CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge Ordinary Level

MARK SCHEME for the October/November 2015 series

7100 COMMERCE

7100/21 Paper 2 (Written), maximum raw mark 80

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2015 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

1 **(a)** One mark for secondary or tertiary production [1]

(b) Any two advantages explained × 2 marks –

- Limited liability (1) for shareholders means their personal assets are not at stake if the company fails (1)
- Access to large amounts of capital (1) through a stock exchange (1)
- Has continuity of existence (1) even if the ownership of the shares changes (1)
- Limited liability encourages potential investors to buy shares (1)
- Legal entity (1) so the company is separate from its directors / shareholders (1)
- With large amounts of capital available can take advantage of economies of scale (1)

Any other relevant point [4]

(c) Any one difficulty explained × 2 marks –

- Setting up an attractive website that will enable buyers to use it easily
- Training workers to use the computers and software packages
- Training workers to handle online sales / process orders
- Cost implications of the equipment, storage, delivery to customers
- Goods may be returned as they are not as shown on the website
- Need for a secure site (1) that customers will feel comfortable about using (1)
- Unstable connections
- Language problems

Any other relevant point [2]

(d) **(i)** Any two commercial documents × 1 mark and 1 mark for purpose of each –

- quotation – in response to an enquiry/when a request is made for prices
- catalogue/price list – to show the range of goods offered and prices
- advice note – to inform the buyer when goods have been despatched
- delivery note/consignment note – to accompany the goods sent
- invoice – to give the stores details of the goods sent and the total cost
- credit note – when the retailer has been overcharged/returned goods
- debit note – to correct an undercharge
- statement – to show the total amount owed for a series of transactions
- receipt – issued to prove that payment has been made

Any other relevant document [4]

(ii) Any three points × 1 mark each and up to 2 marks for a well-developed point –

- To encourage repeat business
- To attract customers
- To gain a competitive edge
- Because they are selling goods that might need maintenance/repair
- Because some of these items are large and may need to be delivered
- May produce additional income for the store

Any other relevant point [3]

(e) Level 2 (4–6 marks)

Candidate has discussed whether or not Cuddles Ltd should sell to stores in other countries and has given a reasoned opinion.
(If a candidate has given a one-sided argument, award 4 marks max).

If Cuddles Ltd decides to sell to stores in other countries it should gain a wider market for its goods and so increased sales revenue. It will be a form of expansion and will contribute to the country's Balance of Trade. It will have to decide whether or not to organise the sales to stores itself or sell using an intermediary such as an agent.

Cuddles Ltd will, however, encounter some difficulties. It will have to make its goods according to specifications acceptable in the countries to which it is exporting. It will have to organise transport over greater distances than when it was selling at home. It will be paid in foreign currency. Payments may be delayed so causing problems of cash flow. There may be greater chances of theft or damage and so insurance and packaging costs may be greater. All these problems can be overcome.

If the country in which Cuddles Ltd is located belongs to a trading group it will be easier for Cuddles Ltd to export as it will not be subject to import duties and other restrictions. Cuddles Ltd may need to try to sell in one country and overcome the difficulties encountered there before considering a wider export market. I recommend that Cuddles Ltd should consider selling in other countries if it wishes to expand its business.

Level 1 (1–3 marks)

Candidate has commented on Cuddles Ltd considering selling to stores in other countries with/without an opinion.

If Cuddles Ltd decides to sell to stores in other countries it should gain a wider market for its goods. It will increase its sales. It will expand. It should make increased profits. Cuddles Ltd will, however, encounter some difficulties. It will have to organise transport over distances. Payments may be delayed. There may be greater chances of theft or damage. I recommend that Cuddles Ltd should consider selling in other countries. [6]

2 **(a)** **(i)** One mark for the re-export trade/import to export again [1]

(ii) Any two reasons × 1 mark each or one well explained point × 2 marks –

- It may be handling dutiable goods (1) on which duty has not been paid (1)
- Owning a bonded warehouse offers another service to its customers
- It can offer entre pôt services to its customers without them having to pay duty

Any other relevant point [2]

(b) One mark for the means of transport and one mark for the reason –

(i) ship – bananas are carried in bulk/special conditions can be provided/long distance [2]

(ii) air – valuable item/speed necessary/more secure than other means/long distance [2]

Any other relevant reason [2]

(c) **(i)** **Level 2 (4–6 marks)**

Candidate has discussed whether or not it is better to send a consignment of electronic goods to Sydney using a container ship rather than air freight and has given a reasoned opinion.
(If a candidate has discussed only one of the means of transport, award 4 marks max.)

