

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

MARK SCHEME for the October/November 2015 series

7101 COMMERCIAL STUDIES

7101/11

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

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Section A

- 1 (a) (i) Producer provide goods/services (1) e.g. primary/secondary/tertiary (1) [2]
- (ii) Human wants are things not essential/make life comfortable (1) e.g. television (1) [2]
- (b) (i) The wholesaler will buy in large quantities from the producer (1) and sell in smaller quantities (1) making it easier for the small retailer to buy goods in suitable quantities to sell (1) and for the manufacturer as they do not want to distribute in small loads to many retailers (1) and the retailer cannot afford to buy in bulk (1)
Any 2 × 1 marks [2]
- (ii) The wholesaler saves space for the producer/retailer (1) supplying goods when the retailer needs them (1) e.g. seasonal goods (1) only needed at certain times of the year (1) and reducing warehousing costs (1) and less working capital held up in stock (1)
Any 2 × 1 marks [2]
- (c) (i) Branded goods are easily recognised (1) and do not need the wholesaler to promote the goods (1) better to advertise the goods themselves (1) and better for the manufacturer to deal with large-scale retailers to sell them in their stores (1)
Any 2 × 1 marks [2]
- (ii) Perishable goods need to be delivered quickly (1) so that they remain in good condition (1) before they go rotten/unsaleable (1) so it is much quicker to transport the goods from the manufacturer to the retailer (1)
Any 2 × 1 marks [2]
- (d) (i) Telephone (1) as this would be the quickest way of contacting the supplier (1) and will be able to explain what is missing (1)
Any 2 (1 + 1) × 1 marks [2]
- (ii) Letter/email (1) as the communication is not urgent (1) there is a written record of the information (1) for the producer to analyse (1)
Any 2 × 1 marks [2]
- (e) Export agents will have the necessary expertise in what they are selling (1) and what the local consumers are likely to demand (1) as they will have a network of contacts (1) There is less responsibility involved (1) as they assume responsibility for finding buyers (1) transporting the goods (1) receiving payment (1)
By using an export agent, it cuts down their need to travel to overseas markets (1) and the time saved can be used for other purposes (1)
Any 2 × 2 (1 + 1) marks [4]

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- 2 (a) (i) Shares are open to the public/anyone to buy (1) can be bought on stock exchanges (1) and freely transferable (1) Any 2 × 1 marks [2]
- (ii) There is limited liability (1) where the liability of shareholders is limited to the amount invested (1) but personal possessions are not at risk (1) [2]
- (b) (i) \$400 000 m divided by 50% (1) = \$200 000 m (1) (2 marks for the correct answer) [2]
- (ii) There is money immediately available (1) for growth/expansion/new products example such as new machinery (1)
Higher retained profits signals that the business is doing well (1) and attracts more investors to invest in it (1) leading to more capital invested (1)
No interest has to be paid (1) which keeps costs down (1) Any 3 × 1 marks [3]
- (c) Overdraft is short-term finance (1) with interest charged on the amount overdrawn (1) at a variable rate (1) Used primarily to pay bills (1) rather than for long-term projects (1) as they are classed as current liabilities (1) which can be called in at short notice (1) Any 4 × 1 marks [4]
- (d) (i) Has head office/quarters in one country (1) and factories/offices in other countries (1) known as host countries (1)
Among the largest companies in the world (1) Usually public limited companies (1)
Allow valid example such as Sony, Honda, Ford (1) Any 2 × 1 marks + 1 mark for an example [3]
- (ii) They account for a large amount of the world's output/production (1) in many important/essential industries (1) e.g. such as oil/pharmaceuticals/banking (1) leading to many jobs (1) reducing unemployment in many countries (1)
Increases in communications (1) such as the internet (1) has meant that trading can be done on a wider/global scale (1) and easily administered from the Head Office (1)
Due to their size/capital (1) they have a powerful influence on a country's government (1) and can obtain benefits such as tax rebates/grants (1) Any 4 × 1 marks [4]

