Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

COMMERCE **7100/22**

Paper 2 Written **October/November 2019**

MARK SCHEME

Maximum Mark: 80

Published

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks	Guidance
1(a)(i)	**In which type of industry would mining be classified?** Primary/extractive/exhaustive	1	
1(a)(ii)	**Identify the main area to which this trading bloc exports its mining production.** South-east Asia	1	
1(b)	**Calculate the percentage of mining goods imported from the Rest of the World in Fig. 1.1.** Correct answer 47% (2) Working 100 – 53 or 100 – 4 – 5 – 7 – 13 – 24 (1)	2	
1(c)	**Explain <u>two</u> advantages to a country of joining a trading bloc.** • Increased trade / economic growth (1) access to larger markets (1) • Wider choice / better quality of goods for consumers (1) obtain goods not locally available / goods move freely between member countries (1) • No tariffs (1) free trade (1) • Competitive/cheaper prices (1) take advantage of cheaper raw materials (1) • Economies of scale (1) mass production / free movement of goods (1) • More jobs (1) with free movement of labour / increased GDP / opportunity to set up factories in other member countries (1) • Standardisation of measures/documents (possibly currency) (1) making it easier to sell to other countries (1) • Travel costs may be reduced (1) less bureaucracy / same currency (1) • Financial aid (1) e.g. for infrastructure projects / areas of poverty (1) • Improve relationships (1) improve peace between nations (1) • Foreign investment (1) may increase standard of living / level of employment (1)	4	
1(d)	• A tariff is a tax on **imported goods** • A mass rapid transport system (MRT) is part of **rail transport**	2	

Question	Answer	Marks	Guidance
1(e)	**Describe <u>one</u> method of electronic communication used in international trade.** • Teleconferencing (1) people linked by voice in distant locations (1) • Videoconferencing (1) people linked by voice and vision in distant locations (1) • Fax (1) to send a copy of a document (1) • Email (1) written message sent via internet (1) • Telephone/mobile phone/smartphone (1) Verbal/can discuss/access internet (1) • Social media (1) website/apps/e.g. twitter allows users to see/make posts (1) • Text message (1) usually sent between mobile phones (1) • Bank/online transfer (1) to make/receive payment (1) • Internet (1) use of websites (1)	2	

Question	Answer	Marks	Guidance
1(f)	**Coal is often transported by ship. To what extent is this the <u>best</u> way of moving coal? Give reasons for your answer.** Sea transport by ship is a cheap way of carrying low value bulky goods such as coal over long distances. If large ships are used to carry coal the unit cost per tonne of coal transported is very low. Ships and barges have access to many parts of the world, travelling from port to port, loading and offloading coal. Ships can be delayed by weather. The documentation is complex for sea transport. Rail can be used to move large quantities of coal and is cheap/fast for long distances. Rail is generally less polluting than ship. However, both require transhipment whereas road transport can be door-to-door. Many trucks would be needed to carry the same amount of coal as can be carried on one train or ship. Trucks can cause traffic congestion and cause safety concerns on the roads. Rail, road and canal/river transport require infrastructure to operate. Air transport is too expensive for bulky/heavy goods like coal. **Evaluation example:** If transport is needed close to the coal mine then road or rail transport are fine, but for longer distances either ship or rail would be better. It depends on where the coal is being moved to/from. If there is easy access to a seaport then some form of sea transport would be best, but between land-locked countries rail might be a more environmentally friendly option than road.	**6**	Up to 2 marks for **describing** coal being transported by ship Up to a further 2 marks for **analysing** sea transport with other types of transport Up to a final 2 marks for **evaluating** the extent to which transport by ship is the best way of moving coal

Question	Answer	Marks	Guidance
2(a)	**State <u>two</u> advantages of being a sole trader.** • Easy to set up/small amount of capital required/few legal formalities • Sole trader can have complete control/own boss or e.g. can decide opening hours • Can make decisions quickly • Keeps all the profits • No legal requirement to publish accounts/privacy • Personal attention can be given to customers	**2**	
2(b)	**Should Zeena advertise her business with leaflets? Give reasons for your answer.** **Yes** – they are cheap/easy/quick to produce (1) for a small business/sole trader (1) as they may not be able to afford other advertising media (1) can hand deliver them to target group/local people (1) with relevant information/details (1) kept for reference/long-lasting (1) passed on to other people (1) can easily be changed (1) can use colour/eye catching/visual impact (1) **No** – they might be treated as junk mail (1) and the information is not read (1) and then just thrown away (1) pollutes the environment (1) time-consuming to distribute (1) no audio impact (1) excludes illiterate readers (1) better to use social media (1)	**4**	Up to 4 marks for justified reasoning of yes and/or no responses Note: maximum 1 mark for a different advertising media