It is better to send a consignment of electronic goods to Sydney using a container ship rather than air freight because the electronic goods can be loaded into the container at the factory and not unpacked until they reach their final destination. The container will protect the electronic goods against damage, weather or theft. The container itself will act as storage for the electronic goods instead of having to use a warehouse. There is a fast turnaround for container ships at ports where special gantries are used to unload from container trucks and load on to them.

On the other hand, if the electronic goods are required urgently, they are valuable or it is a very small consignment it may be better to use air freight. The consignment will be delivered more quickly, the consignment may be able to bear the greater cost of air freight and it may be more secure.

We do not know the size of the consignment, nor its value but a container ship might be preferable when the consignment is not required too urgently.

Level 1 (1–3 marks)

Candidate has commented on sending a consignment of electronic goods to Sydney using a container ship rather than air freight with/without an opinion.

It is better to send a consignment of electronic goods to Sydney using a container ship. The container protects the electronic goods against damage or theft. The container provides storage for the electronic goods. The container can be loaded quickly and also unloaded speedily. Air freight might be suitable. [6]

(ii) Any one transport document × 1 mark and up to a further 2 marks to explain its purpose –

- bill of lading – document of title, evidence of a contract of carriage, provides a receipt, gives details of the goods carried
- air waybill – advice note for the goods carried, evidence of a contract of carriage, provides a receipt, gives details of the goods carried
- consular invoice – gives details of the goods, used to assess customs duties
- certificate of origin – gives details of the country of origin, used to assess customs duties

Any other relevant document [3]

(d) Any two reasons explained × 2 marks –

- May be sending goods to places without a railway or where the railway is at a distance
- Wishes to keep the goods under the direct supervision of company employees (1) as They might be valuable/fragile or to prevent theft (1)
- May be sending goods short distances (1) and making many deliveries for which road is more suitable (1)
- May be sending goods to other countries in Africa (1) for which there is no long-distance rail route (1)
- Is sending goods to other continents (1) for which air and ship are required (1)

Any other relevant reason [4]

3 (a) (i) Any two points × 1 mark each –

A supermarket company that has branches in many parts of a country (1), allow further 1 mark for general features of a supermarket e.g. sells food and household goods

Any other relevant point [2]

(ii) Any one point × 1 mark –

- User of goods/services
- Buys goods/services
- Informs producers about what to produce

Any other relevant point [1]

(iii) Any two services described × 2 marks each –

- Purchasing in large quantities (1) so that the manufacturer does not have to deal with retailers in smaller quantities (1)
- Bearing the risk (1) of being unable to sell the goods as the wholesaler is buying ahead of demand (1)
- Clearing production lines (1) so that production can be ahead of demand (1)
- Providing information about the market (1) so the producer can produce goods that are in demand (1)
- Providing storage of goods (1) so that the manufacturer is saved storage costs (1)
- Making payments to manufacturers (1) so that they can continue production (1)
- Some wholesalers may supply raw materials from at home or abroad to manufacturers (1) e.g. cotton, wool, iron ore, wheat (1)
- Preparing some goods for sale (1) e.g. tea and coffee blending (1)
- Transportation of goods (1)

Any other relevant service described. [4]

(b) Level 2 (4–6 marks)

Candidate has discussed both chains of distribution and has given a reasoned opinion as to which would be more suitable for the supermarket chain. (If a candidate has discussed only one of the chains of distribution, award 4 marks max.)

The supermarket chain buys a variety of goods in very large quantities. It is likely to buy many of these goods directly from the producers because it has huge buying power and can negotiate favourable prices which it can then pass on to consumers in prices lower than if it had purchased through wholesalers. It has the capacity to store large quantities in its warehousing – regional distribution centres and from there supply its supermarket branches to maintain their stock levels. It is also able to carry out many of the functions of a wholesaler using its RDCs such as breaking bulk, clearing suppliers' production lines and ensuring supplies.

It is possible that the supermarket chain might purchase some goods through wholesalers. Those goods it requires only in small quantities or imported produce such as fruits might be bought through wholesalers but the bulk of the goods its sells come directly from the producer or manufacturer.

Level 1 (1–3 marks)

Candidate has commented on one or both chains of distribution and may/may not have shown which is more suitable for the supermarket chain.

