



Cambridge International Examinations
Cambridge Ordinary Level

COMMERCE

7100/02

Paper 2 Written

For Examination from 2018

SPECIMEN MARK SCHEME

2 hours

MAXIMUM MARK: 80

This document consists of **12** printed pages.



abbreviation	stands for	meaning
OFR	own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations, or as the basis for a comment on the outcome of the calculation, then OFR means that marks are awarded for comments or calculations that result from the original incorrect figure.

Question	Answer	Marks
1(a)(i)	One mark for iron ore (mines)/mining	1
1(a)(ii)	A service offered by the Port Authority is handling containers A service offered by the Airport Authority is refuelling services Both answers correct = 1 mark 0 or 1 answers correct = 0 marks	1
1(b)	Any one benefit explained × 2 marks (1 mark for the benefit/1 mark for development) can increase output/because it can use division of labour and mechanisation can produce a standardised product/by introducing good quality control procedures can employ people to work on a production line/and train them to do one task can achieve economies of scale/by employing mass production methods/ greater use of mechanisation/technology can build up expertise in the production of one product/so that the factory can be more efficient any other relevant benefit explained	2

Question	Answer	Marks
1(c)	Up to 2 marks for explaining the transport types used. Up to a further 2 marks for comparing the types of transport used. Up to a final 2 marks for evaluating the importance of transport in the production of iron ore. <u>Transport types</u> Road – used to take iron ore to nearby steelworks. Rail – used to take iron ore a longer distance to the shipping port. Sea – used to export the iron ore. Air – used to bring employees to the mine. <u>Comparison of transport types</u> Iron ore is bulky. Road transport is only used for short journeys of the iron ore to domestic users. Rail transport is used to carry much more iron ore to the seaport and is more efficient than road. Ships can carry large quantities of iron ore to other countries. Air would never be used for iron ore because of the weight of it, and is only used to bring the employees to the mines, which are probably in a remote area. <u>Evaluation</u> Unless iron ore is transported it cannot be sold. For the overland journeys of long distances, rail will be the most efficient method and is used to haul the iron ore to the seaport where ships provide an economical method of transporting the ore overseas. It is only on relatively short journeys, when smaller amounts of iron ore are needed, that road transport could become competitive with rail, for example to the car factory, which may be operating just-in time (JIT) production. It is important to have the air link for employees if the mine is in a remote area. Overall transport is very important to the operation due to the bulky nature of iron ore, the need to haul it economically and the need to transport employees to the mines.	6
1(d)	Any one way explained × 2 marks (1 mark for the way/1 mark for development) disposal of waste products/avoid unsightly spoil heaps look for alternative methods of transporting steel to car factory/such as rail change power source from fossil fuels/control emissions into the atmosphere control the amount of waste created within the works/better quality control make the workforce aware of the need to protect the environment/example such as recycling any other relevant way explained	2

Question	Answer	Marks
1(e)	Up to 2 marks for stating the types of international trade undertaken by the country. Up to a further 2 marks for explaining the needs for exports and imports. Up to a final 2 marks for evaluating the importance of international trade. <u>Trade undertaken</u> The country exports raw materials such as iron ore which has a wide international market as it is the basic ingredient in steelmaking. The country imports food and manufactured goods. <u>Need for exports and imports</u> The country needs to pay for the food and manufactured goods that it imports. It does this by exporting iron ore and presumably some of the steel it produces from the iron ore. It has added value by converting the iron ore into steel and should make additional profits from this process. The fact that it exports raw iron ore suggests that it has large resources of the ore. <u>Evaluation</u> The country imports food which means that international trade is vital for feeding its population. Manufactured goods are also imported which will raise the standard of living as long as the country can afford to import them. The country can pay for these imported goods by exporting its raw materials (iron ore), of which it likely has a surplus.	6

Question	Answer	Marks
2(a)	Any two advantages × 1 mark each – customers can take their time shopping customers can examine the goods before selecting customers can look at alternatives before choosing customers may take less time shopping than if they have to queue to be served in a shop goods are prepared to aid self-selection any other relevant advantage	2

