

# COMMERCE

Paper 7100/01

Multiple Choice

| <i>Question Number</i> | <i>Key</i> | <i>Question Number</i> | <i>Key</i> |
|------------------------|------------|------------------------|------------|
| 1                      | A          | 21                     | B          |
| 2                      | B          | 22                     | B          |
| 3                      | A          | 23                     | D          |
| 4                      | B          | 24                     | A          |
| 5                      | A          | 25                     | C          |
| 6                      | D          | 26                     | C          |
| 7                      | B          | 27                     | A          |
| 8                      | C          | 28                     | C          |
| 9                      | A          | 29                     | B          |
| 10                     | C          | 30                     | D          |
| 11                     | D          | 31                     | A          |
| 12                     | A          | 32                     | D          |
| 13                     | A          | 33                     | C          |
| 14                     | C          | 34                     | B          |
| 15                     | C          | 35                     | D          |
| 16                     | B          | 36                     | A          |
| 17                     | C          | 37                     | D          |
| 18                     | B          | 38                     | C          |
| 19                     | B          | 39                     | D          |
| 20                     | D          | 40                     | C          |

This examination paper consisting of forty, four-option questions, was taken by nearly 8000 from countries all over the world. Three candidates achieved full marks and the lowest mark achieved was 3.

Some questions achieved a high facility such as Question 3, Question 19 and Question 31. One of these items was pictorial. Other items such as Question 5, Question 6, Question 8, Question 16, Question 20, Question 21, Question 23, Question 28, Question 36, Question 37 and Question 39 were usually accurately answered. These also included numerical and pictorial items.

Candidates had some difficulty with some of the other items. In **Question 1** many candidates chose Option C instead of the correct answer, Option A. There seemed to be an element of guesswork in what should have been a straightforward question on the meaning of commerce. The concept of added value in **Question 2** posed a problem. Added value is not well understood and all options attracted answers suggesting an element of guesswork. Option B was the correct answer.

In **Question 9** on wholesalers, many candidates chose Option D instead of Option A, the correct answer. Although most candidates chose Option C, the correct answer in **Question 10**, many candidates chose the other three options, suggesting some guessing. The topic middlemen in wholesale trade was not understood in **Question 11**. All options were chosen in significant numbers. Option D was the correct answer. **Question 13**, a calculation on discounts, was accurately answered by many candidates. Marking in **Question 14** was not understood with candidates failing to see that the lowest mark-up on goods is likely to be on the cheapest product i.e. Option C, the packet of rice. Banking documents were not understood in **Question 15** where all the documents listed attracted responses. In **Question 17**, the purpose of bank giro was not understood. It is used for payments to many people such as staff using one cheque. It is not used for monthly bills which are more likely to be paid by direct debit nor for withdrawing money from a bank.

In **Question 24**, Options B and C were frequently chosen instead of Option A, the correct answer. In **Question 25** candidates showed that they had little understanding of containerisation. Containers cannot be used for all types of goods. They are not suitable for animals, for cars and for goods in bulk such as oil. Option C, rather than Option B, was the correct answer. The purpose of the consignment note was not known in **Question 26**. A consignment note is used when goods are carried usually by road in hired transport. A consignment note is not used when transporting goods by ship. A bill of lading would be used. All options attracted responses, suggesting an element of guesswork.

The main feature of comprehensive motor vehicle insurance was not understood in **Question 29**. It covers both the owner and the owner's property as well as third parties so Option B was the correct answer. Although many candidates gave the correct answer, Option D, to **Question 32**, the other options were frequently chosen. **Question 34** had a low facility suggesting that the difference between private and public enterprise is not understood. Option B was the correct answer but all options attracted responses suggesting that many candidates did not know the answer. **Question 35** caused problems for many candidates. All options attracted many responses suggesting that a significant number of candidates were guessing the answer. **Question 38**, a numerical question, caused problems, with all options attracting significant responses. The rate of turnover is a difficult concept for candidates but nearly half the candidates gave the correct answer, Option C.

# COMMERCE

Paper 7100/02

Written

## General comments

Paper 2 requires candidates to answer four questions from a choice of eight. The paper was taken by candidates from many countries with a large entry from the Maldives and Mauritius. The standard of work tended to vary from Centre to Centre. Many candidates presented work of a very high standard. Others achieved only a few marks. Many candidates showed good commercial knowledge and an ability to develop an answer that was applied to a particular topic. These candidates were able to write at length, to follow the framework of the question and to make reasoned judgements. At the other end of the scale some candidates copied out parts of the questions and made little attempt at answers.

