

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Ordinary Level

MARK SCHEME for the May/June 2009 question paper
for the guidance of teachers

7100 COMMERCE

7100/02

Paper 2 (Written), maximum raw mark 80

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1 (a) Any two differences at 2 marks each:

- home trade is within the country, foreign trade is trade with another country
- home trade may be in small quantities, foreign trade usually involves large quantities
- home trade involves wholesalers and retailers, foreign trade involves importers and exporters
- home trade involves one currency, foreign trade involves more than one currency
- home trade may be easier (less regulations), you may have to pay import duties in foreign trade and be subject to quotas or greater regulation
- home trade conducted in same language, foreign trade may be different languages.

Any other relevant point.

[4]

NB Trading with another country can be more expensive because there are higher costs such as transport and insurance as well as import duties. Allow difficulties of exporting.

(b) (i) Trade in goods (1) which can be seen (1) example (1) not services (1) tangible (1) [Max 2]

(ii) Any well reasoned point at 2 marks or two points at 1 mark each:

- because it does not produce all the manufactured goods it needs
- because it lacks the skills, particular raw materials or because other countries can produce them more cheaply – comparative advantage
- it may wish to import semi manufactured goods in order to complete them and then export some of them.

Any other relevant point.

[2]

(iii) Any one item at 1 mark such as food, raw materials, fuels.

[1]

\$600m x 0.15 (1) = \$90m (1)

OFR applies. If the correct answer is given without working award 2 marks.

[2]

(v) Any well developed point up to 3 marks or three points at 1 mark each:

- encourage firms to be as efficient as possible so that they can compete on price
- government offers awards and incentives to exporters e.g. subsidies
- government makes trade agreements with other countries
- government joins a trading bloc for the benefits of free trade e.g. EU
- reduce export duties
- encourage more entrepot trade
- encourage manufacturing for export.

Any other relevant point. Comments on protectionism would not be awarded any marks.

[3]

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(c) Level 2 (4–6 marks)

Has shown that foreign trade is more expensive with a reasoned explanation.

Trading with another country is likely to be more expensive than trading in the home market because you may:

- need additional services of the bank e.g. transfer of money through the bank
- have language differences and need to hire an interpreter
- decide to use an agent who is paid commission
- instead, set up a sales office in another country with all the costs associated with that
- have to pay import duties and extra transport and storage costs.

If a candidate argues that foreign trade is not more expensive perhaps because a seller is sending a small quantity overseas, mark according to the quality of the argument.

Level 1 (1–3 marks)

Has shown that foreign trade is more expensive with superficial reasoning.

Trading with another country can be more expensive because there are higher costs such as transport and insurance as well as import duties. [6]

2 (a) Any well developed point 2 marks:

- buying now and paying later
- you are given a time period in which to pay
- you may pay it all off or pay by instalments
- no cash needed.

Any other relevant point.

[2]

(b) Any three points at 1 mark each:

- more trade from people who cannot afford to pay immediately
- greater sales revenue and so possibly more profit
- a competitive edge over retailers who do not offer credit
- income via finance houses from people paying on HP
- enables him to clear his stock more quickly
- less risk of theft – less cash left on premises
- creates goodwill – repeat customers.

Any other relevant point.

[3]

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(c) Level 2 (4–6 marks)

Has discussed the advantages of one of the forms of credit (and may have discussed disadvantages of the other form of credit) and has given a reasoned recommendation (may have discussed the other form of credit).

The advantages of using a credit card to Clare are that credit cards are simple and easy to use. Free credit can be obtained for at least a month and if an additional card is taken out, balance transfers may incur no interest for a considerable period.

The disadvantages of using a credit card are that the rate of interest is very high and the buyer may become over-committed. The price paid may be high because the retailer is wishing to cover the commission he is paying to the credit card company.

The advantages of hire purchase to Clare are that she can use the home cinema system before she has finished paying for it, her standard of living may improve, she may be having better quality goods than if she paid in cash, she is able to budget for expensive items and she may be able to save her cash for other things.