Question	Answer	Marks															
2(b)	Any three actions × 1 mark each – return to the shop/telephone/email to complain take back the sandwiches and receipt explain the situation ask for a replacement ask for a refund do nothing – eat the sandwiches tell family/friends about the poor product use social media to complain any other relevant point NB no marks for go to the police, sue the shop, report to consumer association	3															
2(c)	<table> <tr> <td></td><td>TRUE</td><td>FALSE</td></tr> <tr> <td>A regional distribution centre enables the retailer to benefit from discounts by purchasing in bulk.</td><td>✓</td><td></td></tr> <tr> <td>A regional distribution centre provides wholesaling services to small-scale and large-scale retailers.</td><td>✓</td><td></td></tr> <tr> <td>A regional distribution centre supplies a number of shops owned by one company.</td><td></td><td>✓</td></tr> <tr> <td>A regional distribution centre is located where there is a good road network and easy access.</td><td>✓</td><td></td></tr> </table>		TRUE	FALSE	A regional distribution centre enables the retailer to benefit from discounts by purchasing in bulk.	✓		A regional distribution centre provides wholesaling services to small-scale and large-scale retailers.	✓		A regional distribution centre supplies a number of shops owned by one company.		✓	A regional distribution centre is located where there is a good road network and easy access.	✓		2
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2(d)	Indicative content <i>Advantages</i> - likely to increase sales - gain a competitive edge/competitors may already be offering the service - maintain/grow market share - customers can shop at any time – assists working population and people who are housebound - more products available than may be stocked in a single store - service may target new customers - any other relevant advantage <i>Disadvantages</i> - technology/resources required to implement may be costly/resourcing challenges e.g. centralised ordering system, warehouse, delivery vans and computer terminals - if technology is not fit for purpose there will be dissatisfied customers - fewer people will visit the stores/lower turnover in stores - online shopping will not cater for people without access to the internet - may reduce profitability of self-service stores - any other relevant disadvantage <table border="1"> <thead> <tr> <th>Level</th><th>Marks</th><th>Description</th></tr> </thead> <tbody> <tr> <td>3</td><td>6–8</td><td>A thorough evaluation of the advantages and disadvantages to Maxiplus of offering an online shopping service. Has identified many of the significant issues relevant to this commercial situation and has come to a well-reasoned judgement supported by relevant evidence about whether Maxiplus should offer an online shopping service. Response is communicated in an accurate and logical manner.</td></tr> <tr> <td>2</td><td>3–5</td><td>A satisfactory evaluation of the advantages and/or disadvantages to Maxiplus of offering an online shopping service. Has identified some of the significant issues relevant in this commercial situation and may have come to a judgement supported by evidence about whether Maxiplus should offer an online shopping service. Response may lack accuracy or a logical structure.</td></tr> <tr> <td>1</td><td>1–2</td><td>A limited, descriptive response, showing some knowledge and understanding of an online shopping service. No attempt to evaluate whether Maxiplus should offer an online shopping service.</td></tr> <tr> <td>0</td><td>0 marks</td><td>No creditable response</td></tr> </tbody> </table>	Level	Marks	Description	3	6–8	A thorough evaluation of the advantages and disadvantages to Maxiplus of offering an online shopping service. Has identified many of the significant issues relevant to this commercial situation and has come to a well-reasoned judgement supported by relevant evidence about whether Maxiplus should offer an online shopping service. Response is communicated in an accurate and logical manner.	2	3–5	A satisfactory evaluation of the advantages and/or disadvantages to Maxiplus of offering an online shopping service. Has identified some of the significant issues relevant in this commercial situation and may have come to a judgement supported by evidence about whether Maxiplus should offer an online shopping service. Response may lack accuracy or a logical structure.	1	1–2	A limited, descriptive response, showing some knowledge and understanding of an online shopping service. No attempt to evaluate whether Maxiplus should offer an online shopping service.	0	0 marks	No creditable response	8
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3(a)	(inventories + trade receivables + cash) = \$1000 + \$300 + \$300 = \$1600 (1 mark) (trade payables + bank overdraft) = \$400 + \$700 = \$1100 (1 mark) \$1600 – \$1100 = \$500 (1 mark) OFR applies. Accept the correct answer without full working for full marks.	3
3(b)(i)	1 mark for debentures	1

