

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

**MARK SCHEME for the October/November 2010 question paper
for the guidance of teachers**

7101 COMMERCIAL STUDIES

7101/01

Paper 1 (Elements of Commerce),
maximum raw mark 100

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

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

CIE is publishing the mark schemes for the October/November 2010 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

Section A

- 1 (a) (i) Trade (1) and aids to trade (1) or a general definition such as the distribution of goods and services for 2 marks [2]

- (ii) Banking to allow payments between the two parties (1) such as cheques (1)
 Transport to move finished goods (1) to the retailer's door (1)
 Communications to receive documents (1) such as invoices (1)
 Warehousing to store goods (1) until the retailer requires them (1)
 Advertising to inform the retailer (1) about new products (1)
 Insurance to absorb some of the risks (1) such as motor insurance (1)

Note: Maximum of any three aids to trade
 Any 6 × 1 marks

[6]

- (b) May offer cash and carry (1)
 Advertising (1)
 Credit (1)
 Delivery (1)
 Advice/information on new goods (1)
 Displays goods (1)
 Breaking bulk (1)
 Storage of goods (1)
 Keeps prices stable (1)
 Buying in bulk (1)
 Risk-bearing (1)

Any 2 × 1 marks

[2]

- (c) There would be no current accounts (1) so payments would be more difficult (1), e.g. cheques, standing order, bank giro, direct debit (allow 2 marks for any two).
 It would be difficult to obtain finance (1) without loans or overdrafts (1) for buying machinery or expansion (1).
 There would be no saving facilities (1) to keep surplus funds (1) so as to earn interest (1).
 Other services such as internet banking (1) and night safes (1) would not be possible (1).

Any 4 × 1 marks

[4]

- (d) Advertising aids buying and selling (1) as buyers get to know what goods are available (1) particularly new goods (1) and reminds buyers (1) of existing goods (1) promoting brand loyalty (1).
 Persuaded to buy goods (1) by subtle techniques (1) increases sales/profit (1)
 Saves time for buyer in searching the market (1) can see goods advertised on media (allow 2 examples for 2 marks) and then knows the supplier (1) and the place/location of where they can buy the goods from (1)
 Allows comparison of different advertised goods (1) allows buyer to make 'best buy' (1) from prices/quality given in advertisement (1)

Any 6 × 1 marks

[6]

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

2 (a) (i) \$100 000/50% (1) = \$50 000 (1) or 2 marks for the correct answer [2]

- (ii) Used for expansion (1)
To buy fixed assets (1)
Used as working capital (1)

Any 2 × 1 marks [2]

(iii) 100 000/500 000 × 100 = 20% (1) = 20 cents (1) or two marks for the correct answer [2]

(b) Company can have unlimited or 50 shareholders (1) partnership usually has a maximum of 20 partners (1)

Company owned by shareholders (1) partnership owned by partners (1)

All company shareholders have limited liability (1) partnership has unlimited liability (1)

Company is incorporated (1) partnership is not a separate legal entity (1)

Company has continuity (1) partnership ends on death of a partner (1)

All companies must be registered with Registrar of Companies (1) not necessary with a partnership (1)

Companies raise finance by share issue (1) partnerships' capital comes from partners/loans (1)

Company accounts have to be filed with the Registrar of Companies (1) partnership accounts are kept private (1)

Any 6 × 1 marks [6]

(c) (i) Finance – forecasts/budgets, costing, paying invoices, billing, credit control, wages/salaries, cash office, auditing, analysing or providing financial information

Any 2 × 1 marks = 2 marks [2]

(ii) Marketing – market research, advertising, public relations, sales, distribution, customer care, after-sales service

Any 2 × 1 marks = 2 marks [2]

(iii) Personnel – HR planning, recruitment or any stages of recruitment, industrial relations, pensions, personnel records, health and safety, training, staff welfare, promotions, salaries

Any 2 × 1 marks = 2 marks [2]

(iv) Purchasing – identifying suppliers, quotations, ordering/buying, checking documents, liaising with production department

Any 2 × 1 marks = 2 marks [2]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

- 3 (a) (i)** Usually faster over short distances (1) less than 200 km (1)
 Can go directly to the door of customer (1) no need for transshipment (1)
 It can be flexible (1) does not follow a timetable (1)
 There is less theft (1) as under the supervision of the driver (1)
 There is less damage (1) as less handling involved (1)
 Rail transport may not be available (1) in some countries/areas or example (1)
 It can take a variety of loads (1) such as abnormal loads (1) in different types of road vehicles (1)
 The building of motorways/highways (1) has speeded up road haulage (1)
 Advertising on vans (1) can be seen by passers-by (1)

