

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
General Certificate of Education Ordinary Level

**MARK SCHEME for the November 2004 question paper**

**7100/01**

**7100/01 Commerce, Paper 1 , maximum raw mark 40**

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November 2004

**GCE O LEVEL**

|                                         |
|-----------------------------------------|
| MARK SCHEME                             |
| MAXIMUM MARK: 40                        |
| SYLLABUS/COMPONENT: 7100/01<br>COMMERCE |

|        |                             |          |
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| Page 1 | Mark Scheme                 | Syllabus |
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1 (a) Any five points x 1 mark each and +1 for a well developed point such as -

- allow advertising
- needs to keep in touch with all its markets/expand markets
- needs to be able to take up opportunities
- needs to be able to communicate quickly and respond to change
- needs to keep in touch with employees around the world
- needs to keep in touch with branches around the world
- needs to be able to fulfill orders and meet delivery dates
- needs to keep up with its competitors
- need for adventure - creating image
- need to save time
- need to cut costs
- any other relevant point

5 max

(b) Any three means of communication x 1 mark each such as -

|                  |              |                    |                        |
|------------------|--------------|--------------------|------------------------|
| e-mail           | fax          | telephone          | tele/videoconferencing |
| letter           | memo         | network (intranet) | cellphone/mobile phone |
| internet/website | letters/mail | telex              | face to face           |

+2 marks each for the circumstances in which they might be used -

e.g. telephone - to hold an important discussion  
 - to reach decisions requiring immediate action

9 max

(c) Any two reasons x 3 marks/three reasons x 2 marks or six points x 1 mark each such as -

- distance –  
makes communication more difficult, transport is more expensive and transactions take longer
- different currencies –  
need to change them, exchange rates
- difficulty of obtaining payment -  
means of payment through banks, electronic transfer, risk of non-payment
- different customs/laws -  
may affect what can be sold, may have to make for a particular market
- customs barriers -  
make goods more expensive, have to comply with many regulations
- more competitive -  
operating on large scale e.g. need more capital
- any other relevant reason

6 max

**Total Mark 20**

|        |                             |          |
|--------|-----------------------------|----------|
| Page 2 | Mark Scheme                 | Syllabus |
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2 (a) (i) Any three reasons x 1 mark each such as -

- amounts in words and figures differ
- cheque is stale
- cheque is post dated
- cheque is torn/dirty/mutilated
- signature differs from specimen in the bank
- insufficient funds in the account
- unsigned alterations on the cheque
- account is closed/drawer is insolvent/bankrupt
- drawer is dead/insane
- cheque has been stopped
- any other relevant point

3 max

(ii) Any three points x 1 mark each (up to 2 marks for a well developed point) such as -

- check cheques before accepting them
- keep careful records of customers who have caused problems
- ask for cash payment
- insist on the use of a cheque guarantee card
- do not accept cheques beyond the limit of the card
- take the person to court
- any other relevant point

3 max

(b) (i) fidelity bond/guarantee

1 max

(ii) Any six points x 1 mark each such as -

- contact insurance company/broker
- complete proposal form giving all relevant information with utmost good faith
- insurance company will assess the risk and calculate the premium
- if accepted a policy will be issued which is the contract of insurance and premiums will be paid for the cover
- any other relevant point

6 max

(c) (i) Any three points x 1 mark (up to 2 marks for a well developed point) such as -

- his income may be falling because of competition
- so his sales are falling attracting his customers
- the chain is offering a wider choice
- at a more competitive price
- as the chain can take advantage of economies of scale and possibly offer other services to attract consumers
- any other relevant point

3 max

|        |                             |          |
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(ii) Any two actions x 2 marks each such as -

- offer a wider range of goods and also offer services which the multiple chain does not offer
- offer better services + e.g.
- stock different goods from the chain store
- advertise more widely
- try to cut costs e.g. staff
- if the worst happens close his shop
- any other relevant point

4 max

**Total Mark 20**

3 Award up to 5 marks per section. Allow marks for description as well as ways in which the exporter would use the following:

**(a) agents**

- people who work on behalf of the exporter
- looking for buyers
- saves cost of advertising/organising sales/transport/insurance/documentation/storage/customs clearance (allow any of these) as the agent may undertake these tasks e.g. forwarding agent, broker, factor (1 max)
- works on commission
- has specialist knowledge of market/local knowledge
- any other relevant point