The supermarket chain buys a variety of goods in very large quantities. It is likely to buy many of these goods directly from the producers. It has huge buying power. It can negotiate low prices. It stores these goods in its regional distribution centres and supplies its supermarkets from there. The supermarket chain might purchase some goods using wholesalers. Most of its goods come directly from producers or manufacturers. [6]

(c) **(i)** Any four points × 1 mark or two well-developed points x 2 marks –

- Biscuits are easily broken (1) so the packaging protects them (1)
- A number of biscuits need to be grouped together
- To prolong their shelf life
- For hygiene reasons (1) especially when using self-service (1)
- To aid display (1) – the packets can be easily stacked (1)
- To enable information to be given on the packaging
- To enable branding to take place
- To attract customers (1) and make the product recognisable (1)
- To encourage impulse buying
- To give an impression of better value (1) – gold wrapping looks expensive (1)

Any other relevant point [4]

(ii) Any three actions × 1 mark each –

- Take back the biscuits to the shop with the receipt
- Ask for a refund
- Ask for a replacement
- Ask the shop to check on the rest of the stock
- Do nothing/eat the biscuits
- Ask to see manager

Zero marks for sue the shop/go to the police/go to a consumer organisation.

Any other relevant point [3]

4 **(a)** **(i)** One mark for employer's liability/workman's compensation [1]

(ii) \$800 000 + \$180 000 (1 mark) = \$980 000 (1 mark)

OFR applies.
If a candidate gives the correct answer without workings award full marks. [2]

(b) **(i)** Any four stages × 1 mark each (which need not be in logical order) –

- Contact insurer
- Check if policy valid
- Obtain death certificate
- Obtain evidence of accident
- Agreement of loss form must be signed
- Hire assessor (loss adjuster)

[4]

(ii) Any three points × 1 mark each and up to 2 marks for a well-developed point –

- Indemnity means that you are not be able to make a profit from a loss
- You will be paid compensation by the insurance company
- But you will not be able to claim more than the insured value (1) even if what you are
- Claiming for is worth more (1) and you failed to insure it for its true value (1)

Any other relevant point [3]

(c) Any two well explained points × 2 marks –

- Providing advice (1) on savings/investment of the compensation (1)
- Providing payment services + example
- Providing a means of safeguarding the compensation money (1) until she decides what to do with it (1)
- Providing loan facilities for a particular purpose (1) e.g. car purchase (1)
- Providing Internet banking services (1) such as current account facilities (1)
- Providing regular bank statements (1) to show her up-to-date financial position (1)
- Providing savings accounts (1) which earn interest (1)
- Loan for funeral (1)

Any other relevant point [4]

(d) **Level 2 (4–6 marks)**

Candidate has discussed the advantages and disadvantages to factory workers of working on a production line and has shown, with reasons, whether or not the advantages outweigh the disadvantages.
(If a candidate has discussed only advantages OR disadvantages award 4 marks max.)

Factory workers who work on production lines take part in division of labour. They do the same task repeatedly and so may become more skilled at this task and may work at a greater speed. Often the tasks are rotated so the workers do different tasks and do not become so bored. As more machinery and technology is introduced, the manual effort required may become less. Often the tasks are simple and easy to learn and so little training is required. The workers may find that they can change jobs quite easily and work in a variety of workplaces.

On the other hand, the work is often boring because it is so repetitive. This may lead to mistakes, loss of quality and lower output. Workers may have less pride in their jobs and less job satisfaction as they are no longer responsible for making the product as a whole. Workers may feel less valued as they make only one part of a product. This may be helped by job rotation. Sometimes they may find themselves unemployed or laid off. Workers in one industry are often dependent on workers in another industry. If there is a strike in a power industry, many workers in factories using electricity may be unable to work.

There are advantages and disadvantages to the worker on a production line. Boredom may countered by good pay to attract employees. Production lines benefit the owner of the factory. It is doubtful if the advantages to the workers are greater than the disadvantages. After all Salim was killed in an accident at work. Production lines do, however, provide employment.

Level 1 (1–3 marks)

Candidate has commented on the advantages/disadvantages to factory workers of working on a production line and may/may not have given an opinion.

Factory workers who work on production lines take part in division of labour. They do the same task repeatedly. They become skilled at this task. They may work at a greater speed. Often the tasks are simple and easy to learn. Often the pay is good.

