Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/22**

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)	**Calculate the total cost of this order. Show your working** Total cost = $102 (2) Method: 50 × 2 = 100 + 2 (1)	**2**	
1(a)(ii)	**Explain what is meant by P*roceed to Checkout*** Continue to complete/finalise/confirm order/go to payment/checkout/pay in next window/move forward in transaction/leave the shopping/online cart/go/move to billing or go to payment/ready to pay	**1**	Note: 0 marks for pay for goods or give details
1(b)	**Should this online retailer offer free shipping on orders over $100? Give reasons for your answer** Yes – Attracts customers (1) impulse buying (1) encourages them to buy (1) can increase sales/profits (1) as shoppers are likely to spend more (1) to save delivery costs (1) buy more items (1) e.g. extra shoe cleaner (1) leading to customer loyalty (1) for future/repeat orders (1) giving competitive edge/advantage (1) good marketing strategy (1) No – Increases costs (1) reduces profit margin (1) may have to increase prices to cover the cost (1) this may mean cutting back on other services (1) losing customers (1) and some customers will not be able to afford buying goods over $100 (1) on one order (1) might be better to offer free delivery under $100 (1) more likely to attract customers (1) increase sales/profits (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> disadvantages to retailers of accepting credit card payments.** • Commission/fees/interest is charged (1) cuts/affects profits (1) • Paperwork is increased (1) more time to process/more record keeping (1) • Payment delays (1) may affect cash flow / need to buy stock (1) • Credit card fraud (1) may result in losses / retailer unable to receive product back (1) • Using credit card terminals (1) extra costs / errors in reading data /machine malfunctions (1)	**4**	Any 2 disadvantages and explanation of each to a maximum of 4 marks
1(d)	Coupons are a type of **sales promotion.** Expensive running shoes are an example of a human **want.**	**2**	1 mark for each correct circled answer

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Question	Answer	Marks	Guidance
1(e)	**Discuss the importance of branding to an online shoe retailer. Give reasons for your answer** A *brand* is a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers. • Brands inspire customer loyalty leading to repeat sales • Brands encourage online selection as a brand is easy for consumers to recognise making buying easy • Shoe retailers want to stock top selling brands to increase sales • Customers trust the quality of branded goods so the retailer will sell more • So they can use the brand name to advertise and promote their business • Makes it easier to introduce new shoes because customers already know/remember the brand **Evaluation:** As online retail markets become more competitive it is more important than ever for shoe retailers to focus on branding. Not only by selling branded goods but by developing its own website as a brand that consumers will form an emotional attachment to.	**6**	Up to 2 marks for **describing** branding/retailing Up to a further 2 marks for **analysing** the importance of branding to a shoe retailer Up to a final 2 marks for **evaluating** whether branding is important to shoe retailers

Question	Answer	Marks	Guidance
2(a)	**State <u>two</u> features of a cash and carry wholesaler** • No credit/goods are bought using cash or credit or debit card • No delivery / buyers transport the goods they buy • Self-service • Wholesaler buys goods from manufacturers • Sell to small-scale retailers • Low prices / discounts • Wholesaler sells goods in bulk/retailer can buy in bulk • Wholesaler sells a variety of goods • Parking • Long opening hours • Restricted access / membership cards	**2**	1 mark for each feature
2(b)(i)	**State the purpose of a *quotation*.** Reply to an enquiry/gives details of goods/prices/terms of payment/delivery	**1**	
2(b)(ii)	**Explain <u>two</u> factors that would help Mrs Kadar decide which quotation to accept.** • Cost/prices (1) which supplier provides lowest/cheapest price / higher profit margin / is it within her budget / best value for money (1) • Delivery times (1) which supplier offers faster/best delivery (1) • Reliability/reputation (1) which supplier can be depended upon to provide a consistent service / has she dealt with this supplier before (1) • Payment terms/discount (1) which supplier offers the best credit/ discount terms (1) • Cost of delivery (1) which supplier offers cheapest delivery (1) • Availability (1) are the candles required in stock (1) • Location (1) which supplier is nearest (1) • Online reviews (1) which supplier has more positive reviews (1) • Types/quality of candles (1) which supplier offers ones that will sell better/increase demand / burn for longer / have a pleasant fragrance (1)	**4**	Any 2 factors and explanation of each to a maximum of 4 marks

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Question	Answer	Marks	Guidance
2(c)	**Do you agree that cash and carry warehouses are best located outside town centres? Give reasons for your answer** Yes – the warehouse/land rents are lower (1) reduces costs (1) lower overheads (1) helps to keep prices low (1) make more profit (1) more warehouse space (1) more space for customer parking (1) less congestion (1) less pollution (1) No – will not attract town centre retailers/customers (1) so sales may fall/lose revenue (1) greater distance for some suppliers to deliver to (1) increasing transport costs (1) and longer delivery times (1) Better to be located in town centres as more convenient for retailers/customers (1) likely to attract more retailers/customers (1) increasing sales/profits (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses

