

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
General Certificate of Education Ordinary Level

**MARK SCHEME for the June 2005 question paper**

**7100/02**

**7100/02      Commerce, Paper 2, maximum raw mark 80**

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June 2005

**GCE O LEVEL**

MARK SCHEME

MAXIMUM MARK: 80

SYLLABUS/COMPONENT: 7100/02

COMMERCE

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1 (a) Any six points of explanation including development x 1 mark each e.g.

- needs are essential for human beings  
e.g. food, shelter
- wants are non-essential requirements  
e.g. transport, entertainment
- (these are provided for by home trade) - trade within a country or retail or wholesale trade
- (and by international trade) - imported goods and services

any other relevant point, accept reasons for trade e.g. comparative advantage [6]

(b) For both sections any five points x 1 mark each (including up to 2 marks for a well developed point) e.g.

communication - need for rapid communication  
between traders in different countries such as e-mail, fax, list = 1 max  
development of video/teleconferencing need for information - use  
of Internet  
need to place orders  
need to follow through orders [5]

warehousing - need for storage  
at ports/airports/border crossings  
need for bonded warehouses for dutiable goods  
storage of seasonal goods ready for export  
maintenance of supply  
protection of good against theft/weather  
preparation for sale [5]

any other relevant point – must be in context

(c) Any two points explained to justify opinion x 2 marks or 4 x 1 mark e.g.

- countries that cannot produce certain goods are dependent on others who produce what they lack - example
- countries depend on other countries to buy their surpluses and so earn foreign currency
- because transport is now easier more people travel and see what other countries can offer
- they expect a higher standard of living than previously and this can only be satisfied by importing some goods
- some countries are also interdependent politically
- in trading blocs e.g. ASEAN
- or because they are so small that they are dependent on larger neighbours e.g. Lesotho and South Africa
- some countries are able to produce almost everything they need and so are not interdependent
- others prefer to produce what they can produce most efficiently - comparative advantage
- efficiency of some aids to trade

any other relevant point [4]

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2 (a) (i) Any two points x 1 mark each e.g.

- electronic commerce
- buying and/or selling using a computer/through the Internet

[2]

(ii) Any two reasons explained x 2 marks each e.g.

- many companies wish to expand their markets without incurring the expenses of additional shop space
- their competitors are offering e-commerce, so they must offer e-commerce to remain competitive
- an increasing number of people have access to computers and to the Internet
- suitable for a large range of products/services
- some of the difficulties of using Internet shopping have been overcome - danger of credit card fraud
- many people have little time to go shopping and prefer to shop on-line
- saves time and money on other forms of advertising

any other relevant point

[4]

(b) (i)  $(4 \times \$50) + (2 \times \$25) = \$250$

OFR applies

If the correct answer is given without working award full marks

[2]

(ii) A courier/parcel post/van/road/agents

[1]

B airmail/air/DHL, etc.

[1]

(c) Any four points x 1 mark or 2 well developed points x 2 marks

- to make the chocolates more attractive than other chocolates
- chocolates are often given as presents so colour adds to this
- the brand can be included on the packaging to attract attention
- so that the packaging attracts attention - may mean more orders
- can be used as part of the advertising on the website
- to encourage impulse buying

any other relevant point

[4]

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(d) Level 3 (5 - 6 marks)

Has discussed one or more ways in which staff might make use of computers.

e.g. Staff might use computers to keep control of the stock and to re-order when stocks are low. They might use electronic communication with other parts of the business or with suppliers such as e-mail and fax. They may keep a database of customers so that orders can be handled efficiently and customers can be contacted with new products. They might word-process communication with customers and design new sales literature using desktop publishing to save on printing costs and make their products appeal more to customers.

Level 2 (3 - 4 marks)

Has attempted to discuss one or more ways in which staff might make use of computers  
OR

has shown the purposes of some computer packages

e.g. staff may use computers for many purposes such as stock control and managing accounts. They may contact customers by e-mail because it is much quicker than letter.