The work is often boring. It is repetitive. This may lead to mistakes and loss of quality. Workers may have less pride in their jobs. They do not make the entire product. The advantages may outweigh the disadvantages if the jobs are well paid. [6]

5 **(a)** **(i)** One mark for sales/sales revenue [1]

(ii) $4500 × 52 (1 mark) = $234 000 (1 mark)

OFR applies.
If a candidate has given the correct answer without working, award full marks. [2]

(b) **(i)** Any two well-developed points × 2 marks –

- Shopping malls consist of a group of shops (1) and so are likely to attract potential customers (1)
- Shopping malls undertake advertising for the shopping mall as a whole (1) so Betsy may save some advertising costs (1)
- Shopping malls provide additional services that Betsy can make use of (1) e.g. parking (1)
- Shopping malls provide a secure environment for shoppers (1) and for Betsy's business (1)

Any other relevant point [4]

(ii) Any three points and 1 mark each and up to 2 marks for a well-developed point –

- She may need to make an appointment quickly
- She may need to ask questions
- She may need to discuss the advertisement
- She may not have email available
- She may want to speak to Suleiman
- She may think that she will not receive a reply to her email

Any other relevant point [3]

(c) **Level 2 (4–6 marks)**

Candidate has discussed several long-term sources of finance and has given a reasoned recommendation.
(If candidate has one long term source only, award 4 marks max.)

Betsy will probably operate as a sole trader if she buys the lease and so some sources of finance will not be available to her such as shares. She will need long-term finance. She might borrow from friends or relations who may offer favourable terms to her. She may consider taking a partner who would invest money. If she took an ordinary partner, the partner would share in the running of the business and share in the profits according to the partnership agreement. She might consider taking a sleeping partner who would invest but take no part in the running of the business. This partner would, however, want a share in the profits and would have limited liability unlike Betsy who would be liable for losses with her personal assets also at risk.

Betsy might consider approaching a bank for a loan. She would have to prepare a business plan setting out how she proposed to operate the business. If the bank granted a loan, there would be fixed interest payments and she would have to provide collateral – probably the lease document – as security for the loan. Which source of finance she arranged might depend on interest to be paid, conditions attached and whether or not she would be able to obtain the finance for the venture. Borrowing from friends might be an attractive option but if this was not possible, the bank loan with its organised structure might be the best option to consider if she wished to be her own boss.

Level 1 (1–3 marks)

Candidate has commented on one or more long-term sources of finance with/without a recommendation.

Betsy will probably run the business as a sole trader. She will need long-term finance. She might borrow from friends or relations. She might consider taking a partner. The partner would invest money. Betsy might take a bank loan. She would have to pay interest. She would have to provide security against the loan. A bank loan might be a good idea. [6]

(d) Any two ways explained × 2 marks each –

- Offer special promotions (1) such as percentage off for a certain period (1)
- Introduce new lines that might appeal to customers (1)
- Reduce the prices of many of goods offered (1) so that stock is cleared more quickly (1)
- Improve the window display (1) so that passing trade is attracted to the shop (1)
- Undertake an advertising campaign (1) e.g. online, using local newspapers (1)
- Hold a special event (1) such as a fashion show (1)
- Improve the quality of the goods offered for sale (1) so that customers feel that they are receiving value for money (1)
- Develop online sales (1) so that she targets a different market (1)

Any other relevant way [4]

6 **(a)** Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Enables the buyer and the seller to be in contact frequently using email
- So that queries could be answered
- So that prices (1) terms could be given (1)
- Enables tenders/quotations to be sent quickly
- Enables contracts to be sent
- May hold meetings using teleconferencing/videoconferencing (1) so saving the time / cost / need for travel (1)
- May have been other rival vehicle manufacturers trying to obtain the order (1) so it was important for the vehicle manufacturer to communicate effectively (1)
- A definition of communication such as exchange of information (1)
- Large sums of money require accuracy (1)
- Any change of circumstance must be communicated rapidly (1) plus example (1)

Any other relevant point [4]

(b) Any one way × 2 marks –

- May inspect the trucks on arrival in the Asian country (1) to make sure there is no smuggling (1)
- May assess the documents and trucks (1) in order to levy import duties (1)
- The trucks may need licences to be imported into the Asian country (1) and these would be checked by Customs (1)
- Customs would note the quantity and value of the trucks for statistical purposes in order to calculate the Balance of Trade (1)

Any other relevant point [2]

(c) **(i)** Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Distance may cause difficulties when exporting
- The trucks are likely to be sent a considerable distance (1) and so there are greater dangers of theft of the trucks or damage to them (1)
- There may be difficulties over communication between buyers and sellers at a distance (1)
- Transport may be more complex (1) – the need for more than one method of transport because of distance (1)
- There may be additional charges for transport/insurance (1) because of long distances (1)

