

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Ordinary Level

MARK SCHEME for the October/November 2008 question paper

7101 COMMERCIAL STUDIES

7101/01

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

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All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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Section A

- 1 (a) (i) Buying (1) and selling of goods (1) to sell at a profit (1)
- (ii) Retailing (1) and wholesaling (1) [2]
- (iii) Example such as a car, television, computer (1) these are unlimited or beyond the necessities for existence/desired goods (1) [2]
- (b) Storage of goods (1) and raw materials (1)
- Protects goods (1) against theft or weather or damage (1)
- Enables goods to be processed (1) packed or bottled or labelled (1)
- Enables a variety of goods to be offered in one place (1) saves time (1)
- Enables goods to be displayed (1)
- To keep goods awaiting transport (1) sale (1)
- To keep seasonal goods (1) example (1)
- Guards against price fluctuations (1) evens out supply (1)
- To store dutiable goods (1) to economise working capital (1)
- Breaking bulk (1) to put into small quantities (1) [6]
- (c) Tea bushes are grown (1) bushes need to be picked (1)
- Leaves transported to tea factory (1) various processes e.g. drying (1)
- Tea packed (for export) (1) – tea chests (1)
- Journey by sea transport (1) – to the importer (1)
- Auction for tea (1) bought by tea merchants/wholesalers (1)
- Blend or package tea (1) sold to retailers (1) sold to consumers (1)
- Allow 4 marks max. for mentioning of any of the four aids to trade (apart from warehousing and transport) in context [8]
- 2 (a) Low/cheap prices (1) possible haggling (1)
- Wide range of goods (1) two examples (1)
- Some goods not available elsewhere (1) second-hand goods (1)
- Goods may be fresh (1) from local farms (1)
- Pleasant/friendly way of shopping (1) in good weather/entertainment (1)
- Personal advice (1) on particular goods required (1)
- Convenience of location (1) saves travelling cost (1) [4]
- (b) May operate only on one/two days (1) a week/month (1)
- Can move stall to different markets (1) different customers (1)
- Low overheads/costs (1) rent/rates (1)
- Can sell some goods direct (1) no middleman (1)
- Needs less capital (1) no fixed premises (1)
- Easy to start (1) no legal formalities (1) [4]
- (c) Avoids cost/time (1) in having to clear cheques (1)
- Cannot register for credit card payment (1) no fixed address (1)
- Prefer to receive cash (1) no bank charges (1)
- Transient customers (1) difficult to trace (1)
- Can avoid paying tax (1) by not declaring earnings (1)
- Needs cash to restock (1) aids cash flow (1)
- Sells only cheaper/smaller goods (1) no need for credit (1)
- Does not have bank account (1) for bank payments (1) [4]

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- (d) Wide range of goods (1) one-stop shopping (1) late-night shopping (1)
 Choice of different shops (1) examples (1)
 Car parking (1) and no charge/free (1)
 Good road access (1) easy access from shops to car (1)
 Petrol station (1) toilets etc. (1)
 Under cover (1) escalators (1)
 Information centre (1) security (1)
 Large building (1) in city centre or outside (1) [4]

- (e) Need for use of car (1) cost of travel or long distance (1)
 May not have as many goods as town centre (1) may still have to go into town (1)
 Traffic congestion (1) extra time involved (1)
 Lack of personalised shopping (1) some shops are very busy/large (1)
 Areas of crime (1) pickpockets (1)
 Impulse buying (1) leading to overspending (1) [4]

- 3 (a) (i) Visible Balance = –280 (1) [1]
 (ii) Current Balance = –130 (1) [1]
 (iii) Visible trade = Any example of a good i.e. food (1) [1]
 Invisible trade = Any example of a service i.e. banking (1) [1]

- (b) Some raw materials do not occur naturally (1) need to import (1)
 Cheaper for other countries to produce (1) example (1)
 Provides foreign currency (1) to pay for imports (1)
 Wider market for goods (1) to sell surplus production (1)
 Creates employment (1) increases standard of living (1)
 Friendship/political reasons (1) example (1)
 Mass production possible (1) gains economies of scale (1)
 Comparative advantage (1) development (1) [6]

