

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Ordinary Level

MARK SCHEME for the October/November 2006 question paper

7100 COMMERCE

7100/02

Paper 2, maximum raw mark 80

This mark scheme is published as an aid to teachers and students, 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.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

The grade thresholds for various grades are published in the report on the examination for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the October/November 2006 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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GENERAL INSTRUCTIONS

- 1 The Examiners' Instruction Booklet and other instructions issued by CIE should be read carefully and followed.
- 2 Before the Co-ordination meeting all examiners are requested to examine the mark scheme so that doubtful points may be clarified and suggestions for modifications may be considered.
- 3 All amendments to the mark scheme made at the meeting should be recorded.
- 4 If you have queries about the marking, please do not hesitate to contact either your Team Leader or the Principal Examiner.

DETAILED INSTRUCTIONS FOR THE MARKING

- 1 All marking should be in red. A tick should be used to show each answer worthy of credit. **Every sheet of the examination paper must show evidence of assessment** including any blank pages not used.
- 2 Marks for individual points should be shown in the right hand margin. Do not use subtotals at the bottom of pages. The total for each question should be shown in a ring at the end of the answer in the right hand margin. This ringed total should be transferred to Sheet 1, The final mark should be shown on Sheet 1.
- 3 Errors should be indicated by underlining, ringing or by vertical lines in the right hand margin. Work should not be crossed out.
- 4 When more questions are answered than the rubric demands, mark Everything and give credit for the best answers up to the rubric limits. This also applies within questions.
- 5 **An element of professional judgement is required in the marking of these papers and candidates will not use the exact words which appear in the mark scheme. Credit should be given for answers, which, although not on the mark scheme, are nonetheless relevant, correct and appropriate.**
- 6 Credit should be given for local examples.

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1. (a) Any one reason x 2 marks such as –

enables country to prosper by bringing in revenue/provides employment
 provides choice with a greater range of products from home and abroad
 enables the country to dispose of surpluses + example
 enables the country to obtain raw materials/goods it cannot supply itself + example
 may foster international relations e.g. by joining a trading bloc
 improves standard of living
 government revenue via taxation

any other relevant point

[2]

definition of trade = 0 marks

(b) Any two reasons x 2 marks each or 4 points x 1 mark each such as –

primary and secondary production have declined in some countries + example
 many commercial activities have been developed such as the computer industry
 people have more money to spend on leisure in some countries e.g. tourism
 governments have encouraged some commercial activities e.g. export trade
 people prefer to work in commercial activities which they may perceive pay well
 manufacturing in some countries has increased so commercial services more needed
 commercial services are more labour intensive

any other relevant point

[4]

(c) Any three explained reasons in context x 2 marks each or 6 points x 1 including examples –

by making contact with customers/suppliers much quicker e.g. e-mail
 by enabling Broadway Pty Ltd to extend its markets e.g. use of Internet
 by enabling internal communication to be more effective e.g. e-mail
 by providing for documents to be sent quickly e.g. fax
 by enabling information to be networked for use by staff
 by enabling Broadway Pty Ltd to obtain information on the Internet e.g. about competitors

allow advertising in context

NB Max 4 marks if not in the context to manufacturer of shoes

examples or list of communication methods = 3 max

any other relevant point

[6]

(d) This question calls for a general discussion about Commerce and the scope of Commerce within the context of a small village

Level 3 (6-8 marks)

Has discussed various points which may be for and/or against the argument about Commerce **in context** with a clear conclusion.

e.g. There is some evidence that Sammar is concerned with Commerce. It has a small harbour used by boats, people use bicycles and motorbikes and there is a small airstrip so there must be transport which are commercial activities. Trade takes place in the shops and the post office. There is communication using post office services. On the other hand, people do not have the use of a bank, another commercial service, and there is no mention of other forms of trade, advertising and warehousing. Overall Sammar is concerned with Commerce but not the full range of activities.