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Question	Answer	Marks	Guidance
2(d)	**Discuss the importance to small-scale retailers of cash and carry warehouses. Give reasons for your answer.** A large warehouse selling goods for cash in small bulk without delivery. • They allow small-scale retailers to buy cheaper goods so they can compete against large-scale retailers • No delivery of goods reduces wholesaler's costs which they can pass on so that retailers can offer competitive prices • Retailers can buy the goods when required as they do not have to wait for delivery. This is useful if there is a sudden demand for goods. • Small-scale retailers do not need to rent a storage place as it is convenient for them to buy them from the cash and carry warehouse when the need arises. • Special offers are offered as incentives for retailers to buy at cheaper prices • Wide variety of goods are stocked giving retailers choice • There are long opening hours to suit retailers to visit when they have time **Evaluation:** Small-scale retailers benefit from the immediacy that cash and carry warehouses offer, with a range of goods and competitive pricing. If the retailer has a really busy morning, they can replenish stock ready for the afternoon. Cash and carry warehouses are very important because they help small-scale retailers to survive against increasing competition.	**6**	Up to 2 marks for **describing** cash and carry warehousing/small-scale retailers Up to a further 2 marks for **analysing** the importance of cash and carry warehousing to small-scale retailers Up to a final 2 marks for **evaluating** whether cash and carry warehousing is important to small-scale retailers

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Question	Answer	Marks	Guidance
3(a)(i)	**Define the term *mortgage*.** A loan to buy property/house/land	**1**	
3(a)(ii)	**Identify <u>one</u> item of short-term borrowing.** Overdraft	**1**	
3(b)(i)	**Calculate the total amount of fixed (non-current) assets. Show your working.** Amount = $129 000 (2) Method = $100 000 + $29 000 (1)	**2**	
3(b)(ii)	**Calculate the working capital of the business. Show your working.** Amount = **–** $4000 (3) Method = $2000 + $1000 = $3000 (1) $5000 + 2000 = $7000 (1) $3000–$7000 or current assets – current liabilities (1)	**3**	
3(c)	**Explain <u>one</u> reason why Kyle does not carry a large volume of inventory.** • Only a small studio (1) lacks space (1) • Holding some perishables (1) can spoil/expire/go bad (1) • Reduces overcrowding of stock (1) less damage caused (1) • Reduces cost (1) of buying/warehousing stock/insurance (1) less capital tied up in stock (1) cannot afford to buy/hold more stock (1) • May lack demand for this stock/low rate of inventory turnover (1) better to use money for other activities (1) • Buy stock when demanded (1) reduces storage costs/expenses (1)	**2**	

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Question	Answer	Marks	Guidance
3(d)	**Are text messages a good way for Kyle to receive bookings? Give reasons for your answer.** Yes – convenient/easy to receive (1) reduces time to take phone calls (1) no need to employ staff to take bookings (1) which would increase costs (1) easy to record customer phone number (1) Kyle can respond quickly (1) has record of booking (1) able to refer back to message later (1) in case of dispute (1) more convenient for customers to send (1) quicker than sending an email (1) cheaper/quicker to send (1) as most customers would have mobile/smartphones (1) can send message anytime/anywhere (1) no need for internet connection (1) No – Kyle might not have all the customer details (1) and if there is a poor signal (1) he will not receive the message (1) the customer will not know whether Kyle has read/ignored the message (1) expectation on Kyle to respond quickly (1) can put pressure on Kyle (1) some customers may not wish to use text messages (1) and might go to another fitness centre (1) some customers would prefer face-to-face/formal method / website (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(e)</td><td>Do you think Kyle should buy a fitness centre franchise? Discuss the advantages and disadvantages to Kyle of becoming a franchisee. Give reasons for your answer.

A franchisee buys the local rights to use a well-known name, product and marketing of another company with a successful business model.

Advantages:

• Franchise will have access to a bigger market so Kyle does not have to establish his personal reputation
• Kyle will receive advice on how to make the fitness centre successful – he needs this because he has made mistakes and has negative working capital
• Support with marketing can increase sales
• He can sell his studio, repay his mortgage and use his capital to buy the franchise

Disadvantages:

• Kyle has to pay for the franchise
• Royalties will have to be paid from profits
• Kyle will lose control so he cannot make his own decisions
• Mistakes by one franchisee may create a bad image for whole business damaging Kyle’s reputation and reducing sales revenue

Evaluation:

