through a bank or online **Evaluation:** Much will depend on the circumstances of the buyer and how quickly the supplier requires payment. The company will need to consider a combination of factors that allow the transaction to be completed to the satisfaction of both the buyer and the seller. Security is likely to be the biggest concern.	**6**	Up to 2 marks for **describing** factors affecting means of international payment Up to a further 2 marks for **analysing** two factors affecting means of international payment Up to a final 2 marks for **evaluating** the factors affecting means of international payment

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