5 max

**(b) air waybills**

- because the exporter is likely to use air transport to export the computers
- this document accompanies the goods sent by air
- it gives details of the goods, the journey, the consignor and consignee
- it may give the value of the goods for customs purposes
- it acts as a receipt for the transport of the goods
- not document of title
- evidence of a contract
- any other relevant point

5 max

**(c) container lorries**

- enables goods to be transported safely (1) preventing damage/theft (1)
- the exporter may be sending the computers across land borders so they can be packed in a container and sent by road
- the exporter may be sending the computers to the docks/airport for export by air or ship
- can send a large number of computers in one consignment which should reduce damage as the container can be packed at the factory and not unpacked until it reaches its destination
- storage provision
- any other relevant point

5 max

|        |                             |          |  |
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**(d) packaging**

- computers are fragile machines so good packaging is necessary to protect them against damage/theft
- the packaging may be in various forms - boxes, polystyrene etc
- it assists handling of the computers
- it enables other items to be packed with the computers
- it enables information about the computers to be printed on the packaging
- it may reduce transport costs as there will be less claims for damage
- it makes computers look attractive
- it aids storage
- any other relevant point

**5 max****Total Mark 20**

- 4 (a) (i)** Any six points x 1 mark each and up to 2 marks for a well developed point such as -

- enables payments to be made without cash and purchases to be made on credit in hotels/for transport/for goods any one
- enables large payments to be made
- saves carrying cash and so is much safer
- saves obtaining foreign currency/travellers cheques acceptable worldwide
- may obtain a better rate of exchange
- can be cancelled if lost/stolen
- can be used to obtain cash using an ATM
- useful to postpone payment when on an expense account
- may give discount/voucher/loyalty points
- any other relevant point

**6 max**

- (ii)** Any four points x 1 mark each such as -

- enables messages to be sent/received when travelling
- enables the traveller to keep in touch with office
- enables traveller to receive messages across time zones
- messages stored until the traveller has time to access them
- can send text messages
- can leave messages for people
- saves funding a landline
- calls are prepaid
- any other relevant point

**4 max**

- (b)** Any four points x 1 mark each such as -

- provides a rapid form of transport with access to most cities around the world
- enables the business traveller to undertake business wherever required
- has led to international salesmen who undertake business face to face; travel long distances
- enables businessman to work/relax on plane
- any other relevant point

**4 max**

|        |                             |          |
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(c) (i) Any three circumstances x 1 mark each (+1 for well developed point) such as -

- when the bill is for a small amount/example
- when there is plenty of cash available
- when a cheque or other means of payment is not accepted
- when discount is offered for cash

3 max

(ii) Any three circumstances x 1 mark each (+1 for well developed point) such as -

- when dealing with a regular supplier
- when making payments of irregular amounts frequently (instalments)
- when wishing to save on clerical work/time/paperwork
- when the payee demands that a debt is paid by direct debit
- when the payee offers an incentive to use direct debit
- any other relevant circumstance

3 max

**Total Mark 20**

5 (a) (i) Any two examples x 1 mark each such as -

- offers and bargains in all departments changing each day
- free gifts
- special offers
- come quickly while stocks last
- free car parking

2 max

(ii) Any two examples x 1 mark each such as -

- opening of new superstore
- name of store
- location of store in Greendale
- time of opening
- name of the opener
- date of opening
- extended opening hours in all branches
- types of goods listed

2 max

(b) Any six points x 1 mark each or three well developed points x 2 marks each such as -

- cheaper prices
- more promotions + example
- additional services + example
- better customer service
- better quality products
- wider range of goods
- wider choice
- more information to consumers
- ability to bargain
- any other relevant point

6 max

|        |                             |          |
|--------|-----------------------------|----------|
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(c) Any two benefits explained x 2 marks each such as -

- fairly competitive rates compared with other forms of advertising
- can repeat the advertisements
- can give a lot of information in a small space
- can reach the target group required as many people read newspapers
- use of colour
- cheap (1)
- cheaper than ....(2)
- any other relevant reason

4 max

(d) (i) Any two x 2 marks each such as -

- advertising undertaken by a group of producers or a trade association on behalf of producers to advertise the product itself
- sharing costs and so increase overall sales of the product perhaps at the expense of another product e.g. beef versus lamb
- does not seek to promote the product of an individual producer
- may also be used to promote a place e.g. a holiday place
- any other relevant point