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Level 2 (3 -marks)

Has mentioned some aspects of Commerce **in context** with/without a conclusion.

e.g. Sammar has shops, a post office and some transport facilities e.g. an airstrip and boats so it is concerned with Commerce. Factories are not part of Commerce but part of secondary industry.

Level 1 (1-2 marks)

Has listed some aspects of Commerce possibly not mentioned in the data.

Commerce consists of trade and aids to trade such as banking and advertising
Shops/ bank/post office/transport

[8]

2. (a) (i) Any two explained points x 2 marks or four points x 1 mark such as –

provides access from anywhere
saves visiting the bank in person – helpful for people working/saves transport costs
offers a variety of services - paying bills, transaction information, transfers between accounts, cancelling DDs, setting up and amending SOs
provides information on bank services
can pay credit cards
can access personal account details
can print out a statement
provides message board
customer can ask question re the account
customer can keep up to date with the bank accounts
saves people carrying cash to pay bills

any other relevant point

[4]

(ii) Any two explained points x 2 marks or four points x 1 mark such as –

saves on staff costs
may save on premises and equipment – branch closures
can handle more customers with routine business in a shorter time
may mean more satisfied customers as offering a variety of services which are more accessible to more people
able to monitor the service given and improve the service if necessary
may help to reduce fraud – access to account details by giving security details/pin numbers
can be used to market new service
enables bank to provide 24/7 day service
reduces human error

any other relevant point

[4]

(b) (i) Any one plastic card x 1 mark + 1 mark for its purpose –

cash card – to obtain cash/statements/balance enquiry/pay in
credit card/Visa/Mastercard – to obtain cash/to buy on credit
debit card/Switch – acts like a cash card/to pay bills immediately

NB Allow purposes which do not relate to ATMs
ATM card = 0 marks but allow marks for purpose

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(ii) Any two points explained x 2 marks or four points x 1 mark each –

- to provide easy access to some bank services
- to enable bank services to be available to customers after bank hours
- to enable the setting up of kiosks, foyers, cash machines away from bank premises e.g. at garages, shops
- to save labour costs
- to speed up transactions within the bank branch and to prevent queues.

security = 0

Any other relevant point

[4]

(c) Level 3 (5-6 marks)

Has discussed several of the media and promotion methods and offered a reasoned conclusion **in context**.

e.g. a bank would have the financial resources to use most of the media listed. It needs the widest publicity because banking is a competitive industry. It needs media such as national newspapers, the Internet and financial magazines where its services can be explained in detail. It needs information available in the branches and this with application forms can be given in leaflets. It needs to keep up its exposure in the mass media so the public is reminded of the services offered.

Level 2 (3-4 marks)

Has commented on some of the media and/or promotion methods with reasoning **in context** with or without a conclusion.

e.g. a bank could use television and the Internet because it needs to appeal to a wide audience. It could use leaflets because they are cheap and could be available in the bank. It might also sponsor a sports events such as cricket.

Level 1 (1-2 marks)

Has listed some of the media which could be used with very superficial reasoning.

e.g. a bank might use television but it is expensive. It could use posters which are large and colourful and it could sponsor a sports event.

Points to consider

A bank will have the resources to use various media and promotional methods It is in a competitive market and needs to appeal to a mass audience

[6]

3. (a) Any three points x 1 mark each and up to 3 marks for a well developed point such as –

- stores goods (0 marks) so that there is a constant supply throughout the year/released when there is demand
- evens out price fluctuations
- enables these goods to be kept in cold storage so that they are in good condition/preserved
- protects them against weather/theft
- preparation for sale (1 max)
- excess products = 1 mark

any other relevant point

[3]