Question	Answer	Marks															
3(b)(ii)	Indicative content • decision depends on the company's financial status, cost of machinery and how urgently it is required • if the machinery is very expensive, issuing more shares to existing shareholders would mean that the company would not be over-committed financially • bank loan has repayments fixed over a long period of time. Income from new machinery could pay off the bank loan • organising issue of shares takes time • issuing of shares will widen ownership of the company so management control might be weakened • dividends will need to be paid but they don't need to be paid off (like a bank loan) and there is no interest • bank loan is quick to arrange • ownership of company is maintained with a bank loan • assets may have to be used to secure the loan – these could be lost if there is difficulty repaying • any other relevant point <table border="1"> <thead> <tr> <th>Level</th><th>Marks</th><th>Description</th></tr> </thead> <tbody> <tr> <td>3</td><td>6–8</td><td>A thorough evaluation of the advantages and disadvantages to Trigwells Pty Ltd of issuing ordinary shares or taking a bank loan. Has identified many of the significant issues relevant to this commercial situation and has come to a well-reasoned judgement supported by relevant evidence about whether Trigwells Pty Ltd should issue ordinary shares or take a bank loan in order to buy new machinery. Response is communicated in an accurate and logical manner.</td></tr> <tr> <td>2</td><td>3–5</td><td>A satisfactory evaluation of the advantages and/or disadvantages to Trigwells Pty Ltd of issuing ordinary shares or taking a bank loan. Has identified some of the significant issues relevant in this commercial situation and may have come to a judgement supported by evidence about whether Trigwells Pty Ltd should issue ordinary shares or take a bank loan in order to buy new machinery. Response may lack accuracy or a logical structure.</td></tr> <tr> <td>1</td><td>1–2</td><td>A limited, descriptive response, showing some knowledge and understanding of bank loans and/or issuing shares. No evaluation of whether Trigwells Pty Ltd should take a bank loan or issue ordinary shares.</td></tr> <tr> <td>0</td><td>0 marks</td><td>No creditable response</td></tr> </tbody> </table>	Level	Marks	Description	3	6–8	A thorough evaluation of the advantages and disadvantages to Trigwells Pty Ltd of issuing ordinary shares or taking a bank loan. Has identified many of the significant issues relevant to this commercial situation and has come to a well-reasoned judgement supported by relevant evidence about whether Trigwells Pty Ltd should issue ordinary shares or take a bank loan in order to buy new machinery. Response is communicated in an accurate and logical manner.	2	3–5	A satisfactory evaluation of the advantages and/or disadvantages to Trigwells Pty Ltd of issuing ordinary shares or taking a bank loan. Has identified some of the significant issues relevant in this commercial situation and may have come to a judgement supported by evidence about whether Trigwells Pty Ltd should issue ordinary shares or take a bank loan in order to buy new machinery. Response may lack accuracy or a logical structure.	1	1–2	A limited, descriptive response, showing some knowledge and understanding of bank loans and/or issuing shares. No evaluation of whether Trigwells Pty Ltd should take a bank loan or issue ordinary shares.	0	0 marks	No creditable response	8
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3(c)	Any two characteristics described × 2 marks (1 mark for the characteristic/ 1 mark for the description) limited liability/shareholders liable only up to the amount of investment owned by shareholders/who may be family members (restricted ownership) shares transferred by agreement among the shareholders/and not freely transferable accounts are not published/but are available on application control by the board of directors/who may also manage the day-to-day running of the company legal entity/can sue or be sued in the company name any other relevant characteristic described	4
3(d)	Any two ways explained × 2 marks (1 mark for the way/1 mark for the explanation or example) to protect itself against claims made by employees/employer's liability to protect itself against claims made by customers or the public/public liability to receive compensation/in the event of a risk happening to insure its vehicles/using comprehensive cover to cover its buildings and machinery/against damage, fire, flood to safeguard itself against customers not paying their debts/credit insurance any other relevant way explained	4

