Cambridge Assessment International Education

Cambridge O Level

COMMERCE **7100/22**

Paper 2 Written **October/November 2022**

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 2022 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.

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)

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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).

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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Annotations

Symbol	Possible Use
Tick	Tick
X	Cross
BOD	Benefit of doubt
Highlight	Highlight
On Page Comment	On Page Comment
Off Page Comment	Off Page Comment
TV	Too vague
REP	Repeat
L1	Level 1
L2	Level 2
L3	Level 3
NAQ	Not answered question
OFR	Own figure rule
SEEN	Noted but no credit given
BP	Blank Page

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Question	Answer	Marks	Guidance
1(a)	**Define *online retailer.*** Someone/seller who sells goods/services using the internet/website/ ecommerce/phone/app or sells goods not from a shop	**1**	Note: 0 marks for just saying 'selling goods online' or 'buying goods online'
1(b)	**Do you think Fig. 1.1 is an effective advertisement? Give reasons for your answer.** Yes – Social media has a large market (1) increases sales/goods bought/seen by many consumers (1) used 24/7/anytime (1) across the world/anywhere (1) cheap to advertise (1) able to edit (1) is interactive (1) encourages conversation/engagement (1) e.g the use of a question attracts people to comment (1) like a post/favourite is liked (1) which design is popular (1) share with others (1) easy to give feedback/contact by app / buy the goods (1) e.g. what they like about the plain t-shirt (1) enables consumers to make a choice/select (1) from a variety/range of t-shirts (1) No – Does not show anyone wearing the t-shirts (1) no video to show t-shirts (1) not eye-catching/not catchy (1) lacks information (1) e.g. prices (1) e.g. no sizes (1) no positive content on people's reactions to wearing the t-shirts (1) result in consumers wanting more advice (1) will take up Nazif's time (1) has no branding (1) does not make advert stand out from competitors (1) no method of appeal (1) not persuasive (1) no colour (1) no contact details (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses Note: 0 marks for 'lack of design'

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Question	Answer	Marks	Guidance
1(c)	**Explain two difficulties to Nazif of storing all his t-shirts in his parents' house and garage.** • His parent's garage may not be suitable for storing fabric (1) stock may be damaged (1) e.g. oil/termites (1) leading to wasted stock (1) that he cannot sell (1) • May not have enough space to store his stock / house/garage may be too small (1) could affect sales if he cannot supply customers in time (1) if there is an increase in demand (1) • May not have adequate security (1) leading to theft (1) may have to pay increased premiums (1) • Difficult to manage/organise stock/inventory (1) in a congested space (1) as house/garage will have other items (1) so difficult to arrange stock / find stock (1) time consuming (1) leading to delays (1) and wrong orders (1) • Unable to park car/van in garage (1) less convenient (1) • Difficult to grow the business (1) if there is a lack of space to store the t-shirts (1) • May affect home activities (1) which could result in having to obtain extra/separate storage elsewhere / e.g. if parents unhappy (1) will increase his costs (1)	**4**	Any 2 difficulties and explanation of each to a maximum of 4 marks Note: explanations can be mixed and matched from any of the bullet points if suitably linked Note: 0 marks for simply saying 'it will be difficult to store his products' 0 marks for neighbour issues
1(d)	A person who can persuade others to buy goods on social media is a/an **influencer.** One way to reduce the impact of fashion on the environment is to buy **fewer clothes.**	**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>Nazif’s t-shirts have sold well and he now wants to sell his t-shirts in small retail stores. He must decide which chain of distribution to use. He has two options:

Option 1: supplying to small retailers directly
Option 2: supplying through a wholesaler.

Discuss each of these two options. Which would you recommend? Give reasons for your answer.