Any other relevant point [4]

(ii) One mark for costs/language problems/different currencies/different exchange rates / different specifications/increased paperwork/risk of non-payment/time/weight

Any other relevant point [1]

(d) Any three points × 1 mark each – and up to 2 marks for a well-developed point

- The trucks are imported goods
- This order would reduce the Balance of Trade of the Asian country and so reduce its Balance of Payments by $70m
- It might not affect the Balance of Payments because it might be balanced by exported goods of the same value

Any other relevant point [3]

(e) Level 2 (4–6 marks)

Candidate has discussed each method of payment and has given a reasoned recommendation.
(If a candidate has discussed only one method of payment with a reasoned recommendation, award 4 marks max. If a candidate has discussed each method of payment but given no recommendation, award 5 marks max).

Documentary credits are letters of undertaking issued by the road haulage company's bank and sent to the vehicle manufacturer to guarantee the payment. The manufacturer must produce various shipping documents to its bank in order to prove that the trucks have been sent. It will then present the documentary credit and receive payment. This bank will then be repaid by the buyer's bank who claims the money from the buyer.

Electronic transfer is computerised transfer of funds between two banks in two different countries. It is a very quick way of transferring large value sums such as the $70m owed. It is safe as it is between banks but the buyer must have the funds available to do this.

The road haulage company is unlikely to use a credit card in payment. This is used more for personal transactions and the amount owed is too large to be paid by credit card.

If the buyer wants a period of credit and wants to safeguard the payment and know that the trucks have been despatched before payment is made, documentary credits are to be recommended. If the money is available, then electronic transfer would be suitable but there is a risk that the payment would be made and the trucks would not have been despatched.

Level 1 (1–3 marks)

Candidate has commented on one or more methods of payment with/without a recommendation.

The road haulage might use documentary credits. Documents have to be produced to show that the goods have been sent. It will not use a credit card. I recommend using documentary credits. Payment is guaranteed. [6]

7 (a) (i) One mark for flyer/local newspaper/local TV/cinema/internet/board/posters outside the café [1]

(ii) Level 2 (4–6 marks)

Candidate has discussed whether or not the advertisement is likely to be successful and has given a reasoned opinion.
(If a candidate has given a one-sided argument, award 4 marks max).

The advertisement is both informative and persuasive. It gives the name of the café and says when it is opening. It does not, however, give any more details such as the location of the café so no one will know where it is. It does not give its times of opening so potential customers will not know when to come. It does not give details of the kinds of food and drinks on offer. The advertisement is persuasive in the sense that it advertises lots of good food. This might tempt people to come to see for themselves especially as there is a sales promotion in the advertisement – the first drink free.

If the advertisement is to compete against the advertising undertaken by other cafes and food and beverage outlets, it may be successful as long as Perry can produce what he is advertising – lots of good food.
We do not know where the advertisement will be placed. If it is outside the café, it might be successful and attract attention. We do not know how large the fonts will be or if the advertisement will be in colour. Although the advertisement has some information, it is unlikely to be successful as some of the important information has been omitted.

NB. The advantages or disadvantages of a particular medium as given in 7(a)(i) above must be accepted.

Level 1 (1–2 marks)

Candidate has commented on whether or not the advertisement is likely to be successful with/without an opinion.

The advertisement gives information. It gives the name of the café. It says when it is opening. It does not say where the café is. The advertisement tries to persuade people. It advertises good food. It gives a special offer of a free drink. The advert might be successful. It will depend on where it is put. [6]

(b) Any two reasons explained × 2 marks each –

- He may have been asked to invest too much money (1) and he could not raise that money (1)
- He did not want to be tied to another company (1) and have to obey its rules (1)
- He did not want to make annual royalty payments (1) to the parent company from his turnover (1)
- He did not want to offer the range of products offered by the franchise company (1) but wanted to use a range of suppliers (1)
- He wanted the flexibility of working for himself and making his own decisions
- He wanted to have ownership of a business (1) rather than lease a business opportunity (1)
- He did not want to risk losing franchise (1) due to his errors (1)

Any other relevant reason explained [4]

(c) Any four reasons × 1 mark each or two well-developed points × 2 marks –

- To keep his supplies of food and drinks
- To enable him to meet demand (1) and not run out of products (1)
- To keep the ingredients needed to make some of his products
- To protect his supplies (1) from theft/damage (1)
- To keep some of his products refrigerated (1) as they are perishable (1)
- To enable him to buy some of his products at intervals
- Because some of his products are perishable (1) and delivered daily (1)
- So that supplies are not stored in the café or kitchen
- To maintain a tidy appearance