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- 3 (a) (i) $16 + 23 + 42 + 5 = 86$ (1) – $100 = 14\%$ (1) 2 marks for the correct answer [2]
- (ii) Pipeline/canal/waterways (1) [1]
- (iii) Problem of transshipment (1) only a few businesses have their own sidings (1) so road transport is needed for much of the journey (1) as not possible to give a door-to-door service (1)
 Not efficient for short journeys (1) wasting time/money (1) especially with small loads (1)
 Decline of heavy industries (1) such as coal (1) have led to less demand for rail transport (1)
 Rail restricted to the network of tracks (1) and cannot access some remote areas (1) with some countries not having rail transport (1) Any 2×2 (1 + 1) marks [4]
- (b) (i) Sea (1) as tea is bulky (1) not wanted urgently (1) so slow transport suitable (1) and is containerised (1) Any 2 (1 + 1) marks [2]
- (ii) Air (1) as flowers are a perishable item (1) and are urgently needed (1) so fast transport is needed (1) Any 2 (1 + 1) marks [2]
- (c) Countries can obtain goods that are available (1) not the right climate (1) e.g. oranges (1)
 Some goods too expensive to produce (1) computers (1)
 Creates jobs (1) to cut unemployment figures (1)
 Increases standard of living (1) wider choice of goods (1)
 Friendship/political reasons (1) example (1)
 Increases government revenue (1) through customs duties (1)
 National income will increase (1) the economy will grow (1)
 Trading blocs (1) allow member countries to import cheaper goods (1)
 Any $2 \times (1 + 1)$ marks [4]
- (d) Stores dutiable goods (1) payment of duty is postponed (1) saves on working capital while looking for buyers (1) goods can be left to mature (1) e.g. whisky (1) and only released from bond when payment is made (1) can be withdrawn in separate groups (1) helps spread the payment of duty (1) if rules are broken a large fine (1) controlled by Customs and Excise (1) goods can be sold in bond (1) payment will be made by the buyer (1) goods for re-export can be kept (1) refund of duty possible (1) through customs drawback (1)
 While in bond goods can be processed (1) bottled/blended/packaged or graded (1) but cannot be manufactured (1) Any 5×1 marks [5]

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- 4 (a) (i) Night safe (1) on the outside of the bank (1) where the money is sent down a chute (1) in a secure bag (1) and the bag will be opened the next day (1) Any 2 (1 + 1) marks [2]
- (ii) Electronic transfer (1) computerised transaction (1) of funds between a bank in one country and a bank in another country (1) Any 2 (1 + 1) marks [2]
- (iii) Credit transfer/bank giro (1) a credit transfer form is completed (1) with a list of employees to be paid (1) together with their bank account details (1) with one cheque for the total amount (1) and the bank debits the business' account for the total amount (1) and transfers the money into the employees' bank accounts (1) Any 2 (1 + 1) marks [2]
- (iv) Direct debit (1) used to pay varying amounts (1) on varying dates (1) where the drawer gives authority to the creditor to tell the bank how much is due (1) Any 2 (1 + 1) marks [2]
- (b) The rate of interest (1) the higher the interest, the more money is earned (1) How is the interest calculated (1) simple or compound interest (1)
Access to money (1) possible notice of withdrawal (1)
Protection of savings (1) e.g. up to £85 000 in the UK (1) Any 2 × (1 + 1) marks [4]
- (c) (i) Reduces the risk of cash being stolen (1) with cheques being numbered they can be traced (1) and can be cancelled/stopped if stolen (1) and if crossed they are safer to use as they have to be paid into a bank account (1)
They are easy to carry around (1) and send in the post (1) and act as receipts (1) to prove payment has been made (1) Any 2 × 2 (1 + 1) marks [4]
- (ii) Cash is legal tender (1) accepted everywhere (1) and the money is immediately given with no bank charges (1) whereas with cheques they need time to clear (1) and no need to go to a bank and pay it in (1) Cheques are valueless if there is no money in the account (1) and not everyone has a bank account (1) Any 4 × 1 marks [4]

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- 5 (a)** Word processing (1) create/edit text/letters (1)
 Databases (1) keeping records/information
 Spreadsheets (1) to make calculations
 Electronic filing (1) store data/files can be accessed (1)
 Web browser (1) to access the internet (1)
 Desktop publishing/DTP (1) creating graphics/photographs (1)
 Presentation packages (1) to produce professional presentations (1)
 Games (1) simulations in running your own business (1) Any 2 × (1 + 1) marks **[4]**
- (b) (i)** Compulsory by law (1) and protects the business against claims made by employees (1)
 for injury at work (1) Any 2 × 1 marks **[2]**
- (ii)** Protects the business against claims resulting from faulty products (1) that cause injury
 to a person/their property (1) e.g. selling computers that emit radiation that causes ill-
 health (1) Any 2 × 1 marks **[2]**
- (c)** Fire is an insurable risk (1) as there are past records (1) from which the probability/risk of fire
 can be calculated/assessed (1) and a premium set (1) whereas with the loss of profits is a
 non-insurable risk (1) which cannot be predicted (1) and a premium cannot be calculated (1)
 as the risk of not making profit is down to the judgement of the owners (1)
 Any 4 × 1 marks **[4]**
- (d)** A proposal form is an application for insurance (1) to find out what the insured wants to
 insure (1) to give personal information on the proposal form (1) e.g. of details, such as value
 of the building (1) details need to be truthful (1) on the basis of utmost good faith (1) so that
 the insurer will be able to assess the risk from past records (1) and decide whether or not to
 accept the risk (1) so as to determine or fix the amount of premium (1) in order to make a
 profit (1) Any 4 × 1 marks **[4]**
- (e) (i)** This is over-insurance (1) and the insured will only receive what it is worth (1)
 i.e. £10 000 (1) Any 2 × 1 marks **[2]**
- (ii)** This is contribution (1) where the insurance companies will each pay out a proportion of
 the loss (1) i.e. £25 000 each (1) Any 2 × 1 marks **[2]**