A retailer is a person or a company who sells products directly to their customers for a profit
A wholesaler is a person or company who sells products in bulk to retailers for onward sale

Option 1:
• Retailers carry out many functions e.g. sells the goods / clears Nazif’s production line/buying his t-shirts / provides advice or information / delivery / after-sales service / displays goods / provides credit / storing goods / packaging (ALLOW any retailing function as all separate L1 marks up to maximum of 4 L1 marks)
• Extends Nazif’s market (L1) with more potential customers / increased sales (L1)
• No need to deliver/send t-shirts to many individual customers (L1) as customers will purchase in store, reducing distribution costs (L2)
• No need to sell in bulk (L1) as he can sell in small consignments (L2)
• Direct communication with retailer (L1) so can be flexible in decision-making (L2)
• The t-shirts can be seen and felt by customers (L1) so there will be fewer returns (L2)
• Lack of control/relationship with customers (L1) as Nazif is relying on retailers to provide good customer service (L2)
• Retailers might not promote the t-shirts as Nazif would like (L1) so less sales compared to branded goods (L2)</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 Nazif should be supplying T-shirts to small retailers or supplying through a wholesaler.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the advantages and/or disadvantages to Nazif of supplying T-shirts to small retailers or supplying through a wholesaler.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to using small retailers and/or wholesalers to sell Nazif’s T-shirts.</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

Note: 0 marks for timing of receipt of money</td></tr>
</table>

Question	Answer	Marks	Guidance
1(e)	• Nazif will need to consider location (L1) local retailers will reduce costs (L2) • May have less sales (L1) as competition from large-scale retailers (L1) • Lower profit margin on sales than selling online (L1) as retailers will expect to receive a good profit margin (L2) Option 2: • Wholesalers carry out many functions e.g. buying in bulk / breaking bulk / advice / delivery / storage / display / risk bearing / pay promptly / discount / selling to small retailers (ALLOW any wholesaling function as all separate L1 marks up to maximum of 4 L1 marks) • Wholesaler will buy in bulk (L1) so clearing all of Nazif's stock (L2) • Saves Nazif from making numerous deliveries to many small retailers (L1) therefore reducing Nazif's costs (L2) • Reduces the problem of holding stock in his parents' home (L1) so less chance of goods being stolen/damaged (L2) • Wholesalers provide market research information (L1) so that Nazif is kept informed about customer demand and trends (L2) • Wholesalers will advertise widely (L1) increasing Nazif's sales (1) • Wholesalers know about target customers (L1) so can increase sales (L2) • Selling to wholesalers will be at a reduced price (L1) which means a percentage cut in profits/less profits for Nazif (L2) • Wholesalers will expect large orders only (L1) to make selling the t-shirts worthwhile / Nazif may not be able to produce enough orders (L2) **Evaluation:** The recommendation depends on how many t-shirts reach the target market and the profit margin that he can obtain. If he can develop strong relationships with small retailers, who are able to promote his goods effectively and at reasonable profit margins, then they may be the better option. However, if he can sell more t-shirts to wholesalers, who would sell them into more retail stores than he could have found on his own,		

Question	Answer	Marks	Guidance
1(e)	that would result in a bigger increase in his brand awareness and profit margins, so long as he makes a good deal on price with the wholesaler.		

Question	Answer	Marks	Guidance
2(a)	**State <u>two</u> features of a private limited company.** • Minimum of two shareholders • No upper limit of shareholders • Owned by shareholders/private individuals • In private sector • Controlled by Board of Directors • Transfer of shares is restricted/can sell shares to family/cannot sell shares to the general public • Limited liability • Legal entity • Register with registrar of companies • Published accounts • Certificate of incorporation needed before trading • Perpetual succession/continuity • Family business	**2**	1 mark for each feature

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Question	Answer	Marks	Guidance
2(b)	**Describe <u>two</u> differences between home trade and overseas trade.** • Home trade is buying/selling within one country / internal trade (1) overseas trade is buying/selling to other countries / globally /external trade (1) • Home trade has wholesalers/retailers (1) overseas trade has imports(ers)/exports(ers)/merchants/agents (1) • Overseas trade has customs duties/quotas (1) tariffs are added to price / quotas imposed (1) • Home trade uses the same weights/units/voltage etc (1) overseas trade may be different / more complex (1) • Home trade uses the same/local currency (1) whereas overseas trade use different/other currencies (1) • Home trade has same more straightforward means of payment (1) whereas overseas trade may be more complex e.g. documentary credits (1) • More documents in overseas trade than in home trade (1) allow example, e.g bill of lading, certificate of origin for overseas trade (1) • Different forms of transport used, e.g. road/rail/land transport in home trade (1) air/sea in overseas trade (1) • Home trade uses one language (1) overseas trade may involve different languages (1) • Home trade has excise duties (1) overseas trade has customs duties/tariffs (1)	**4**	Any 2 differences and explanation of each to a maximum of 4 marks Accept examples to explain differences in e.g. language, currency Note: 0 marks for transport costs or distances or rules/regulations Note: explanations can be mixed and matched from any of the bullet points if suitably linked