Question	Answer	Marks	Guidance
2(c)	**State <u>four</u> actions that the injured customer might take.** • Customer should seek medical advice/obtain a medical report on her injury • Take photographs of eyebrows/get evidence/find a witness • Go to the salon/telephone salon to lodge complaint/see Zeena (Manager) • Ask another member of staff to repeat the procedure • Follow up complaint in writing • Ask for refund • Ask for compensation/pay for medical bills • Contact solicitor • Start legal action/sue if necessary • Do nothing/forgive Cindy/complain to Cindy • Do not visit the salon in future • Tell family/friends not to visit/about what happened • Write a bad review on social media/internet/local newspaper • Report to a consumer protection agency	4	Note: 0 marks for going to the police or not paying for the service or asking for a discount
2(d)	**Explain <u>two</u> factors Zeena might need to consider when choosing a location for her second salon.** Close to market (1) where there are customers (1) Customer convenience (1) e.g. located on ground floor / near car park / station (1) Transport links (1) better to be near good road/bus routes/ease of access (1) Income levels (1) a beauty salon in a prosperous area is likely to be more successful (1) Competition (1) difficult to break customer loyalty if there are similar salons in the area/affect market share/affect revenue (1) Land space (1) is there room for more expansion in the future/for parking? (1) Labour (1) to employ as salon staff (1) Supply of skilled labour (1) e.g. near a college doing hairdressing courses (1) Personal factors (1) e.g. near where Zeena lives (1) Cost of new premises (1) whether she can afford the rent/mortgage/is it in a low cost/affordable area (1) Close to utilities (1) e.g. electricity (1)	4	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr>
<td>2(e)</td>
<td>Discuss whether Zeena should use hire purchase or leasing when financing equipment for the new salon. Which would you recommend? Give reasons for your answer.

Hire purchase:
Zeena would pay a relatively small deposit then she effectively rents/hires the equipment over a period, paying regular instalments, until she makes the final payment and becomes the owner of the equipment. Using HP, Zeena spreads payments which will help her cash flow and she can use the equipment while paying for it, however, the equipment may be repossessed if payments are not maintained. The equipment could be sold, even if it had not been paid for in full.

Leasing:
Zeena would pay a larger amount (deposit) on the first monthly payment followed by equal regular payments for the use of the equipment as if she actually did own it. At the end of the agreement period, she would have to give the equipment back to the leasing company or she may be given the option to buy at the end of the lease agreement period. The lease agreement may cover repairs and maintenance which would benefit Zeena as this reduces costs if the equipment breaks down.
The equipment cannot be sold.

Evaluation:
The cost of leasing can be more expensive than HP so it would depend on how much cash Zeena has available now for a HP deposit. Zeena should also consider how quickly the equipment will become outdated because leasing would be better than if she was left owning out-of-date equipment of low/little value. However, if the equipment has a long lifespan, HP would mean that Zeena would have an asset to sell in the future.</td>
<td>8</td>
<td><table>
<tr><th>Level</th><th>Mark</th><th>Description</th></tr>
<tr><td>3</td><td>7–8</td><td>The candidate is able to offer a recommendation with a thorough evaluation of both hire purchase and leasing.</td></tr>
<tr><td>2</td><td>5–6</td><td>Candidate offers a satisfactory analysis of either hire purchase or leasing, with or without a recommendation.</td></tr>
<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of hire purchase or leasing of salon equipment for a sole trader.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
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Question	Answer	Marks	Guidance
3(a)	**What do the letters SO mean?** Standing order/Stop order	**1**	
3(b)	**Explain the entry on 3 October.** $70 paid/debited from bank account (1) for electricity (1) using direct debit (1) by a creditor (1)	**2**	
3(c)	**Do you think that an overdraft limit of $50 is helpful for Sam? Give reasons for your answer.** **Yes** – Allows him to be able to pay for the car (1) as he needed to be overdrawn by $20 to do this (1) can now make further small payments (1) in emergencies (1) up to another $30 (1) and it will cost him less in charges/interest if he has an agreed limit (1) can be cheaper than taking a loan (1) will stop him spending more than $50 (1) **No** – he would be likely to exceed a $50 limit/spend more than $50 (1) as he has greater payments than $50 on his bank statement (1) e.g. for expenses such as petrol/food (1) this would then lead to higher bank charges/interest if he goes over the overdraft limit (1) and overdraft can be called in any time by the bank (1) or lower the overdraft limit (1) might be cheaper to ask for a loan (1)	**4**	Up to 4 marks for justified reasoning of yes and/or no responses