Most candidates paid attention to the command words or key words of the questions so that in **Question 1 (a) and (b)** where only one mark was available for each of the answers, short answers were given. There were, however, candidates who gave very full answers to **Question 1(b)** where only two marks were available for each part and this wasted time. **Question 7 (a)** required a developed answer. Some candidates presented well-argued responses fulfilling the requirements of the question, but omitted either a recommendation or the presentation of additional information.

Part of every question was marked according to Levels of Response. The part questions with the highest mark tariff were usually marked in this way. Those candidates who wrote developed answers and who responded to command words such as 'discuss' or 'advise' were able to gain level 3 marks. Candidates who contented themselves with giving advantages and/or disadvantages of the topic set usually gained level 2 marks. Some candidates who presented lists remained in level 1. It should be remembered that it is not enough to present a list of points, probably memorised from the candidate's lesson notes. It is important to develop these points – to say why something is important, why something is expensive, why something is difficult. If candidates offer some development of their answers, they will then achieve a higher level and so more marks. These questions did, however, differentiate between the good and the poor candidates.

Most work was well presented and well laid out and most work was readable. The weaker candidates had language difficulties and some answers were not easy to understand.

The most popular questions were **Questions 1, 2, 3, 4 and 7**. Few candidates chose to answer **Questions 6 and 8**. **Question 5** was popular in some Centres but not in others.

## Comments on specific questions

### **Question 1**

This popular question was often well answered but many candidates failed to answer **Part (d)** correctly.

- (a) Candidates often answered this question correctly. A variety of answers was accepted including the chain of distribution, the chain of production, stages of production, the production process and a description of the diagram.
- (b) Most candidates scored this mark. Some candidates wrote raw materials and gained no marks.
- (c) (i) and (ii) The terms were well understood and candidates usually scored full marks. Some candidates gave far too much information for the marks on offer.

- (d) Unfortunately many candidates did not appreciate the concept of added value. In describing how wood is changed into furniture and how value is added by storage, packaging, advertising and transport, too many candidates wrote about profit, buying and costs and expenses showing how these added to value. This approach was not given credit. Comment on utility of form, time and place was given credit.
- (e) To gain full marks, candidates had to discuss both selling to the wholesaler and to the retailer and then give a reasoned recommendation. Many candidates assumed that the retailer was a small-scale retailer and then argued for using the wholesaler. Better candidates were able to show the advantages of selling directly to large-scale retailers – cutting costs, reducing damage, charging higher prices or giving greater trade discount. Some mentioned opening your own retail outlet and a few commented on being able to push your own products. Many candidates still think that wholesalers offer payment in cash and that retailers must be given credit. This is now very unlikely as the prices of such products as furniture become greater and greater. The most perceptive candidates appreciated that if you eliminate the wholesaler, someone else has to take over the wholesaler's functions.

## Question 2

Parts of this question were well answered but other parts caused difficulties to all but the best candidates.

- (a) It was hoped that candidates would give three general services of a retailer. Answers that were accepted were selling to customers, credit, self service or personal service, selling a variety of goods, air conditioning, selling quality goods, advice and information. Many candidates attempted to link services to each of the listed individual shops. Unfortunately some services applied to one of the retailers but not to all of them.
- (b) It was thought that this was a straight forward easy question but many candidates gave generalised answers or confused the multiple shop with a shopping centre or assumed that a supermarket was one shop only rather than a company with many or several branches. Many candidates did, however, score full marks.
- (c) Candidates usually gave a detailed response to this question. They were required to discuss the arguments for using supermarkets or for using independent shops with a reasoned opinion. They usually chose to discuss the supermarkets but some gave a balanced discussion of both retail outlets and so gained all the marks. More superficial answers giving some advantages of shopping at a supermarket reached level 2 and some candidates who submitted short lists of points remained in level 1.
- (d) This question was well answered with most candidates able to offer some advice to Mrs Aminath. Many candidates suggested that she should take the dress together with the receipt to the shop and obtain either a refund or exchange it for another one. Answers that mentioned suing the shop or going to a consumer protection organisation gained no mark as Mrs Aminath was at fault.
- (e) Answers to this question were a little disappointing with many candidates giving the advantages to customers of using credit cards. Answers that gained credit were increased turnover, keeping up with competition, less cash on the premises and also the arguments for not offering credit cards such as payment of commission, delay in payment, danger of credit card fraud and increased paperwork.