The disadvantages of hire purchase to Clare are that she will pay much more overall for her purchase, she may become over-committed and so unable to keep up the payments and the goods may be re-possessed. She may also find that the home cinema system may be broken or out of date before she has finished paying for it and she does not become the owner until the last instalment.

I would recommend that the purchaser uses her credit card because, if she has more funds in the future, she will be able to pay off the debt more quickly.

Level 1 (1–3 marks)

Has made some statements about one of the two forms of credit with/without a recommendation.

The buyer could use her credit card because it is simple to use and the shopkeeper will accept it.

Or, the buyer might use HP because she can then pay by instalments. I would recommend HP because the buyer can use the home cinema system while paying for it. [6]

(d) (i) Any three reasons at 1 mark each or well developed points up to 3 marks:

- she needs financial protection and compensation if anything happens to the equipment
- the equipment may be at risk as it is expensive
- she may have to guard against the goods being repossessed if she cannot keep up the payments e.g. because of unemployment
- has insurable interest.

Any other relevant point.

[3]

- (ii)** Any two risks at 1 mark each such as theft, fire, flood, payment protection, damage, accident. [2]

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(e) Any two reasons explained at 2 marks each:

- basic rights of consumer
- because the retailer may have sold a faulty machine and the consumer has difficulty obtaining satisfaction
- because the credit card company/hire purchase company may cause the consumer problems such as (HP) repossession.

Any other relevant point.

[4]

3 (a) Award 1 mark for channel of distribution and 2 marks for the reasoning:

- (i) producer – regional distribution centre – retailer – (consumer)
producer – retailer – (consumer)

The producer will sell directly to the retailer because the retailer is able to buy in large quantities and so obtain large discounts. [3]

- (ii) producer – wholesaler – retailer – (consumer)
allow producer – retailer (franchise)

The producer is selling to many different retailers and so does not have the time to sell individually or to sell in small quantities. The wholesaler does this work for the manufacturer. [3]

Any other relevant point.

(b) Any four points at 1 mark each or two well explained points at 2 marks each:

- seasonal product
- to provide storage (for raw materials)
- after manufacture/before sale
- especially when there is no demand for raincoats e.g. in the dry season
- to allow the manufacturer to continue production
- to enable him to display his raincoats to prospective buyers
- to enable him to prepare the raincoats for sale e.g. possible packaging
- to protect his stock against theft/weather/deterioration.

Any other relevant point.

[4]

(c) Any four points at 1 mark each or two well explained points at 2 marks each:

- advertise the goods for sale showing their prices
- give information on the goods for sale by means of a website
- offer online ordering of the goods for sale
- offer special promotions on the Internet
- obtain information on the particular industry of the manufacturer
- watch what competitors are doing
- communication/email/contact suppliers.

Any other relevant point.

[4]

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(d) Level 2 (4–6 marks)

Has discussed the statement and has given a reasoned opinion. If the candidate discussed only one side of the argument max 5 marks.

In some parts of the world where there is much large-scale retailing, the wholesaler is being eliminated and there are less wholesaling businesses in operation. These wholesalers have set up cash and carry warehouses or are specialised wholesalers. Their main customers are small-scale retailers. The wholesaling function, however, has not been eliminated. It is being taken over by other people, either manufacturers or retailers. They break bulk, deliver to individual stores, repackage goods, maintain supplies and provide information on the goods delivered. In other parts of the world, where there are still many small-scale retailers, the wholesaler is still important. The manufacturer is dependent on the wholesaler to clear lines of production. The retailer wants the wholesaler to supply him with a variety of goods from many manufacturers. It is, therefore, not true to say that the wholesaling function is being eliminated. It is still there but may be being carried out by other people.

Level 1 (1–3 marks)

Has made some statements about the elimination of the wholesaler with/without an opinion.

The wholesaler is being eliminated in some parts of the world because he is too expensive and adds to costs. Retailers buy directly from manufacturers and so save costs. It is true that many wholesalers have closed down. [6]

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4 (a) B Rashid, mobile greengrocer.