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Question	Answer	Marks	Guidance
2(c)	**Do you agree that specialisation benefits AA Ltd? Give reasons for your answer**. Yes - It increases output (1) it makes greater use of machinery / mass production (1) greater efficiency (1) speeds up production (1) higher quality/better goods (1) less waste (1) fewer mistakes/errors (1) easier to train workers (1) cost of training is reduced (1) less/saves time (1) wasted by workers moving from job to job (1) increases the skill of workers (1) by repeating tasks (1) workers become experts (1) allows the business to take advantage of economies of scale (1) No – Boredom (1) may lead to loss of quality / lower output (1) morale of workers may suffer (1) production may be disrupted (1) if a worker is absent / if specialist parts are not delivered (1) affects output (1) as each part of production depends on the performance of other parts of the company (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses
2(d)(i)	**Explain <u>one</u> reason why customs officers might inspect the running shoes that AA Ltd transports overseas.** • Documentation (1) there may be incomplete details (1) ensure the details on the delivery note are correct (1) to check the goods are what they state they are (1) • Customs duties/tariffs (1) to ensure that the correct amount of duty is being charged (1) to demand payment (1) to raise revenue (1) • Enforce quotas (1) on amounts of imported goods (1) • To prevent smuggling (1) of any illegal goods/contraband (1) demerit goods (1) e.g. drugs inside the running shoes / packaging (1) • To keep records (1) imports or exports (1) • To prevent goods coming from a country not sanctioned (1) example (1)	**2**	1 mark for reason plus 1 mark for relevant explanation Note: explanations can be mixed and matched from any of the bullet points if suitably linked

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Question	Answer	Marks	Guidance
2(d)(ii)	**Is a public limited company a better form of business ownership than a private limited company? Give reasons for your answer.** A public limited company is a large company (L1) owned by many shareholders (L1) who have bought shares through a stock exchange (L1) • Changing to a public limited company enables a company to raise capital (L1) from potential shareholders buying shares through a stock exchange L1) • May make it easier to borrow money from banks (L1) seen as less risky (L2) • Shareholders have limited liability (L1) attracts outside investors (L2) • Although ownership of the shares may change, the company is assured of continuity of existence. • With opportunities to acquire large amounts of capital, a plc can benefit from economies of scale such as bulk buying and the latest technology. • A plc will be able to take advantage of specialist management and directors from a wide range of expertise. • Improved image/higher profile/more well-known (L1) which can lead to increased sales (L2) • Increased capital (L1) more opportunities for growth (L2) There are, however, some disadvantages of a public limited company: • Potential loss of control (L1) as may be subject to takeover bids from other companies (L2) • There is no restriction on ownership of shares and shares can be transferred without the consent of the other shareholders. • Separation of ownership from management can be an issue, with some shareholders interested in short-term profits and not in long-term strategic gains. • Loss of personal contact between management and workers and between customers and the company.	**6**	Up to 2 marks for **describing** public limited companies / business ownership Up to a further 2 marks for **analysing** the benefits of a public limited company than being a private limited company Up to a final 2 marks for **evaluating** whether a public limited company is a better form of business ownership than being a private limited company

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Question	Answer	Marks	Guidance
2(d)(i)	**Evaluation:** The main consideration is about stability and risk. If a company is well established and has the financial backing and growth potential to become a public limited company, then the advantages of a public limited company can result in greatly improved prospects. However, if it is a small business with limited reach, or a new company still establishing, such a big undertaking is unlikely to be the better form of business ownership. Instead, it might be better for the business to remain with private investors and maintain greater levels of control.		