## Question 3

Many candidates scored good marks for this question and showed good understanding of advertising and promotion.

- (a) Candidates were able to make a clear distinction between advertising and promotion and to give worthwhile examples.
- (b) Unfortunately many candidates failed to appreciate that Mrs Lim owned a small business and so would not have the money to pay for television advertising. Some candidates gave reasoned answers for choosing television but these answers, usually without context, achieved only level 2. Some candidates gave a well-reasoned justification for using local newspapers with some

comment on television and these answers achieved level 3. It must be remembered that for this type of question, it is important to answer in the context of the question.

- (c) Many candidates were able to show that Mrs Lim should have a website and were able to link Mrs Lim's computer business with the importance of having a website. Some candidates also commented on the disadvantages of having a website such as the expense of website design. Some candidates failed to appreciate that Mrs Lim, with a small business, was probably not aiming for a global market.
- (d) A range of methods of communication with reasons were shown. Speed, cost and ease of use without any reasoning gained no marks. Telephone and email were popular choices. Teleconferencing was considered inappropriate and advertising media such as radio were not given credit.
- (e) Trade and cash discount were well understood. The terms were usually accurately described and the links between obtaining goods more cheaply and being able to provide cash discount for prompt payment were often shown. Weaker candidates gained some credit by mentioning the opportunities for increased sales.

#### Question 4

This question proved popular and many candidates were able to calculate **Part (b)** accurately. The importance of containerisation was not always well expressed.

- (a) Most candidates scored both marks for this part but some candidates reversed the answers. It should be remembered that ASEAN countries is not Asia!
- (b) Many candidates gained full marks for this part. Some candidates misread this question. They calculated the figures based on all the countries and showed which countries exported more than they imported or they worked on the figures for the ASEAN countries only. Many candidates totalled the exports and imports correctly and showed that the country exports more than it imports. Some candidates omitted the difference between the exports and the imports and so lost one of the six marks available.
- (c) For those who knew the functions of a customs authority, this question presented no problems. Candidates commented on collection duties, enforcing quotas, stopping smuggling, supervising bonded warehouses, checking goods and documents and collecting statistics. The main error was to say that customs authorities set the rates of import duty and to comment on the duties of government as regards international trade e.g. improving the balance of trade. Some candidates had no knowledge of customs authorities or wrote about improving the international trade of the country.
- (d) Most candidates were able to give some comment on the importance of containerisation. Only the best candidates gave a detailed discussion of containerisation. To achieve level 3 candidates should have shown how containers protect goods, how quicker turnaround times are achieved, how goods can be trans-shipped and how goods are packed at factories and not unpacked until they reach their destination and so answered the question as to the importance of containerisation. Level 2 answers gave the advantages of containerisation, i.e. the mechanics of containerisation, and level 1 answers offered a list of comments.

#### Question 5

Many candidates found this question difficult, there were many inaccuracies and misconceptions and often scores were low.

- (a) This part question required a clear understanding of the features of loans and overdrafts in context with a well reasoned recommendation. Most candidates recommended a loan because Mr Wong wished to borrow a large amount of money. Most candidates failed to realise that Mr Wong wished to buy stock and so he would need to have an overdraft as well. Knowledge of loans and overdrafts was usually good, but reasoning in context was often lacking. Those candidates who recommended an overdraft were limited to level 2 marks.

- (b) In **Part (i)** candidates were required to describe two means of payment used on home. There was plenty of choice but candidates often failed to gain full marks. Such means of payment included cheques, credit transfer, standing orders, direct debits, bank drafts, credit cards and debit cards. All were accepted. The service was mentioned but there was often little description. In **Part (ii)** some candidates also thought that you could pay bills using loans and overdrafts. In **Part (ii)** some candidates gave the same answers as for **Part (i)**. Answers that were accepted were bills of exchange, letters of credit, bank drafts and electronic transfer (cable) transfer of funds and credit card if not mentioned in **Part (i)**. Again descriptions were required.
- (c) Although there was plenty of scope to gain full marks for automated banking services such as Internet banking, telephone banking, standing orders, direct debits, bank giro and credit cards, many candidates mentioned cheques again or presented just a list of services. The question asked candidates to explain some developments in banking. Many candidates lost marks because they did not explain the services mentioned. Others tried to show why cheques were safer than cash, not what was asked.