(b) One mark for each correct location:

A – on the outskirts of the city/in retail park/where large population

B – moving around the suburbs of the city/rural areas

C – in the city centre/main shopping area/shopping mall.

[3]

(c) One mark for each service:

A – self service/car parking/wide range of products/petrol station/café/one stop shopping

B – green grocery at the door/fresh produce/informal credit/personal service

C – luxury shopping/delivery/wide range of goods/restaurant/personal service/after sales.

NB self service is not awarded any marks.

Any other relevant service.

[3]

(d) **Level 2 (4–6 marks)**

Has discussed the question in terms of all three shops and given a reasoned opinion. If a candidate has discussed the question in relation to one or two of the shops 4 marks max.

Supersaver Supermarket is likely to compete on price. It buys in large quantities and offers lower prices to its customers. It may, however, offer other services such as self service, in house bakery and car parking. The mobile greengrocer will not compete on price; he is likely to be more expensive and carry a small range. He offers convenience to his customers. The department store is not likely to compete on price; it has high overheads and offers one-stop shopping to its customers in luxury surroundings. It will compete by offering a pleasant shopping experience, delivery, store cards and services such as a restaurant, lifts, catalogue and gift wrapping. Only the supermarket is likely to compete in terms of price, the other two compete on service to customers.

Level 1 (1–3 marks)

Has made some comments on the question in terms of one or more of the three shops with/without an opinion.

The supermarket tries to offer lower prices than its competitors. The mobile greengrocer charges high prices but brings the goods to the customers. He does not compete on price. [6]

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(e) (i) Any five points or up to 3 marks for a well developed point:

- high rents and other overheads such as staffing
- competition from out of town shopping centres
- customers find it expensive to come into the city due to travel costs and car parking
- customers find it more difficult to come into the city due to congestion
- consumers are looking for low prices, they are not prepared to pay the higher prices charged by department stores
- growth of Internet shopping, although department stores offer opportunities to shop online
- offer a wide choice of different goods but may not offer sufficient choice in some goods
- outdated.

Any other relevant point.

[5]

(ii) Any two actions 1 mark each:

- advertise
- offer other services
- offer different forms of credit
- develop their online sales
- expand their main and profitable departments
- hold special promotions
- offer free travel to the store
- form a chain of department stores
- amalgamate with another department store
- open in-house boutiques to attract wider age range
- franchise floor space
- improve window displays
- introduce self service
- hold sales
- bulk buy.

Any other relevant action.

[2]

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5 (a) Any four points at 1 mark which each show the differences:

- advertising aims to inform and persuade
- advertising aims to differentiate a brand or product from those of the competitor
- advertising makes use of media such as TV to give the message to buyers
- sales promotion is any means of bringing products to the attention of buyers
- sales promotion may include special offers, packaging, product placement (1 max)
- sales promotion may be used to boost sales either during a special occasion or for a limited period of time
- it may be used to launch a new product/counter competition/counter falling sales/move old stock.

A candidate must have scored at least one mark for advertising or sales promotion to score maximum marks.

Any other relevant point. [4]

(b) Any two aims at 1 mark each:

- to inform consumers
- to persuade consumers
- to encourage brand loyalty
- to increase market share
- to educate consumers
- to create reputation
- to increase sales.

Any other relevant aim. [2]

(c) (i) Any two reasons at 1 mark each or one well developed point for 2 marks:

- because children watch television in the early evening and the toys are aimed at them
- children's programmes are screened at that time
- parents may also be watching.

Any other relevant point. [2]

(ii) Any one method of appeal 1 mark and 1 mark for the reason:

- colour – makes the advertisement more interesting
- children – trying to attract children
- animals – most children like animals
- comfort – to make the children feel secure
- cartoon – to make children laugh.