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Section B

- 6 (a) (i)** Less trade on Mondays/restock goods/carry out carpet fittings from weekend trade (1)
Any 1 × 1 mark **[1]**
- (ii)** Competitions/free draws (1)
Free gift (1)
Loyalty cards/points (1)
Tokens/coupons (1)
Special offers/discounts (1)
Sales periods (1)
Special credit terms (1)
Any 2 × 1 marks **[2]**
- (iii)** Cheap form of advertising (1) compared to national advertising or e.g. (1) which can provide detailed information (1) linked to local/target audience where all houses in the local area will receive it. They are published on a regular basis (1) and advertisements can be kept for reference (1)
Any 2 × 1 marks **[2]**
- (iv)** Delivery (1)
Installation/fitting (1)
Repairs (1)
Guarantee (1)
Hotline (1)
Any 2 × 1 marks **[2]**
- (b)** Website is preferred (1) as you see quickly/instantly as you can see images (1) and detailed information on the products/services offered (1) and customer feedback on the store (1) but in using email there may be a delay in the time it takes for Andy to reply (1) and the email messaging box can get too full, if the person doesn't delete it, so then no more messages can be received (1) and it's easy to send the text to the wrong person (1)
Any 5 (1 + 2 + 2) marks **[5]**
- (c) (i)** They contain a range of shops (1) from specialist shops to department stores (1) offering a total/one-stop shopping experience (1) in one convenient location (1) with many facilities/e.g. (1) in pleasant/air-conditioned surroundings (1) with security (1)
They have good transport links (1) and large car parks (1) which are free (1) and they are popular places for friends to meet/have a meal (1)
Any 6 × 1 marks **[6]**
- (ii)** Excessive crowding (1) making shopping unpleasant (1)
Congestion in car parks (1) making it difficult/time-consuming to find a parking place (1)
Temptation to overspend (1) as wide range of offers (1)
Need for use of car (1) cost of travel
Intimidation of shoppers (1) by youths/gangs congregating in groups (1)
Any 1 × (1 + 1) marks **[2]**

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- 7 (a) (i) Athens Ltd (1) [1]
- (ii) \$200 (1) + \$55 (1) + \$9 (1) = \$264 (1)
(Four marks for the correct answer – Note: Accept OFR) [4]
- (iii) Acknowledgement of order (1)
Advice note (1)
Pro-forma invoice (1)
Invoice (1)
Delivery note (1)
Credit note (1)
Debit note (1)
Statement of account (1)
Receipt (1) Any 1 × 1 marks [1]
- (iv) Incorrect amount to pay/wrong goods sent/goods delivered to wrong address (1) [1]
- (b) Given between traders (1) and the seller can increase sales (1) and encourage the buyer to trade again (1) and buy in bulk (1) and avoids the costs of reprinting catalogues (1)
Any 3 × 1 marks [3]
- (c) (i) Allows instant credit (1) paid back after a month's time (1)
No need to post cheques (1) can be paid over the telephone/online (1)
Extra benefits offered (1) e.g. free purchase protection insurance (1)
Any 1 2 (1 + 1) marks [2]
- (ii) Instant payment (1) no interest to be paid (1)
Payment is guaranteed (1) no bad debts (1)
Extra benefits offered (1) cash-back scheme (1) Any 1 × 2 (1 + 1) marks [2]
- (d) Advantages:
They can buy in their own home (1) saving time/money visiting shops (1) searching through thousands of shop websites (1) from around the world (1) allowing greater choice (1) to find the best deals/prices (1) 24/7 (1)
- Disadvantages:
There may be delays in receiving the goods ordered (1) with goods not matching the description/picture shown (1) with possible difficulties in returning goods (1) with a possibility of credit card fraud (1) leading to misuse of credit/debit card details (1)
- Any 3 × 1 (Advantages) marks
Any 3 × 1 (Disadvantages) marks [6]