4 max

(ii) relevant example e.g. drink more milk

2 max

**Total Mark 20**

6 (a) Any one document x 1 mark such as enquiry/quotation and 1 mark for its purpose  
OFR allowed

2 max

(b) Any two differences x 2 marks each such as -

- order is sent from the buyer to the seller
- invoice is sent from seller to buyer
- order requests the supply of goods/services
- invoice accompanies goods sold
- order gives details about the order/delivery address
- invoice contains all information related to the order

N.B. Allow differences relating to the data

- any other relevant difference

N.B. to achieve full marks, candidate must have commented on both order and invoice

4 max

(c) Any reason x 1 mark such as -

- shows that it has been approved within the company ordering
- shows a commitment by the buyer to the seller

1 max

|        |                             |          |
|--------|-----------------------------|----------|
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- (d) (i)  $\$1120 \times .25$  (1 mark) = \$280 (1 mark)  
 $\$1120 - \$280 = \$840$  (1 mark)  
allow full marks if correct answer is shown  
without working OFR applies 3 max
- (ii)  $\$840 \times .02 = \$16.80$  (1 mark)  
 $\$840 - \$16.80$  (1 mark) = £823.20 (1 mark)  
allow full marks if correct answer is shown  
without working OFR applies 3 max
- (iii) Any two points x 1 mark or one well explained point x 2 marks such as -
- when the retailer has insufficient funds
  - when the retailer wishes to use funds elsewhere and can take advantage of larger incentives to pay early 2 max
- (e) Any five points x 1 mark (up to 2 marks for well developed points) such as -
- cheaper prices because likely to be buying in bulk
  - may obtain better discounts + explanation of discounts
  - may be able to obtain goods more quickly and so put them on sale more quickly so gaining income
  - cuts out the costs of the wholesaler
  - may be less damage to the travel goods
  - retailer receives better information from manufacturer
  - goods may be fresher/more up to date
  - any other relevant point 5 max

**Total Mark 20**

- 7 (a) Any two advantages explained x 2 marks each such as -

- have the benefits of capital from each of the partners so more capital available
- each partner may have specific talents so more labour available
- the workload can be shared giving each partner time off, holiday time
- losses can be shared although unlimited liability exists
- business activities and accounts are kept private
- any other relevant advantage 4 max

- (b) (i)  $\$120\,000 - 12 \text{ parts} = \$10\,000$

Fabrice has  $\$10\,000 \times 7 = \$70\,000$  (1 mark)  
Charlene has  $\$10\,000 \times 3 = \$30\,000$  (1 mark)  
Joseph has  $\$10\,000 \times 2 = \$20\,000$  (1 mark)

**3 max**

|        |                             |          |  |
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- (ii) Any two reasons x 1 mark and up to 2 marks for a well developed reason as -

- Fabrice may have invested more money than the others
- Fabrice may be undertaking far more of the work than the others
- Fabrice may have started the business and the others joined her in the partnership
- any other relevant reason

**2 max**

- (c) (i) To achieve full marks the candidate must have discussed each option  
8 marks max for two options

- sleeping partner -  
additional finance, no work input
- bank loan -  
instant large amount of finance, has to be repaid, interest payments
- private limited company -  
shareholders have ownership, protection of limited liability for shareholders, legal status separate from the owners
- any other relevant advantage and disadvantage

**9 max**

- (ii) recommendation - 0 marks as there is no correct answer

reasons for the choice made x 1 mark each or one well developed answer x 2 marks such as –

- easy to raise finance
- does not interfere with the operation of the business (partnership)
- extends ownership of the company (limited company)
- any other relevant reason which may be a repeated point from (c) (i)

**2 max**

**Total Mark 20**

- 8 (a) (i) ships which carry goods in very large quantities often low value goods or refrigerated goods example - grain, fertilisers

**3 max**

- (ii) ships which carry liquids, usually in bulk in separated tanks  
example - oil, water, gas

**3 max**

|        |                             |          |
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(b) Any three reasons x 2 marks each such as –

- containers can be packed at the factory and not opened again until they reach their destination
- mixed cargo can be carried in one container
- handling time/charges have reduced so costs have decreased handling of containers is mechanised + e.g.
- trans-shipment of containers speeds up transport of goods
- specialised handling depots have been built
- reduction in damage + reason
- speedier delivery of goods
- reduction in theft + reason
- expansion of international trade has meant the development of container ships and container lorries
- can be used as storage
- any other relevant reason