Any other relevant method of appeal. [2]

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(d) (i) $\$10 \times 0.2 = \2 (1) $\$10 + \$2 = \$12$ (1)

OR $\$10 \times \frac{100}{80} = \2.5 so SP = $\$10 + \$2.5 = \$12.5$

OFR applies. If the correct answer is given without working award 2 marks. [2]

(ii) $\$90\,000 \div \2 profit per toy (1) = 45 000 items (1) OR $\$90\,000 \div \$12.5 = 36\,000$

OFR applies from (i). If the correct answer is given without working award 2 marks. [2]

(e) Level 2 (4–6 marks)

Has discussed either collective or competitive advertising and has given a reasoned opinion.

Competitive advertising is when one producer advertises a product in order to sell as many as possible and to beat the competition.

A toy manufacturer is likely to use competitive advertising because there are many other toy manufacturers and he is in competition with them and wants as greater market share as possible, not just to sell toys in general. Collective advertising is usually done by producers of products such as wool and beef.

It is unlikely that a candidate will recommend collective advertising but if well argued it should be given credit. Collective advertising is advertising by a group of producers who join together to advertise the product. Collective advertising is usually done by producers of products such as wool and beef.

Level 1 (1–3 marks)

Has commented on collective or competitive advertising with/without an opinion.

The toy manufacturer is likely to use competitive advertising because he wants to make as many sales as possible. He is in competition with other toy manufacturers and wants to make profits. [6]

6 (a) Any two functions of transport explained at 2 marks each:

- to move goods – from factory to buyer/delivery
- to move raw materials – from primary producer to factory
- to move people – on holiday, to work, for pleasure
- to widen markets – the better the transport, the quicker the goods will be delivered
- to move machinery/equipment – from the supplier to where they will be used.

Any other relevant function.

[4]

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(b) (i) Level 2 (4–6 marks)

Has discussed the advantages of air freight or sea transport and has made a reasonable recommendation in context.

Mrs Banda might use air freight to transport the tracksuits. It is a fast means of transport and readily available. Although it is likely to be expensive, the tracksuits will be delivered quickly ready for the market and should not be damaged. There is a large quantity so the high cost may be justified as they will reach the market before fashions change.

I would recommend air transport as the value of the tracksuits would merit the cost of air freight.

Or, if Mrs Banda wants to save money, she could send the tracksuits by sea. This form of transport is suitable for large quantities of goods. Although it is slower than air freight, Mrs Banda could use a container. The tracksuits are likely to be less liable to damage and the goods will be unloaded at the docks quite quickly for onward transport to London.

I would recommend sea transport as the tracksuits would be suitable for packing into a container and are unlikely to be damaged.

Level 1 (1–3 marks)

Has commented on the advantages/disadvantages of air freight or sea transport with little context and may/may not have given a recommendation.

Air transport is a fast means of transport and suitable for carrying goods that are valuable. Would recommend air transport because it is quick. [6]

(ii) Any two items of additional information at 1 mark each:

- the value of the tracksuits
- the weight of the tracksuits
- how quickly they are required
- whether or not air transport or sea transport is available
- budget available.

Any other relevant information.

[2]

(c) Any four reasons at 1 mark each or two well developed points at 2 marks each:

- may be safer and protected from water damage, theft and deterioration
- can be loaded and unloaded easily without unpacking
- can be inspected by customs where the container is packed and at its destination
- can be transferred from one form of transport to another very easily
- may not be enough to fill a container but could share with other goods.

Any other relevant point.

[4]

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(d) Any four points at 1 mark each or two explained points at 2 marks each:

- arrange the form of transport
- arrange the documentation
- arrange storage if necessary
- organise the container
- organise customs clearance
- organise insurance
- deliver goods to destination
- load/unload consignment
- prepare consignment.

Any other relevant point. [4]

7 (a) (i) Pin number, plastic card/cash card/credit card/debit card. [2]

(ii) Any two services at 1 mark each:

- checking account balances
- topping up mobile phone
- quote for a personal loan
- paying in cash/cheques
- changing a pin number
- transferring money between accounts
- paying a credit card bill
- making a donation to charity
- obtaining a bank statement.