### Question 6

This question was not usually chosen. When candidates attempted it, they were usually fairly knowledgeable about insurance.

- (a) Some good understanding of indemnity was chosen with the correct answer, \$1.5 m, being given.
- (b) Many candidates found this a challenging question. Some candidates were able to give a clear discussion of both pooling of risk and the influences it has on the level of premium charged. Other candidates understood the term premium and linked this to risk but found the concept of pooling of risk very difficult. The best candidates linked the premium set both to pooling of risk and to the level of risk.
- (c) This part of the question was generally well answered. **Part (i)** called for a discussion of insurable interest. Candidates could approach **Part (ii)** in two different ways. Comments on insurable and non-insurable risks gained marks but many candidates wrote about utmost good faith, proposal forms and the ability of insurance companies to calculate the risk of loss based on the information contained in the proposal form. This approach also gained marks. In **Part (iii)** candidates were expected to comment on indemnity, the fact that life and personal accident insurance are not contracts of indemnity and that no one can make a profit from a loss. Many thought that the question referred to proximate cause instead.

### Question 7

This question was fairly popular and produced some good answers and also some very superficial responses.

- (a) Candidates were expected to follow the rubric of the question to achieve level 3 marks. Many candidates did not do this, either omitting the disadvantages of the sites, not giving a justified recommendation or not giving additional information that might be required. Answers often depended on calculations of population figures for the two towns rather than looking at other factors such as the cost of the sites and the competition. Some level 3 answers were seen but many candidates achieved only level 2 because of the superficiality of their answers. A few candidates gained only level 1 marks because they presented a brief list of either advantages or disadvantages.
- (b) It was intended that candidates should explain one or more sources of finance. The command word 'explain' requires candidates to do more than present a list. Some candidates gave only a list and this was rewarded with half the marks. Some candidates thought, unrealistically, that friends and family would provide \$2 m. Some candidates mentioned an overdraft and some wrote about retained profit which was being used anyway. It was hoped that candidates would concentrate on bank loans, taking a partner or forming a private limited company. Most chose the bank loan.

- (c) Most candidates were able to provide three questions. Some were disallowed as, in some cases, the information already given, they would have been known to the lender already. Such questions as 'what is the purpose of the loan and how much do you require' were already stated. Questions such as 'how much interest do you wish to pay' were unrealistic! Answers that were awarded marks included security offered, guarantor provided, time proposed to repay and details about Kamba's existing business.
- (d) This straightforward question was generally well answered with many candidates gaining full marks.

### Question 8

Candidates found this question difficult. There were few good responses.

- (a) Comment on the office machinery and the sand and timber was well focused and candidates usually scored full marks for their answers.
- (b) The two terms tested were not always understood. A charter flight is a specially hired flight to carry freight or passengers at a particular time or for a particular journey. An air waybill is a document used to accompany goods sent by air. It gives all the information about the consignment, acts as an advice note and as evidence of a contract of carriage. Some candidates thought it was the charge or bill for carrying goods by air.
- (c) The work of a port always causes problems to candidates. Many candidates confused a port authority with a customs authority or they had no knowledge of the work of a port authority. Marks were awarded for such points as providing warehousing, providing office space, providing security, providing unloading facilities particularly for containers and maintaining waterways and harbours.
- (d) This question called for a debate about the arguments for and against owning your own transport, in this instance, a cargo plane rather than relying on hiring other people's transport. Candidates were able to show that owning a cargo plane would be very expensive and that you would need a great amount of cargo to make it profitable. Most candidates recommended continuing to hire planes as the risks were not so great and the greater costs could be justified. Again candidates failed to give in-depth answers that would reach level 3. They did not mention additional information needed or they did not give a sufficiently robust recommendation. Most answers seen were of level 2 standard. Some candidates confused cargo plane with buying cargo or wrote about the advantages of air transport generally.