Question	Answer	Marks
4(a)	1 mark each for – (i) \$1400m (ii) \$400m (iii) –\$40m (NB must have minus sign)	3
4(b)	1 mark each for – (i) deficit (ii) surplus	2
4(c)	Any one way described × 2 marks (1 mark for the way/1 mark for the description) collect statistics/on imports and exports at ports and airports 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 any other relevant way described	2

Question	Answer	Marks
4(d)	Medium = 0 marks Any two reasons explained × 2 marks (1 mark for the reason/1 mark for the explanation) <i>internet website</i> probably has a government website already/therefore has the resources to maintain it can give detailed information/so that businesses can follow up contacts can be interactive/so enabling links to other websites can reach worldwide/therefore reaching more potential countries and customers is available 24/7/therefore overcoming time differences can establish how many 'hits' it has had/and so find out how successful it is <i>newspaper advertisements</i> newspapers are widely read in many countries/therefore reaching many target markets and customers many newspapers have business sections/so may be able to target business people can take whole page advertisements/so give detailed information advertisements can be kept and referred to/so that potential customers may be able to make contact at a later date can be printed in the language of the country/therefore accessible in many countries accept negative reasoning for not choosing the other medium any other relevant reason explained	4

Question	Answer	Marks
5(a)	Any two characteristics × 1 mark each use of a website wide range of goods easy methods of payment delivery details/dates given ability to return goods any other relevant characteristic	2
5(b)	Any one way explained × 2 marks (1 mark for the way/1 mark for the explanation) develop a simplified website/so that it is easier to use with a mobile phone employ and train more staff/to work on mobile platform develop app technology/so that customers will appreciate the extra service do nothing/except handle orders as they come in as efficiently as possible any other relevant way explained	2

Question	Answer	Marks
5(c)	Up to 2 marks for stating the advantages and/or disadvantages of accepting debit cards and credit cards. Up to a further 2 marks for explaining the two payment plans. Up to a final 2 marks for evaluating the need for the four options. <u>Debit cards and credit cards</u> Debit cards provide immediate payment by debiting the customer's bank account. A small administrative charge will be made by the bank to the retailer. Credit cards pay the retailer directly and issue monthly bills to the customer, summarising their transactions and offering the choice of paying the whole balance or spreading the payments over several months. The retailer will have to pay a fee of usually between 2% and 5% to the credit card company. <u>Additional payment options</u> Customers who have the cash, or money in their bank account, can then qualify for the 10% discount by paying for the computer in full. The extended credit will attract customers who do not have the available cash and do not have credit cards or do not want to use them. The retailer will have to check their credit-worthiness and there will be a risk of a bad debt. The retailer will receive additional income from the interest on the extended credit. <u>Evaluation</u> Accepting a wide range of payments will help the retailer in attracting customers with different financial means. This will give the retailer a competitive edge over competitors who do not offer the range of payment options.	6
5(d)(i)	Any two reasons explained × 2 marks each (1 mark for the reason/1 mark for the explanation) computers are fragile/and so it is better to transport them directly from the manufacturer rather than use a middleman the wholesaler is an intermediary/so the retailer may get a better price or better credit terms from the manufacturer the retailer may require specialised information and assistance from the manufacturer/the wholesaler cannot provide this as the wholesaler deals in many different goods the retailer may want to purchase a range of computers/but the wholesaler may not be able to supply this range of computers the retailer may have the financial resources to purchase directly from the manufacturer/and so obtain discount for bulk purchases any other relevant reason explained	4

Question	Answer	Marks
5(d)(ii)	Any two points × 1 mark each or Any one point × 2 marks (1 mark for the point/1 mark for the explanation) when the retailer wants information about the computer/such as price and delivery dates when the retailer want to know terms of sale/such as discounts when the retailer wants to compare prices of computers and other information between several manufacturers when the retailer is making contact with a manufacturer she has not dealt with before/to find out what is offered any other relevant point explained	2