As Kyle is ambitious to succeed, he might see buying a franchise as an opportunity to overcome his problems with his independent studio and benefit from gaining support and having an already established successful franchise. However, much depends on whether Kyle is happy to run the way the franchisor wants and pay royalties for all of his hard work.</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 Kyle should buy a fitness centre franchise.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantages and/or disadvantages of Kyle buying a fitness centre franchise without evaluation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to buying a fitness centre franchise.</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	Marks	Guidance
4(a)(i)	**Explain what is meant by *direct debit*.** Instruction to a bank (1) to authorise/allow creditor to take money from their account (1) payment is collected by insurance company/creditor (1) on irregular/regular amounts (1) on irregular/regular intervals/dates (1)	**2**	
4(a)(ii)	**State <u>one</u> reason why insurance companies accept debit card payments for premiums.** • Payment is guaranteed/secure • Immediate/instant payment/faster/direct payment / no credit • No bad debts • Aids/quick cash flow • Reduces cash handling • Reduces paperwork	**1**	

Question	Answer	Marks	Guidance
4(b)	**Explain, using examples, <u>two</u> reasons why two people of the same age may be quoted different premiums for life cover by the same insurance company.** • Health (1) may already have a serious illness (1) higher premiums for serious illnesses (1) • Family medical history (1) may be predisposed to more ailments (1) higher premiums for those with a family history of illness (1) • Smoker (1) has higher health risk (1) higher premiums for smokers (1) • Gender (1) females usually have higher life expectancy (1) lower premiums for females (1) • Occupation (1) might be a / stuntman/miner (1) higher premiums for dangerous jobs (1) • Lifestyle (1) e.g. like climbing mountains/racing cars (1) higher premiums for high-risk activities (1) • Location/environment (1) areas have different mortality rates (1) areas with higher mortality rates, higher premiums (1) • Past claims made / accident records (1) more claims, higher premiums (1) younger drivers have more car accidents (1) higher premiums for younger drivers (1)	**4**	Any 2 reasons and explanation of each to a maximum of 4 marks

Question	Answer	Marks	Guidance
4(c)	**Assess the benefits and drawbacks of buying insurance from an online insurance company. Give reasons for your answer.** An online insurance company sells insurance policies via the internet. **Benefits:** • Online is convenient as you do not have to spend hours on the telephone • No pressure to buy a particular policy as you do not meet a salesperson face-to-face • Only have to fill out one form, one time and get several quotes • Easy to compare insurance quotes - some websites provide this service • Online companies may be able to offer better rates as they are able to take advantage of savings in labour/marketing costs **Drawbacks:** • The personal touch is lost and it may be difficult to obtain information/advice on queries that arise • May be difficult to make a claim • The website advert may give very little information about the insurance offered and what cover is included • May be hidden charges which increase the cost • Might result in fraud with money lost if company is not reputable / have fake website **Evaluation:** Buying insurance online is a fast and probably cheaper option but it is not for everyone. Some people are not computer literate or do not want to spend time completing online forms. They would prefer to phone up an insurance company to speak to a human being to receive personalised advice in answer to specific questions.	**6**	Up to 2 marks for **describing** insurance/online insurance company Up to a further 2 marks for **analysing** whether buying insurance online should (or not) used Up to a final 2 marks for **evaluating** whether buying insurance from an online insurance company should be used

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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>What is meant by a trade deficit?

The amount by which the value of a country's imports exceeds the value of its exports/imports greater than exports</td><td>1</td><td></td></tr>
<tr><td>5(a)(ii)</td><td>Which year has the largest trade surplus?
2000/2001/2002</td><td>1</td><td></td></tr>
<tr><td>5(b)</td><td>Which of these statements about sea transport are true and which are false?

<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>A bill of lading is used as a shipping document</td><td>✓</td><td></td></tr>
<tr><td>Cargo liners operate on fixed routes and on fixed timetables</td><td>✓</td><td></td></tr>
<tr><td>Container ships are suitable for carrying coal</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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(c)</td><td>The government of country A wants to reduce its trade deficit. It may use import quotas, or ask banks to make cheaper loans more easily available to exporters.
Discuss each of these two options. Which would you recommend? Give reasons for your answer.

An import quota is a limit on the total quantity of a product that can be supplied to a market.

Quotas:
• Quotas will reduce the need to import goods so helping the balance of trade
• They will help to stimulate home production so the country is less dependent on foreign goods being imported
• They can lead to higher prices for consumers as the supply of goods is limited

Bank loan:
A bank loan provides medium or long-term finance. The bank sets the fixed period over which the loan is provided, the rate of interest and the timing and amount of repayments.
• The exporters will use the loan for investment to stimulate production of exports
• The government will negotiate better interest rates for exporters
• The government will encourage banks to lend to exporters even though it is a higher risk

Evaluation:
Country A will encourage banks to provide loans to exporters to increase exports and reduce its trade deficit. The government may have to guarantee the loans because the banks think export is risky. Quotas will stop so many imports but the exporting countries may retaliate and refuse to buy goods from country A. Country A has a big deficit so it should do both.</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 the government should be using import quotas or asking banks to provide loans to exporters in order to reduce the trade deficit.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantages and/or disadvantages of using import quotas and/or bank loans to reduce the trade deficit without evaluation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to using import quotas and/or bank loans to reduce the trade deficit.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>

Note: Can obtain up to 7 marks for discussing one option.
</td></tr>
</table>

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