Any other relevant point [4]

(d) Any three points × 1 mark and up to 2 marks for a well-developed point –

- The products he offers are not costly (1)
- People are unlikely to have large bills (1)
- He wants the cash (1) in order to buy further supplies (1)
- He cannot afford bad debts (1) or the paperwork offering credit would create (1)
- Many of his customers prefer to pay with cash (1) or with debit cards (1)
- Other cafes around may not offer credit (1)

Any other relevant point [3]

(e) 90% of \$1 = 90c = mark-up (1 mark) \$1 + 90c = \$1.90 (1 mark)
OFR applies. If a candidate gives the correct answer without working, award full marks. [2]

8 (a) (i) Any one characteristic × 1 mark –

- Controlled by head office/consists of many branches/shop layouts are similar/
- Bulk buys from suppliers/may have regional distribution centres/
- Slow selling lines may be moved to other branches/
- Losses made in one branch may be covered by the other branches

Any other relevant point [1]

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

- Can buy in the quantities it requires (1) and so take advantage of economies of scale (1)
- Can obtain discounts (1) which it can pass on to its customers as lower prices (1)
- Can control the design / quality of what is produced
- May be able to have the children's clothing branded with its own brand
- Can avoid the costs of using wholesalers (1) and perform its own wholesaling functions (1)
- Likely to have own warehouse (1) to store clothes until required for sale (1)

Any other relevant point [4]

(iii) Any two points × 1 mark each or one well explained point × 2 marks –
- Provides storage (1) from which the branches can be supplied (1)
- Enables supplies to be available to meet demand (1)
- Protects the goods against damage/theft/weather (1 mark only)
- Enables a variety of products to be assembled in one place ready for sale

Any other relevant point [2]

(b) Any four points × 1 mark each or two well explained points × 2 marks –

- It is able to handle different types of payment
- It wishes to make payment as easy as possible for customers
- It helps to maintain its level of turnover
- Accepting a range of payments makes Fizz competitive with other multiples
- It may be offering online shopping so needs to accept computerised forms of payment (1) such as credit cards and debit cards (1)
- It reduces the amount of cash held on branch premises
- A range of transactions, large and small, are made in Fizz's branches daily

Any other relevant point [4]

(c) Any three points × 1 mark each and up to 2 marks for a well explained point –

- Customers may be spending a great amount of money
- Some stores may be selling goods not fit for purpose
- Some stores may be using misleading advertising
- Some stores may be misleading customers about their credit payments
- Some stores may be selling unsafe products (1) e.g. faulty electrical equipment (1)
- Some stores may be selling goods that might damage consumers' health
- Some stores may not be describing their products correctly
- Customers need to be able to complain successfully (1) and obtain replacements/refunds (1)

Any other relevant point [3]

(d) **Level 2 (4–6 marks)**

Candidate has discussed the two methods of selling Fizz Ltd uses and has given a reasoned opinion.
(If a candidate has discussed only one method of selling i.e. outlets in town centres or online, award 4 marks max).

Fizz Ltd sells through outlets in town centres because many people like to visit these places for their shopping. They like to view the products and the choice offered by shops grouped together before making their decision to buy. They may visit the town centre for a day out, not necessarily with the intention to buy. They may be attracted by the services offered such as restaurants and car parking. Being located in these places raises the profile of Fizz Ltd who, as a multiple chain store, is likely to have outlets in many of these places. Although the costs of leasing and operating these outlets are high, many multiple stores still have profitable outlets there.

At the same time it is important for Fizz Ltd to expand its online shopping service. Many customers do not have the time to visit shops and prefer to shop using the Internet. This trend is likely to continue and so Fizz Ltd must maintain an up-to-date website and make sure that the delivery of goods ordered is efficient.

Fizz Ltd may, in the long term, have to review the number of outlets it has and concentrate on the most profitable ones. As more and more consumers shop online, it is important that Fizz Ltd puts many of its resources into its e-retailing services.

Level 1 (1–3 marks)

Candidate has commented on one or both of the methods of selling that Fizz Ltd uses with/without an opinion.

Fizz Ltd sells through outlets in town centres. Many people like to visit these places for their shopping. They like to view the products before they buy. These outlets are costly to run. It is also important for Fizz Ltd to expand its online shopping service. Many customers like to shop using the Internet. This will increase. Fizz Ltd must concentrate on this. [6]