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- (b) Any two reasons well explained x 2 marks or 4 x 1 mark such as –

small retailers are their customers and many of these have closed in some countries
 large-scale retailers prefer to deal direct with suppliers because wholesalers add to their costs
 they can purchase in bulk from suppliers and so obtain discounts
 large-scale retailers are able to carry out the functions of the wholesaler
 consumers are dealing direct with suppliers e.g. using the internet
 many manufacturers are setting up their own retail outlets
 they are perceived by many to add to the costs of goods
 the use of technology/branding enables retailers to deal direct with suppliers
 the growth of mail order – customers purchasing direct from suppliers

any other relevant point

[4]

- (c) (i) Any two points x 1 mark each such as –

can give considerable detail
 reasonable cost
 can target his customers – the retailers
 can compare prices of other wholesalers

- (ii) Any one method of promotion described x 3 marks such as –
 special offers/free delivery/special packaging/delayed payment/discount/aftersales/price reductions/
 free gifts/pricing strategies

any other relevant method

[3]

(d) Level 3 (6-8 marks)

Has discussed the advantages and disadvantages of buying the van **in context** and has shown that the business will benefit/will not benefit. (no conclusion 7 marks max)

e.g. Mr Shah should consider buying the van because he can offer a delivery service and may be able to find a wider market for his fish and fish products further away from his premises. He can advertise on the side of the van, can use it for other purposes and will be able to safeguard his supplies. On the other hand he may not be able to afford it and may have to borrow to pay for it. He may not be able to drive and may have nowhere to keep it. On balance the benefits outweigh the disadvantages.

Level 2 (3-5 marks)

Has mentioned some advantages and/or disadvantages **in context** with some indication of whether or not Mr Shah will benefit from buying the van (no conclusion 4 marks max)

e.g. Mr Shah should buy the van because although it will cost a lot, he will be able to use it to deliver his fish and fish products to retailers.

Level 1 (1-2 marks)

Has listed some points for and/or against purchasing a van.

e.g. He could use the van to deliver goods but it is likely to be very expensive.

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Points to consider

greater flexibility
 greater supervision of his goods so less likely to be stolen/damaged
 advertising on side of vehicle
 may be more economical than hiring other transport
 opportunity to expand markets
 high cost of purchasing and running the van
 may be insufficient business to justify having the van – may be too small
 customers may be near or willing to collect so no need for the van
 cost of garaging and maintenance, danger of theft

[8]

4. (a) Any two features explained x 2 marks each such as –

large stores selling a wide range of food and household products
 offer self service to customers using trolleys and baskets
 payment is made at checkouts where goods may be scanned/use of bar codes
 goods are displayed so that customers can examine them/choose for themselves
 sell many branded goods which are packaged
 may sell own brands which are often cheaper
 goods are often bought direct from suppliers – bulk buying – discount – lower prices
 will probably have a regional distribution centre to minimise storage at individual supermarkets
 parking
 situated in shopping centre

any other relevant point
 comment on size of stores or credit = 0 marks

[4]

(b) 10% of $\$150\text{m} = \15m (1 mark) $\$150\text{m} + \$15\text{m} = \$165\text{m}$ (1 mark)

If the correct answer is given without working award full marks. OFR applies

[2]

(c) any three reasons explained $\times$ 2 marks each or 2×3 marks such as –

can take advantage of economies of scale – bulk buying to obtain discounts
 can obtain goods to its own specification and so can control the quality
 may require manufacturers to make goods under its own brand name + e.g.
 can afford to own its own transport for distribution purposes
 saves the costs of the wholesaler and so can pass on lower prices to consumers
 able to offer lower prices to consumers because it is able to buy in bulk and so it can be competitive in the market

any other relevant point

[6]

(d) (i) Any two ways described x 2 marks each such as –

use of bar-coding – stock control
 on-line ordering by customers – delivered to their homes
 communication between branches – e-mail/suppliers – e-mail
 preparation of advertising and promotion materials – desktop publishing/word processing
 computerised ordering of supplies, accounts
 electronic point of sale – computerised tills
 security cameras
 intranet

any other relevant way

[4]