Question	Answer	Marks	Guidance
3(d)	**Sam needs to take out insurance for a car that he bought on 28 October. Discuss the importance to Sam of having adequate motor car insurance cover. Give reasons for your answer.** Car insurance is a legal requirement and there are three levels of cover Sam can choose from: • Third party is the minimum required by law; it covers injuries to other people and damage to other people's property, but not to the policy holder. • Third party, fire and theft is the same as third party but also covers the cost of repairs or replacement if Sam's car is stolen or damaged by fire. • Comprehensive motor insurance protects against any damage to Sam's car as well as any damage to other people's property, so is the most expensive. • If Sam under-insures his car, he will have saved money by paying lower premiums, but it will result in him not being able to recover his losses. If he over-insures, he will be paying too much when, ultimately, he can only recover the car's value. **Evaluation example**: It is most important that Sam has adequate insurance to be legal and that others will be compensated for any loss. He should not under-insure or over-insure by paying incorrect premiums as he is likely to lose money in the long term. The insurance company will only pay back the amount that he has lost. He cannot gain a profit from a loss.	6	Up to 2 marks for **describing** motor insurance cover Up to a further 2 marks for **analysing** the importance of adequate motor insurance Up to a final 2 marks for **evaluating** the importance of having adequate motor insurance

Question	Answer	Marks	Guidance
4(a)	**Apart from buying the cheese, explain two services that the wholesaler would provide to Nissa.** • Clears production lines (1) saving Nissa the cost of storage/so less capital tied up in stock (1) • Purchases in bulk (1) saving Nissa from splitting cheese into small quantities / having to deal with many small retailers (1) • Enables Nissa to produce ahead of demand (1) so that Nissa can continue with production / not worry about storage (1) • Knowledge of market / customer tastes (1) keeps Nissa informed about changes in demand (1) • Payment (1) may pay promptly (1) • Storage (1) put cheese in warehouse / use of cold storage / saves Nissa needing a warehouse (1) • Prepares cheese for sale (1) e.g. packaging/branding (1) • Keeps stocks of cheese (1) helping to balance out seasonal fluctuations (1) • Risk bearing (1) the wholesaler is carrying the risk of Nissa's cheese not selling / demand changing (1) • Delivery/distribution (1) collecting cheese from Nissa / transporting cheese to their warehouse (1) • Advertising (1) making the cheese known / attracting customers (1)	4	

Question	Answer	Marks	Guidance
4(b)	**Name <u>two</u> commercial documents used by a wholesaler.** • Enquiry/letter of enquiry • Quotation • Price list/catalogue • Order • Invoice • Advice note • Delivery note • Consignment note • Credit note • Debit note • Statement of account • Receipt	**2**	

4(c)	**Nissa has decided to export her cheese to the buyer in Africa. Discuss whether Nissa should export the cheese herself rather than use an intermediary. Give reasons for your answer.** Reasons for using intermediaries: • The business is able to concentrate on other aspects of the business – that may otherwise be neglected • Intermediaries should be experts at this work and will introduce the business to potential buyers – leading to increased sales • Intermediaries will have the necessary expertise in what they are selling and what the local consumers are likely to demand as they will have a network of contacts – reducing risk of failure • Intermediaries assume responsibility for transporting / customs clearance – which saves the business time gaining that knowledge and expertise • It cuts down the need to travel to overseas markets – and the time saved can be used for other purposes • Solves the problem of not being sure whether they will receive payment for goods / some intermediaries guarantee payment – so avoid bad debts Reasons against using intermediaries: • Intermediaries are not as interested in the success of business as the owners are • Intermediaries will charge commission or pay less for the products – than if the business was selling directly to consumers • They may not be exclusive – they may have other more favoured clients that they are also an intermediary for and may promote them more • Intermediaries will need to be supervised – as they may carry out unethical practices **Evaluation example**: Nissa should think about exporting the cheese herself as she is only dealing with one buyer and that will save her money and time in finding a suitable agent. However, as it her first time exporting, with all the challenges that exporting brings, it might be better to use an agent so that she can concentrate on the production and quality of her cheese which will keep her customers satisfied. Also if she uses an agent there will be no need to recruit and train a new employee to do the exporting for her but it will take time and money.	**6**	Up to 2 marks for **describing** exporting and intermediaries Up to a further 2 marks for **analysing** reasons for and/or against using an intermediary in exporting cheese Up to a final 2 marks for **evaluating** how Nissa should export her cheese

<table>
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<td>5(a)</td>
<td>State <u>two</u> features of a convenience store.