**6 max**

(c) Any eight points x 1 mark or four points x 2 marks with at least 2 marks scored on advantages/disadvantages such as –

Advantages

- has speeded up the transport of freight with the quick turnaround of ships
- has reduced the cost of transporting goods across short sea channels
- has enabled goods to be sent by lorry without unloading
- has led to the increase in container traffic
- has led to the expansion of ferries specially designed for lorries
- has led to the development of ferry terminals designed to handle lorries
- has enabled a variety of cargo to be exported/imported quickly especially where there are no tariff barriers between countries e.g. EU
- has reduced cargo handling and so reduced pilferage
- increases exports

Disadvantages

- has led to increased imports - balance of trade problems
- has led in some countries to increased traffic in illegal immigrants/drugs/harmful goods.
- has led to unemployment among dock workers
- may be conflict between the requirements of passengers and the carrying of freight
- dangers associated with terrorism
- any other relevant point

**8 max**

**Total Mark 20**

9 (a) Any two points x 1 mark each such as –

conversion of a public sector business to a private sector business  
by selling shares/establishing a plc/selling as a complete business to one private owner

**2 max**

|         |                             |          |
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(b) Any two features explained x 2 marks each such as -

- shareholders are owners who purchased their shares on the stock exchange
- shareholders have limited liability - liable for losses only to the extent of their holding
- legal entity - can sue and be sued in its own right
- must obtain trading certificate before it can start business
- must have £50 000 nominal capital before it can start trading
- any relevant point which could relate to a limited company

**4 max**

(c) Any two ways described x 2 marks or 4 points x 1 mark including of sources of finance

- purchase of (ordinary) shares
- sale of debentures - giving ownership, interest payable
- bank loan - fixed interest, long term
- use of retained profits - no repayment, no interest
- increasing prices to customers
- any other relevant method

**4 max**

(d) (i) Any two points x 1 mark such as -

total sales less returns = 2 marks i.e. net sales  
(sales only = 1 mark)  
from selling water services

**2 max**

(ii) (ii)  $\$55 \times \frac{100}{100}$  (1 mark) = \$50(bn) (1 mark)

**2 max**

(iii) Any one example x 1 mark such as -

creditors, overdraft, hire purchase debt, payments for  
wages/maintenance/repairs/materials

**1 max**

(iv) Any five points x 1 mark (+1 for a well developed point) such as –

- obtain a loan
- reduce costs e.g. wages
- increase sales
- use reserves
- dispose of any unnecessary stock held (N.B. reducing stock = 0)
- pay off short-term debts/reduce creditors
- review total amount of debtors to obtain payments
- use cash to purchase items on which profits are made
- increase prices to consumers to increase income
- selling fixed assets
- N.B. definition of working capital - CA - CL = 1 mark
- any other relevant point

**5 max**

**Total Mark 20**

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10 (a) Any ten points x 1 mark each such as –

- storage (1) of goods/raw materials/work in progress
- protects (1) against weather/theft/damage/deterioration
- enables goods to be processed/packed/prepared for sale
- enables a variety of goods to be offered in one place
- enables goods to be displayed
- awaiting sale
- awaiting transport
- may be operated as a cash and carry business
- enables manufacturers to clear their production lines and keeps retailers supplied
- enables bulk breaking to be carried out
- guards against price fluctuations and evens out supply
- any other relevant point

10 max

(b) Do not allow the general points given in (a) above. Answers should be in context

(i) Any three points x 1 mark each such as –

- enables him to continue producing all the year round
- and to be able to sell at the appropriate time
- and achieve good prices
- he is able to supply when there is large demand
- example of seasonal product
- any other relevant point

3 max

(ii) Any three points x 1 mark each such as –

- enables the importer to prepare/blend the tea ready for re-export
- saves the importer paying import duty
- by keeping the tea in a bonded warehouse until he is able to export it again
- claim refund of import duty
- any other relevant point

3 max

(c) Any four points x 1 mark each (+1 for well developed point) (0 marks for general points) such as –

- so that goods are easily available
- to maintain sales
- to keep the supermarket well stocked
- to provide storage for perishable items
- allows deliveries after hours when shopping centre is quiet
- may need to prepare some of the goods for sale
- has to store a variety of products
- has large warehouse elsewhere
- any other relevant point

4 max

Total Mark 20