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- (ii) Any four points which may/may not relate to the answers given in (d) (i) × 1 mark

e.g. use of bar coding – yes it could be (0 marks) because it enables the supermarket to order goods promptly so that stocks on the shelves do not run out and customer still has choice
 tills – yes (0 marks) quicker through checkout/less mistakes/customer has receipt
 or makes the supermarket more efficient and so saves time for customers when shopping/may mean better stock control so customers have more goods available when they require them/may mean lower prices for customers because supermarkets can save costs e.g. labour costs
 may mean customers do not visit the supermarket – online shopping and home delivery/enables customer to buy on credit

may not affect the customers who may not realise the implications of computerising operations/may cause inconvenience e.g. when there are power cuts – non functioning tills, prices not displayed on the products because of the use of bar codes

any other relevant point [4]

5. (a) Any two advantages × 1 mark each such as –

can postpone payment
 can use the goods whilst paying for them
 in some circumstances may find it easier to return the goods to the supplier
 enables Mr Jones to enjoy a higher standard of living
 can buy on-line or by telephone if he wishes
 can sell goods before payment/can use money to buy other foods – accept business reasons.

any other advantage [2]

- (b) 1 for method and 2 marks for reasons for each section

- (i) credit card/store card/extended credit/deferred payment/HP/overdraft/short term loan
 relatively small cost/could be paid off if required without interest
 probably little second-hand value/these kinds of credit are relatively easy to obtain [3]
- (ii) hire purchase/credit card/bank loan
 second-hand value/large amount for some people/can be paid off in instalments/some protection by law
 if lorry proves faulty
 instant use [3]
- (iii) store card/credit card/extended credit/deferred payment/informal credit
 no second-hand value/ownership as soon as signed agreement
 credit car generally acceptable/small amount [3]

- (c) Any three points × 1 mark each such as –

Yes he should as it is possible the microwave oven is faulty/wishes to keep his reputation/wishes to obtain repeat business/if refuses could end up in court/if faulty should be able to obtain a refund from the manufacturer/maybe under guarantee award credit for any reference to a Sales of Goods Act/reported to consumer group

No he should not as the problems may be the customer's fault/may have been deliberate/may have been caused through ignorance/may be a try-on to get the money back

any other relevant point [3]

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

Notify the insurance company as soon as possible/look for witnesses/report to police/obtain a claim form/which should be completed with utmost good faith/ insurance company may inspect the van/using assessor/to determine the extent of the loss/to make sure that a profit is not made out of a loss/Mr Jones not receive the purchase price as the van is one year old/the insurance company will settle the claim/depreciation/third party

any other relevant point [6]

6. (a) (i) \$1400m (without m = 2 marks max)

(ii) \$400m

(iii) -\$40m (NB must have minus sign)

(iv) \$40m [4]

(ii) deficit [1]

(iii) surplus [1]

NB OFR applies throughout this question

- (b) Balance of Trade is the difference summary between exported/visible goods and imported/invisible goods = 2 marks

Balance of Payments is the difference between exported goods and services and imported goods and services = 2 marks or summary of all receipts and all payments [4]

- (c) (i) Any two points x 1 mark each or 1 developed point x 2 marks

collect statistics on imports and exports at ports/airports/borders

these statistics may show trade with individual countries as well as collectively

check goods to ensure quotas are not exceeded/prohibited goods do not enter/enforce embargoes

any other relevant point [2]

- (ii) Any two other functions x 2 marks each such as –

prevent smuggling + example

check documents relating to import and export

supervise bonded warehouses where dutiable goods are stored

enforce quarantine and health regulations

collect import duties – revenue for the government/specific or ad valorem

allow ensure quotas/embargoes are not exceeded if not awarded in (i)

any other relevant point [4]

- (d) Any four points x 1 which may be on either or both sides of the argument –

Yes – because imports are exceeding exports/may be part of a trend which needs to be altered/may be a small part of a much larger problem – trade with the whole world/may lead to unemployment, low currency reserves, low economic growth