- (c) Language (1) documents have to be translated (1)
 Currency (1) exchange rates differ (1)
 Credit risks (1) more difficult to recover money in foreign trade (1)
 Deliver over longer distances (1) need for air/sea (1)
 Transit risks (1) greater possibility of theft/damage than home trade (1)
 Import restrictions (1) such as quotas or import duties or embargoes (1)
 Different methods of payments (1) letters of credit or other example (1)
 Different documentation (1) bill of lading or other example (1) [4]

- (d) (i) Collect customs duties (1) raising revenue for the government (1)
 Records statistics of imports and exports (1) to allow the balance of trade to be calculated (1)
 Inspection of vessels/vehicles/goods (1) to prevent smuggling (1)
 Controls bonded warehouses (1) used for dutiable goods (1)
 Enforce embargoes (1) development (1)
 Enforce quotas (1) development (1) [4]

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- (ii) Makes imports more expensive (1) consumers may stop buying (1)
Cause inflation (1) higher prices in the shops (1)
Countries may stop exporting to you (1) less choice for consumers (1)

- 4 (a) Get to know what goods are available (1) and details/example of new goods (1)
Can demonstrate the goods (1) example (1)
Allows comparisons of different suppliers (1) on price/quality (1)
Can identify suppliers (1) and locations/contacts (1)
Helps to make a choice (1) best 'buy' for customer (1)
Increases competition (1) lowers prices (1)
Saves time in searching the market (1) development (1)
Public services are advertised (1) e.g. bus timetables (1)

[4]

(b) Advantages:

- Relatively cheap (1)
Can provide much information (1)
Number of hits can be monitored (1)
Can be targeted (1)
Can be easily changed (1)
Can be seen 24/7 (1)
Around the world (1)

[2]

Disadvantages:

- Need a computer (1)
Possible problems of connection (1)
Need to maintain the website (1)
Credit fraud (1)
Website may have out of date information (1)
Problems of ordering (1)

[2]

(c) Advantages of email:

- Quick to use/saves time (1)
Cheaper than postage (1)
Reduces the use of paper (1)
Multiple messages can be sent (1)
Attachments can be sent (1)
Messages can be sent overnight/anytime/anywhere in the world (1)
A copy can be printed off (1)
Receiver can reply easily (1)
Security can be ensured by using passwords (1)
Messages can be stored (1)
Direct to individual member of staff (1)
No need to meet the person/easier than talking on phone (1)
Easy to edit/update (1)

[1]

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Disadvantages of email:

People do not look in their mailboxes (1)

Information overload (1)

People sending multiple copies when not necessary (1)

Problems with attachments (1)

Failure of the network (1)

Somewhat impersonal (1)

Difficult for discussions (1)

May be sent to the wrong person/someone may open your email (1)

Hard copies are not always kept/made (1)

Computer faults may lead to loss of email records (1)

Need to wait for reply (1)

Reply may not be received (1)

Problem with viruses (1)

Hacking problems (1)

[1]

Advantages of face-to-face meetings:

Allows on the spot feedback (1)

Encourages co-operation (1)

Allows information to be spread quickly among people (1)

Allows new ideas to be generated (1)

[1]

Disadvantages of face-to-face meetings:

The people attending maybe unwilling to communicate (1)

Body language creates a barrier (1)

Can be insufficient leadership to control/guide meeting (1)

Sometimes the terms of reference are not clear (1)

[1]

Advantages of mobile phones:

No need to have change (1)

No need to look for telephone box (1)

Easily carried around (1)

Urgent messages can be received immediately (1)

Offer a variety of services e.g. texting (1)

[1]

Disadvantages of mobile telephone:

More expensive than landline phones (1)

Can disrupt meetings (1)

Do not operate well in some locations (1)

Banned in some establishments e.g. hospitals (1)

[1]

(d) Letter post (1) development (1)

Parcel post (1) development (1)

Datapost (1) development (1)

Special delivery (1) development (1)

Registered post (1) development (1)

Recorded delivery (1) development (1)

Freepost (1) development (1)

Business Reply (1) development (1)

Cash on delivery (1) development (1)

Poste restante (1) development (1)

Express mail (1) development (1)

Note: Allow local examples

[6]