Question	Answer	Marks	Guidance
3(a)	**State <u>two</u> features of a trading bloc.** A group of countries/member countries (1) sign an agreement (1) agree to free trade (1) no duty/tariffs/quotas/embargoes/barriers exist between these countries (1) have common tariff (1) free movement of labour/capital (1) agree to promote/increase trade with each other (1) external tariff charged on goods from non-member countries (1)	**2**	1 mark for each feature Note: 0 marks for an example
3(b)	**Explain one advantage to BB Ltd of exporting.** • Increased sales/profits (1) selling goods to a new market/another country expands the size of its market / global market (1) more customers (1) • Lower costs (1) expand production to meet higher demand leading to lower average costs / greater economies of scale (1) • Reduced vulnerability / greater diversification (1) the company is able to spread its risk / not dependent on home country for sales (1) • Able to sell excess production of toys (1) not selling well in the home market / avoiding giving discounts (1)	**2**	1 mark for advantage plus 1 mark for relevant explanation Note: 0 marks for ‘more jobs’ Note: explanations can be mixed and matched from any of the bullet points if suitably linked

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Question	Answer	Marks	Guidance
3(c)(i)	**Explain <u>one</u> reason why BB Ltd would prefer to receive electronic payment before transporting toys to export customers**. • Receive customer payment quickly/fast/first (1) via electronic devices / the internet (1) has proof of payment (1) • Reduces risk of non-payment/fraud/scammed (1) after customers already have the toys/so that they are not given free toys (1) • Other methods not convenient/acceptable (1) e/g. cash/cheques • As a new seller (1) there may be a lack of trust / in other payment methods (1)	**2**	1 mark for reason plus 1 mark for relevant explanation Note: 0 marks for 'transporting toys' as in stem Note: 0 marks for 'safer' Note: 0 marks for 'more convenient' Note: explanations can be mixed and matched from any of the bullet points if suitably linked
3(c)(ii)	**Explain why buyers may <u>not</u> want to pay in advance.** • Creates cash flow problems/need to pay other bills (1) if buyer does not have money available immediately (1) • Buyer may be concerned that goods will not be sent (1) may be a scam/fraud (1) after paying for them in advance (1) • May want to see/possess goods in person first (1) as never bought from BB before (1) so as to check quality (1) goods may arrived damaged/in poor condition (1)	**2**	1 mark for reason plus 1 mark for relevant explanation Note: explanations can be mixed and matched from any of the bullet points if suitably linked Note: 0 marks for 'goods lost in transport'

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Question	Answer	Marks	Guidance
3(d)	**Fig. 3.1 shows the estimated transit times and costs for the two methods of transport that BB Ltd could use to export the toys to the EU.** **Evaluate which method of transport BB Ltd should use. Give reasons for your answer.** Reasons to use air transport compared to sea transport: • The need for speed / long distances (L1) up to 33 days quicker (L2) BB may want to get goods to market quickly (L2) • More cargo planes available with greater capacity (L1) reducing costs of air freight (L2) • Increased number of airports in Asia and the EU (L1) making more air routes available with better facilities at airports for handling cargo / greater storage facilities (L2) • Greater security (l1) less theft/damage (L2) • As BB are exporting for the first time (L1) they will want to meet deadlines (L1) increase reputation (L2) Reasons to use sea transport compared to air transport: • It is cheap / particularly over long distances (L1) In Fig. 3.1, there is a saving of $3000 (L2) compared to using air transport which is expensive (L1) • It can move large volumes of cargo (L1) so could export more toys (L2) • Environmentally friendly (L1) with less pollution than air transport (L2) so may give BB a better image (L2) • As goods are going by containers (L1) there is less theft/damage (L2) • Goods can be subject to weather problems at sea (1) leading to delays (L2)	**6**	Up to 2 marks for **describing** air/sea transport Up to a further 2 marks for **analysing** which method of transport BB Ltd should use Up to a final 2 marks for **evaluating** BB Ltd's choice of transport Note: explanations can be mixed and matched from any of the bullet points if suitably linked

Question	Answer	Marks	Guidance
3(d)	**Evaluation:** Toys are usually quite cheap items so the cost of air transport would be a significant factor in deciding the export price of the toys and would affect the success of BB's new venture into exporting to the EU. Most businesses want to get goods to customers in the most cost-effective way possible so, as toys which are non-perishable/not valuable or luxury goods, sea transport is recommended because it will keep costs down. Later, if BB prove successful in exporting and there is high and fast demand, they could switch to air transport when they know the market better.		