No – only one month's figures and in some months there is a surplus/may be only part of the total trade figures which may be much better/may be difficult because the government may upset member countries of the trading bloc.

any other relevant point [4]

methods of taking action = 0 marks

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7. (a) Any four points x 1 mark each such as –

company owned by shareholders/who contribute capital/and who have limited liability/run by Board of Directors/elected by shareholders/at AGM/shares may be bought by anyone/purchased at the Stock Exchange/needs a trading certificate to start business/must be registered/is a legal entity/subject to companies acts

any other relevant point [4]

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

access to large amounts of capital
on which interest does not have to be paid
no repayment necessary
may not be able to obtain a loan for the amount needed does not have to provide collateral
may mean the involvement in the company of new investors

any other relevant point (4)

(c) Any three points x 1 mark each supporting either the overdraft or trade credit – 0 marks for choice

overdraft – may already have an overdraft facility at bank/can pay immediately and take advantage of discounts available/may help to build up credit rating

trade credit – probably preferable – wishing to obtain regular supplies so would wish to pay monthly/can use the materials before paying for them and so may earn money to pay the bill/wishes to build up a relationship with the supplier/may obtain good cash and trade discounts by being a regular customer/helps cash flow/helps working capital

any other relevant point [3]

(d) Any three factors described x 3 marks each such as –

distance from existing business and means of travel to get there
availability of labour in the country
ease of access to the boatyard from other parts of the country
strength of the market in the other country
availability of supplies in the other country/raw materials
finance available and rate of exchange and government grants
mobility of own labour e.g. management – prepared to move
site of the boatyard – existing buildings, need for large development, harbour, size, nearness to sea associated with it
security
competitors in the country
general costs + examples

any other relevant point [9]

8. (a) Any three advantages explained x 2 marks such as –

small amount of capital required
can make decisions quickly and does not have to consult others
all the profits may be hers if she is a sole trader
can offer personal service to customers and so build up goodwill
can specialise in one area of work e.g. sewing machines and sewing items
easy to set up and may be operated from home or close to home
does not need to employ too many people → lower costs

any other relevant point [6]

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(b) Any two points explained × 2 marks or four points × 1 mark such as –

she can postpone payment and may be able to sell the goods before she has to pay for them and use sales revenue to make payment
 she is likely to have an account with the supplier and so can make one payment for several deliveries
 if any of the goods are faulty, they can be returned before payment is due the money she does not use to pay suppliers can be used for more pressing bills
 can extend credit to her customers/helps cash flow

any other relevant point

[4]

(c) Any two benefits × 1 mark each such as –

can have her money immediately
 can use the cash to pay her bills
 no bad debts/risk of dishonoured cheques
 no bank charges on clearing cheques
 can invest it to earn interest

[2]

(d) **Level 3 (6-8 marks)**

Has made a reasoned judgement discussing both sides of the argument **in context**

e.g. Offering credit may mean increased trade and may attract customers away from her competitors who do not accept credit cards. Mrs Awan may make increased profits and have a more successful business. On the other hand she will be paying commission on credit card transactions and she risks fraud if a stolen credit card is used. On balance, she should be pleased that more people are using credit cards in her business as this must mean increased revenue.

Level 2 (3-5 marks)

Has made a reasoned judgement discussing one side of the argument **in context**.

e.g. see above but only one side of the argument

Level 1 (1-2 marks)

Has commented on the use of credit cards.

e.g. the use of credit cards increases sales.

Points to consider

No – may mean increased trade as customers spend more/impulse buying and may attract more customers who prefer to buy on credit. This will mean greater sales revenue and less unsold goods and the possibility of greater profits. Payment, although delayed is guaranteed by the credit card company. May also give her a competitive edge.

Yes – Mrs Awan will pay commission on credit card transactions so she will have reduced revenue. There may be fraud and the risk of bad debts. Delays in receiving an increasing amount of income may lead to cash flow problems and delays in paying other bills so missing discounts offered.

[8]