Any 6 × 1 marks [6]

- (ii)** For bulky goods (1) requiring larger carriage space (1) that might need many journeys (1) by too many road vehicles (1) making it very expensive (1)
 Over long distances (1) such as Brunei to England (1) especially when countries are separated by water (1)
 When goods not urgently required (1) example (1) it would be cheaper to use sea transport (1)
 For heavy goods (1) example (1)

Any 4 × 1 marks [4]

- (b) (i)** Consignment note/Delivery note (1) indicates the description of goods (1) evidence of contract of carriage (1) but not negotiable (1) it is not a document of title (1) it is a receipt of goods (1)

1 × 1 mark (name) × 2 marks for description [3]

- (ii)** Bill of lading (1) three copies (1) evidence of contract of carriage (1) acts as an advice note (1) is a receipt of goods shipped (1) is a document of title (1)
 Allow other suitable documents such:
 Shipping note (1) description (1)
 Dock receipt/wharfinger's receipt (1) description (1)
 Mate's receipt (1) description (1)
 Certificate of origin (1) description (1)
 Export invoice (1) description (1)
 Packing list/Weight note (1) description (1)

1 × 1 mark (name) × 2 marks for description [3]

- (c)** Letter post (1) used for first class/second class mail (1)
 Express delivery service (1) for urgent/speedy mail (1)
 Business reply service (1) postage is paid by the licensee (1)
 Airmail (1) posting mail abroad (1)
 Parcel Post (1) for bulkier items of mail (1)

2 × 1 marks (name) × 1 marks description [4]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

- 4 (a) (i)** Pool or pooling of risks (1) [1]
- (ii) Money given out (1) in response to an insurance claim (1) to someone who suffers loss (1)
Any 2 × 1 marks [2]
- (iii) Monthly/annual (1) payment (1) for insurance cover (1) made into an insurance pool (1)
Any 2 × 1 marks [2]
- (b)** The sum assured (1)
The type of policy (1)
The age of the insured (1)
The sex of the insured (1)
The value of the goods (1)
The cost of repairs (1)
The recent claims record (1)
Any additional hazards (1)
Duration of the policy (1)
Amount of excess (1)
Occupation of the insured (1)
Likelihood of risk (1)

Any 3 × 1 marks [3]
- (c)** Example, such as change in fashion (1) where potential losses cannot be estimated (1) no statistics/past records (1) cannot calculate premiums to charge (1) some risks may be too high (1) may need a specialist insurer (1) losses would be very likely (1) removal of all risk would remove incentive not to lose (1)

Any 4 × 1 marks [4]
- (d) (i)** Cannot insure anything that one does not own (1) cannot insure someone else's possible loss (1) because he/she might be tempted to cause the loss (1) to gain profit when not affected by the loss (1) anyone could destroy neighbour's property to gain money (1) the claim will not be paid by the insurer (1)

Any 4 × 1 marks [4]
- (ii) The insurer could refuse to pay out on the claim (1) as questions should have been answered truthfully (1) on the proposal form (1) because this determined the correct premium to be paid (1) if proposal form completed inaccurately (1) in order to reduce premium (1) insurer may declare contract void (1)

Any 4 × 1 marks [4]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

- 5 (a) (i)** Fax/Email (1) can transmit the message instantly/speed (1) [2]
- (ii) Letter (1) need for written record/proof/detailed information (1) [2]
- (iii) Video-conferencing (1) no need to travel/saving travel costs (1) [2]
- (iv) Telephone (1) immediate attention required/needs to discuss (1) [2]
- (b) (i)** Written record (1)
Information may be clearer when written (1)
Generally cheaper (1)
Recipient does not need to be at work to receive calls (1)
Time differences between countries not an issue (1)
Many people can be emailed at the same time (1)
Use of attachments (1)
- Any 2 × 1 marks [2]
- (ii)** Able to contact directly or quicker (1)
Immediate feedback (1)
Details can be discussed (1)
More personal (1)
- Any 2 × 1 marks [2]
- (c)** Will be able to keep in contact with colleagues in the office (1) no need to use a public telephone (1) no need to have money for call (1) at anytime (1) anywhere (1)
Easier to keep in contact with customers whilst on the move (1) customers can contact sales representative quickly (1) to change details/make orders (1)
Can have messages stored (1) text or voice (1) able to recall them later (1)
- Any 4 × 1 marks [4]
- (d)** Messages sent are instantly delivered or speedy (1) over long distances (1) at anytime (1)
They are secure (1) only the person using the email address can access it (1) with the use of password (1)
No need to look up person's details (1) can respond quickly (1) because the email address is attached to the message (1)
Attachments can be sent (1) files or pictures (1)
Easy to copy or store (1) or edit/update (1) or print (1) or forward an email (1)
Easy to delete unwanted emails (1) such as spam (1)
Cheaper than postage (1)
Reduces the need for paper (1)
No need to meet the person (1) or to take time by speaking on the phone (1)
- Any 4 × 1 marks [4]