Question	Answer	Marks	Guidance
4(a)	**A convenience store is a small-scale retailer.** **Give <u>one other</u> type of small-scale retailer.** • Mobile shop • Hawker • Pedlar • Tuck shop • Kiosk • Roadside trader/food stall • Street market stall • Vending machine	**1**	

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Question	Answer	Marks	Guidance
4(b)	**Do you think that Mrs Ali should offer informal credit to some customers? Give reasons for your answer.** Yes – As it is given to known customers, less likely to lose money (1) it can increase sales/attract customers (1) increased turnover (1) impulse buys (1) selling some goods that consumers cannot afford (1) and increase customer loyalty/more likely to shop there (1) can gain competitive advantage over other stores not offering informal credit (1) will trust dealing with Mrs Ali (1) No – Risk of bad debts (1) must trust the consumers before granting informal credit/are they able to pay back/must be creditworthy (1) does not help cash flow (1) to finance/buy more stock (1) has to wait for the money (1) no interest / only receives the original amount back (1) need to make records of purchases (1) if there are many customers, this will be time-consuming (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses Note: 0 marks for 'regular customers'

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Question	Answer	Marks	Guidance
4(c)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Mrs Ali of receiving 30 days' credit from some suppliers.** Advantage: • Improves cash flow (1) as payment is delayed/spread out for 30 days (1) • Allows Mrs Ali to sell goods (1) and earn revenue to pay the supplier (1) • Can be used to buy more stock (1) if there is increased demand (1) • Interest-free (1) cheaper than other sources /cheaper than overdraft/ no extra costs (1) Disadvantage: • There may be extra costs / penalties / interest (1) if money is not paid back within 30 days (1) • Can damage future credit (1) if Mrs Ali does not pay (1) • May be unable to take advantage of discount offers if a credit customer (1) unable to increase profit margins (1) • Only limited funds offered (1) not useful for large purchases (1) • Temptation to buy more stock (1) increasing debt (1) • Need to keep check on cash flow (1) otherwise, more debt / less profit (1) • May forget to pay before 30 days (1) if records not kept (1)	**4**	1 mark for advantage plus 1 mark for relevant explanation (Maximum 2 marks for advantage) 1 mark for disadvantage plus 1 mark for relevant explanation (Maximum 2 marks for disadvantage) Note: explanations can be mixed and matched from any of the bullet points if suitably linked

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Question	Answer	Marks	Guidance
4(d)(i)	**Evaluate the role of an insurance broker in arranging buildings insurance for Mrs Ali.** An insurance broker is a professional who offers advice (L1) negotiates (L1) researches policies (L1) and sells policies (L1) They act as intermediary (L1) between insurers and customers (L1) schedules meetings (L1) collects insurance premiums (L1) advises on claims (L1) and receives commission (L1) Buildings insurance covers the cost of repairing damage (L1) to the structure of a property (L1) • An insurance broker should offer independent advice to Mrs Ali on which insurance company to use. If Mrs Ali has difficulty in obtaining insurance cover, an insurance broker would be able to recommend an insurance company willing to offer insurance. This could save her time and money. • Brokers receive commission so unscrupulous ones may favour the insurance company they receive the highest commission from, which may not necessarily be the best deal for Mrs Ali. • The insurance broker will organise the proposal form and other documentation and arrange for the premium to be paid. They will help Mrs Ali understand the policy details and help her work out the level of cover needed. • The insurance broker would also assist Mrs Ali in making a claim if store is damaged. **Evaluation:** Insurance brokers do not sell insurance but are there to work for Mrs Ali in providing her with independent and expert advice, to help her take out the best insurance policy in a smooth and effective way. She has her convenience store to operate so a broker can save her time/money. However, she could also research comparison websites, which she can do at any time rather than meeting/talking to a broker in business hours, and choose her insurance company that way.	**6**	Up to 2 marks for **describing** insurance brokers/buildings insurance Up to a further 2 marks for **analysing** the importance of an insurance broker to Mrs Ali Up to a final 2 marks for **evaluating** whether an insurance broker is important to Mrs Ali