• Often situated close to homes/offices/factories
• Typically, the size will be relatively small/small-scale retailer
• Off-street parking and/or convenient pedestrian access
• Long opening hours/some with many open 24/7
• Limited range of goods/product mix includes grocery items, beverages, snacks, confectionery and often tobacco products
• May provide delivery e.g. delivering newspapers
• May give informal credit
• Usually self-service
• Goods with high sales turnover are stocked/sold
• Small quantities/small bulk goods sold
• Personal service provided</td>
<td>2</td>
<td></td>
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<tr>
<td>5(b)</td>
<td>Which of the following statements are true and which are false?

<table>
<tr><th></th><th>TRUE</th><th>FALSE</th></tr>
<tr><td>A cash and carry is a type of warehouse used by the owner of the convenience store.</td><td>✓</td><td></td></tr>
<tr><td>Customs authorities levy duty on petrol.</td><td>✓</td><td></td></tr>
<tr><td>Using more packaging is one way to deal with environmental pollution.</td><td></td><td>✓</td></tr>
</table></td>
<td>3</td>
<td></td>
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</table>

5(c)	**Do you think that it is a good idea to install a drinks vending machine outside the petrol station and convenience store? Explain your answer.** **Yes**: • It can offer 24-hour service (1) when the convenience store is shut (1) • No labour needed (1) reduces wage costs / as it is self-service (1) • Customer may prefer to use vending machine as they want a drink (1) for speed / no need to queue up in store (1) • Customers are tempted to purchase drink (1) while waiting for refuelling (1) • Customers may then be tempted to go into the store (1) which would increase sales (1) **No**: • They can be vandalised (1) leading to extra costs of replacement (1) • Cause problems with litter (1) adding to pollution (1) • Might reduce store sales (1) no impulse purchases (1) • Vending machines can be expensive (1) adds to costs e.g. electricity (1) • Customers might prefer 24-hour toilets instead (1) so wasting money (1) • There is already a store there (1) so why use the vending machine (1) • The convenience store is already selling a variety of drinks (1) so no need to use the vending machine (1)	**2**	Up to 2 marks for justified reasoning of a yes or no response

<table>
<tr>
<td>5(d)</td>
<td>
The owner of the petrol station would also like to sell car accessories such as car batteries and cleaning products. Discuss whether he should purchase these supplies online or from a cash and carry warehouse. Which do you recommend? Give reasons for your answer.

Online purchase:
• More choice/variety of accessories
• Accessories may be cheaper online
• Less time and money travelling to the cash and carry
• Delivery direct to the petrol station
• He could make the purchases while managing the petrol station
• He could purchase on credit
• May be delays in delivery
• Damaged goods may be delivered
• Danger of dealing with dishonest traders/fraud
• Time spent surfing
• Problems of importing

Cash and carry purchase:
• Lower prices – no credit offered to buyers and no delivery so a cash and carry can offer goods at cheaper rates to buyers
• Saves time – retailers can have immediate access therefore no waiting for goods to arrive, especially if there is an increase in demand for particular goods
• Able to physically view products
• May not stock what is wanted
• Opening times may be limited
• May be a cost of membership

Evaluation example:
It depends whether the petrol station owner is prepared to risk not being able to view the products compared to having to visit the cash and carry and transport the goods bought back to the petrol station to sell. The local cash and carry may stock items that local customers want to buy but if the decision comes down to price, the petrol station owner would probably get cheaper products online nowadays.
</td>
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<tr><td>1</td><td>1–4</td><td>Candidate demonstrates some knowledge and understanding of using online or cash and carry purchasing.</td></tr>
<tr><td>0</td><td>0</td><td>No creditable response.</td></tr>
</table>
Note: Maximum of 5 marks for one-sided answer
</td>
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