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- 5 (a) (i)** Buildings/Contents (1)
 Fire (1)
 Accident (1)
 Theft/Burglary (1)
 Motor vehicle (1)
 Employers' liability (1)
 Fidelity guarantee (1)
 Consequential loss (1)
 Plate glass (1)
 Flood (1)
 Public liability (1)
 Product liability (1) [4]
- (ii)** Proposal form (1) [1]
- (b)** Need to obtain the lowest premium (1) for best cover (1)
 Competition within the market (1) cost savings to be made (1)
 Cost of cover can vary considerably (1) example/use of data (1)
 Other aspects of cover may differ (1) e.g. excess (1)
 Can compare (1) look at details (1) look for best value (1) [4]
- (c)** Moses has no insurable interest (1) he does not own Khari's store (1)
 Only someone who will suffer loss can insure (1) he could deliberately set fire to the store to receive compensation (1) [4]
- (d)** Faster over short distances (1) extensive road network (1)
 Suitable for carrying larger goods such as bread (1) fewer trips (1)
 Can operate in all weathers (1) covered by insurance (1)
 Qualified people carrying goods (1) need for a licence (1)
 Can operate as a mobile van (1) selling goods or examples (1) [3]
- (e)** Parking a problem (1) making delivery of stock difficult (1)
 Limited loading time (1) and space to unload (1)
 Town centres are congested (1) delay in delivery times (1)
 Higher risk of theft of goods (1) higher insurance costs (1)
 Cost of qualified drivers (1) running costs of a mobile van (1) [4]
- 6 (a) (i)** Orion Bank (1) [1]
- (ii)** 11 Oct (1) [1]
- (iii)** 17 Oct (1) [1]
- (iv)** \$870 (1) [1]

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- (b) Credit/Debit Card (1)
PIN or personal identification number (1)
- (c) (i) Transfer of money from one account to another account (1)
Company provides bank with a single cheque (1) to cover the total amount (1)
Business provides bank with a list of creditors (1)
Includes bank/branch sort/account number details (1) [2]
- (ii) Saves cost of making up pay packets (1) fewer accounts staff needed (1)
Avoids risk of theft of cash (1) less security needed (1) no journey to bank (1)
Saving on number of cheques issued (1) less paperwork (1)
Receipt recorded by bank (1) avoids queries by employees (1) [4]

- (d) (i) **Loans**
Fixed sum (1)
Interest on full sum (1)
Monthly payments (1)
Loan account opened (1)
Long period
Not linked to current account (1)
Note: 2 marks maximum for each method [4]
- Overdraft**
Variable sum (1)
Interest on amount overdrawn (1)
Flexible arrangements/no fixed dates (1)
Short period (1)
Interest calculated daily (1)
Need to have a current account (1)
- (ii) **Current account**
Use of cheque book (1)
Money withdrawn on demand (1)
Little or no interest (1)
Bank charges (1)
Other services offered (1)
Note: 2 marks maximum for each method [4]
- Deposit account**
Use of passbook (1)
Notice can be required if large sum (1)
Interest given (1)
Used for savings (1)

- 7 (a) (i) Managing Director (1) [1]
- (ii) Marketing Director (1) [1]
- (iii) 13 (1) [1]
- (iv) Transport/Distribution (1) or Personnel/Human Resources (1) or
Administration (1) or Information Technology/Computing (1)
R & D (1) or Company Secretary (1) [1]

- (b) Making goods (1)
Storage (1)
Stock control (1)
Designing new goods (1)
Research and development (1)
Production planning (1)
Work study (1)
Quality control (1)
Transport/Despatch (1)
Packaging (1)
Purchasing (1) [2]

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- (c) Shareholders can only lose their share capital (1)
 Do not lose personal possessions (1)
 More likely to invest as there is reduced risk (1)
- (d) (i) Cash discount – given for early payment [1]
 Trade discount – given for bulk buying or those 'in the trade' [1]
- (ii) Business benefits:
 Cash discount – improves cash flow (1) less borrowing needed (1) reduces bad debts (1)
 attracts more customers (1) [1]
 Trade discount – saves reprinting catalogues (1) buys more goods (1) [1]
- Customer benefits:
 Cash discount – improves profits (1) obtains lower prices (1 – award only once) [1]
 Trade discount – provides margin for profit (1) obtains lower prices (1 – if not awarded above) [1]
- (iii) $£20,000 \times 20/100$ (1) = £4000 (1)
 $£20000 - £4000 = £16000$ (1)
 $£16000 \times 5/100 = £800$ (1)
 $£16000 - £800 = £15200$ (1)
 Note: 5 marks for correct answer without workings [5]