Question	Answer	Marks	Guidance
4(d)(ii)	**An insurance company charges Mrs Ali $21 per $10 000 insured for buildings insurance.** **Calculate the cost to Mrs Ali of insuring her store for $170 000.** $357 (2) Method: $170 000/10 000 x 21 or $170 000 x 21/$10 000 or 170 000/10 000 = 17 x 21	**2**	No OFR

Question	Answer	Marks	Guidance
5(a)	**Using the information given in Fig. 5.1, complete (i)–(iv) on the invoice below.** **THE HASSAN GO-KART EXPERIENCE** **INVOICE** Customer name - Waleed Tarkan 15 October 2022	**4**	1 mark for each correct answer No OFR

Description	Quantity	Cost ($)	Total ($)
Package B	1	50	50
Extra laps	6	**(i) 5 (1)**	30
Helmet headcam	1	20	20
		Total	**(ii) 100 (1)**
Discount for online booking			**(iii) 10 (1)**
		Total to pay	**(iv) 90 (1)**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(b)</td><td>Which of these statements about finance 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 go-kart helmet is a fixed asset.</td><td>✓</td><td></td></tr>
<tr><td>Working capital is important for paying Hassan’s bills.</td><td>✓</td><td></td></tr>
<tr><td>Creditors are suppliers who owe money to Hassan.</td><td></td><td>✓</td></tr>
</table>
</td><td>3</td><td>1 mark for each correct answer</td></tr>
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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>Hassan wants to buy three new go-karts for $2800 each and make repairs to two other go-karts. The go-kart repairs will cost $300 each.

Analyse Hassan’s decision to finance the purchase and repair by using an overdraft. Give reasons for your answer.

An overdraft is a short-term (1) borrowing facility (L1) from a bank (L1) attached to a current account (L1) set at an agreed limit (L1) interest charged on overdrawn amount (L1) interest rate variable (L1)

Reasons to use an overdraft:
• An overdraft is flexible (L1) so Hassan can borrow what he needs at the time (L2)
• It is quick/simple to arrange (L1) as there is less need for formal bank discussions and less paperwork involved (L2)
• Often cheaper than a loan (L2) because of variable interest payments (L1)
• There is not normally a charge for paying off the overdraft earlier than expected (L1) reduces borrowing costs (L2)
• Repairs of $600 (L2) would be suitable for an overdraft as would be considered a short-term source of finance (L1)

Reasons not to use an overdraft:
• Interest is charged on the amount overdrawn (L1) increasing cost of borrowing (L2)
• Interest rate is variable (L1) making it difficult to calculate accurately borrowing costs (L2)
• Interest rate is likely to be higher than a loan (L1) increasing costs (L2)
• The bank has the right to ask for repayment of an overdraft amount at any time (L1) leading to uncertainty (L2)
• Go-karts would cost $8400 (L2) so would be more suitable for a long-term source of finance (1)
• Needs combined borrowing of $9000 (L2) which might be difficult to obtain an overdraft for (L2)</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 Hassan should be an overdraft to improve his business.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of the reasons for using/not using an overdraft to improve his business without evaluation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding, with application to go-karts, of using an overdraft to improve his business.</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:** Overdrafts are mostly used for day-to-day expenses. The repairs costing $600 would be considered a day-to-day expense that Hassan could use an overdraft for and get the repairs done quickly, so that he has two more go-karts available to generate more revenue. The three new go-karts, costing $8400, may be more appropriate for long-term finance, such as a loan or hire purchase which would allow Hassan to plan his outgoings better. We do not know how long Hassan's business has been operating, whether he already has an overdraft facility of over $9000 or whether his bank might loan him the money, but a mixture of both might be the best recommendation. Alternatively, he might want to pay for the repairs first and afterwards save money to help pay for the go-karts.		

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