Page 7	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

Section B

- 6 (a) (i)** Car (1) Van (1) Bus (1) Taxi (1) Rickshaw (1) Coach (1) Bicycle (1) Motor-bike (1)

Any 2 × 1 marks [2]

- (ii)** Food court (1) water fountain (1) entertainment area (1) information desk (1) toilets (1) seating area (1) children's corner (1) lifts (1)

Any 2 × 1 marks [2]

- (iii)** Need for use of car (1) cost of travel (1) long distance involved (1) traffic congestion (1) leading to delays (1)

May not have as many goods as in town centre shops (1) therefore, may still have to go into town (1) extra time involved (1) may become lost (1)

Gangs can congregate (1) noisy environment (1)

Theft might occur (1) through pickpockets (1)

Any 2 × 1 marks [2]

- (b) (i)** Small shop (1) usually one owner/sole trader (1) dealing in one main product (1) such as cheese (1) with an extensive range of the product available (1)

Any 3 × 1 marks [3]

- (ii)** Many departments (1) on different floors (1) under one roof (1)

Personal service provided (1)

Each department under control of a buyer/manager (1)

Many facilities (1) example, such as restrooms (1)

Wide range of goods (1)

Large goods can be delivered (1) Online shop (1)

Allows for one-stop shopping (1)

Any 3 × 1 marks [3]

- (c)** Prices relatively low (1) as supermarkets can bulk buy (1) thereby reducing costs (1) which can be passed on to customers (1)

Large variety of goods (1) and use of promotions (1) where consumers can do their weekly shop (1)

Customers can shop at own speed (1) due to self-service (1) they do not get pressurised into buying by sales assistants (1) can choose for themselves (1) pick the best brands (1) pick the best prices (1) and take their time (1)

Increased number of supermarkets (1) located in the neighbourhood/near to customer's homes (1) no need to go into town centre (1) making it more convenient (1)

Any 4 × 1 marks [4]

- (d)** Saves on staff costs (1) customers do not have to go into a bank (1) as they can obtain cash from ATM (1)

Saves on premises/equipment (1) leading to branch closures (1)

Can handle many shopping centre customers (1) in a shorter time (1) might lead to more customers using their bank (1) keeps customers satisfied when the bank is closed (1) due to the convenience of ATM (1) and the shopping centre has long opening hours (1)

Any 4 × 1 marks [4]

Page 8	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE O LEVEL – October/November 2010	7101	01

7 (a) (i) $\$12 + \$6.25 + \$4.6 + \$24.30 + \$41.7 + \2.75 (1) = $\$91.6$ m (1) or two marks for the correct answer. [2]

(ii) $\$27.75$ m (2) [2]

- (b) Any suitable conclusion analysed from the data of Fig. 4 such as:
 Reliant on manufacturing industry (1) as 65% of manufactured goods (1)
 Has to import more raw materials than it has (1) to maintain manufacturing industry (1)
 Country heavily reliant on imported services (1) three times more than are exported (1)

Any 4×1 marks [4]
 (Note: There are no marks for straight copying of figures presented)

- (c) (i) Provides foreign currency (1) as income/revenue (1) to pay for imports (1) pay off foreign debts (1)
 To sell surplus production (1) wider market for goods (1)
 Creates employment (1) increasing standard of living (1)
 Friendship/political reasons (1) example (1)
 Mass production possible (1) leading to economies of scale (1)
 Comparative advantage (1) producing goods that the country is most efficient at producing (1) benefit of specialising in such production (1) example (1)

Any 3×1 marks [3]

- (ii) Some raw materials do not occur naturally (1) need to import (1) example (1)
 Cheaper for other countries to produce (1) example, such as Japanese electronic goods (1)
 Better quality from other countries (1) example (1)
 Wider variety of goods for countries' consumers (1) resulting in an increased standard of living (1)

Any 3×1 marks [3]

- (d) (i) Customs duties imposed on imported goods (1) excise duties imposed on home consumed goods (1)
 Custom duties imposed to assist home producers to compete (1) excise duties imposed to restrict consumption (1)

Any 4×1 marks [4]

- (ii) Restricts the amount of goods imported (1) example x tons of coffee (1)
 May make imported goods more expensive (1) as they become limited in supply (1)

2×1 marks [2]