Any other relevant service. Paying bills will not be awarded any marks. [2]

(b) Any two differences explained at 2 marks each:

- bank statement is issued by a bank
- statement of account is issued by a trader
- bank statement shows all the transactions and is a request for payment of the account
- bank statement is used to show the details of a bank account
- statement of account is used when the buyer is a regular client of the seller and buying on credit.

Any other relevant point. [4]

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(c) Any three services described at 2 marks each:

- details of credit and debits and your current balance
- transfer of money between accounts
- payment of bills such as to retailers
- setting up of standing orders or direct debits
- payment of credit card bills by transferring money to the credit card company
- ordering cheque books
- ordering foreign currency
- loan quotations – giving illustrations of payments and interest
- 24 hour banking
- report/solve problems
- apply for loans/OD.

Any other relevant service.

[6]

(d) **Level 2 (4–6 marks)**

Has explained why a commercial bank might offer automated services. Has discussed the question of bank branch closures and given a reasoned conclusion.

Commercial banks offer a range of automated services. Many people use the Internet to conduct their bank business. Some people use telephone banking. Most people use bank machines for a variety of purposes but mainly to obtain cash. It is likely that some bank branches will close in some towns or city centres; especially where there is duplication. Kiosks of banking machines such as ATMs may be more available in more locations in city centres but many people will still need to visit their banks. They may not go so frequently but they may need to talk to someone about a loan, need to deposit money in a night safe, want to obtain information or just to pay in or obtain cash. It is, therefore, unlikely that there will be total closure of bank branches.

Level 1 (1–3 marks)

Has shown how a bank offers automated services and may/may not have commented on bank branch closures.

Banks offer various automated services. Most offer Internet banking. There are ATMs and telephone banking is available. ATMs can be found on the street or in shops and garages making it less necessary to visit the bank. Some branches have closed.

[6]

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8 (a) (i) Any two advantages explained at 2 marks each:

- can share the work especially when one is ill
- can pool ideas – two heads are better than one
- likely to be more capital than if working alone
- easy to set up – need a deed of partnership
- can share responsibilities – partners may specialise in particular areas of the business.

Any other relevant advantage. [4]

(ii) Equally/according to the deed of partnership/according to investment made. [1]

(iii) Any three points at 1 mark each and up to 2 marks for a well explained point:

- additional capital so may be able to expand
- does not take part in the business so does not interfere
- has no voting rights
- but will share in the profits so there may be less profits for Alina and Ali.

Any other relevant point. [3]

(b) Level 2 (4–6 marks)

Has discussed both the private limited company and a partnership and has given a reasoned opinion in context.

Tom as a shareholder is protected against losses by limited liability in the private limited company. If he were in a partnership, there would be unlimited liability and his personal assets would be at risk if the farm went out of business. It may be easier to raise capital as a private limited company. As Tom is in farming, it is important that there is continuity. A private limited company as a separate legal entity has continuity of existence and can be passed down to the next generation. It is therefore far better for Tom's business to be a private limited company.

If a candidate has discussed only a private limited company award 4 marks max.

Level 1 (1–3 marks)

Has commented on a private limited company only and may/may not have given an opinion.

The owners of private limited companies have limited liability. They can borrow money easily and share capital cannot be withdrawn. Tom's business should be a private limited company. [6]

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(c) Any three points at 1 mark for each section:

- (i) • retained profits is money owned by the business
 • it does not have to be paid back
 • no interest is payable
 • no-one has a financial interest in the business
 • no collateral has to be provided
 • any amount of it can be used.

Any other relevant point.

[3]

- (ii) • does not have to pay interest if pays off what is owed by the due date, allow no interest paid
 • can enjoy at least four weeks of free credit but on an overdraft interest is charged on the daily overdrawn amount
 • overdraft can be called in at 24 hours notice, this does not apply to trade credit
 • may be able to sell the supplies before the trade credit needs to be paid and can use the money earned to pay the debt
 • cash discount available on trade credit.

Any other relevant point.

[3]