Level 1 (1 - 2 marks)

Has listed some ways in which computers might be used

e.g. using e-mail, ordering goods, sending a fax

Points that might be included:

- stock control in warehouse
- use of computers in documentation process
- use of Internet banking to run the business' finances
- communication with other parts of the business - intranet, fax, e-mail
- communication with suppliers - fax, e-mail
- communication with customers - fax, e-mail
- use of computer software to manage accounts
- database of customers and their details
- word processing advertising literature, communication with customers desktop publishing for communication and advertising material
- use of the Internet to view competitors and to obtain information

any other relevant point

[6]

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3 (a) Any six points x 1 mark each or 3 well developed points x 2 marks

invoice is the bill for one transaction

- it gives details about this transaction
- it can be used by the buyer to check against the items ordered
- it may be used to ask the buyer to pay the amount
- it is used to write up the accounts
- it provides a record of the transaction

statement - shows all transactions between buyer and seller for

- a period of time/month
- gives summary of each transaction
- is a reminder to buyer to pay the whole debt
- enables the buyer to check his own records
- enables buyer to make one payment/cheque per month so saving on time and costs linked to purchases on credit

any other relevant point

[6]

(b) Any four points x 1 mark each or 2 well developed points x 2 marks e.g.

- crossed cheques are safe because they must be paid into a bank account
- they cannot be cashed across the bank counter
- they can also be specially crossed/example
- the payee's account is credited once the cheque has been cleared
- acts as a receipt for payment
- dangers of cash 1 mark maximum

any other relevant point

[4]

(c) (i) Any three points x 1 mark each e.g.

- suitable for paying variable/fixed mounts
- at variable times
- direct debit form is completed
- computerised transfer
- paid by the bank when the creditor asks for payment
- worthwhile example

[3]

(ii) Any three points x 1 mark each e.g.

Yes = 0 marks

- saves the buyer remembering due dates of payment
- will save the company using other means of payment e.g. cheques ensures that payment is made on time
- so the buyer can take advantage of cash discounts offered and preserve the company's credit rating with the supplier
- enables transactions to be computerised
- saves clerical work
- may be cheaper/quicker (1 mark only unless qualified)

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No = 0 marks

- less control over when payment is made as the creditor asks for payment and bank then pays
- may mean the company is overdrawn if too many other commitments when the direct debit is paid

[3]

(d) Any four points x 1 mark each or 2 well developed points x 2 marks e.g.

- to find out what services are available from particular banks
- to set up the accounts of the company
- to find out the status of the company's bank account at any one time
- to make payments for supplies/to creditors
- to enable payments to be made into the accounts
- to transfer funds between accounts
- to call up a statement on any bank account
- to obtain information on any service offered by the company's bank
- to review the company's borrowing commitment with the bank

any other relevant point

[4]

4 (a) Any six points x 1 mark each or 3 developed points x 2 marks

- buying in bulk - obtain discounts - lower prices to customers
- employment of specialist buyers - quality goods at competitive prices
- can afford to use regional distribution centres and own transport
- can use self service - savings on sales staff
- should have quick turnover - beneficial when selling perishables
- economies of scale - administration/advertising
- use of technology - bar coding, epos
- offers wide range of goods
- attracts customers
- profit

any other relevant point

[6]

(b) (i) Any three points x 1 mark

- saves on sales staff - stocking shelves, manning tills
- may encourage impulse buying - so greater turnover
- may encourage more shoppers who want to self select
- involves less work for retailer than offering personal service

[3]

(ii) Any three points x 1 mark each

- makes the goods offered by Bonusbuy distinctive
- enables customers to recognise the products
- assists Bonusbuy to advertise
- may be able to offer these goods more cheaply than other brands because has placed a bulk order with a particular producer
- encourages brand loyalty/goodwill

[3]

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(iii) Any three points x 1 mark each

- may speed up individual transactions at the till
- may reduce human error at the till
- saves pricing goods individually
- enables stock control to be computerised
- enables Bonusbuy to see which types of goods are selling
- enables re-ordering to be computerised
- and so reduces costs to Bonusbuy

any other relevant point

[3]

(c) Level 2 (3 - 5 marks)

Has analysed the issues and made a reasoned judgement commenting on pricing and special offers - (3 - 4 marks). May have introduced other selling or promotional methods (up to 5 marks).

e.g. supermarkets buy in bulk and so can offer lower prices to consumers. They offer loss leaders and special offers such as two for the price of one to customers to keep their loyalty and to tempt them away from their competitors. They monitor consumer buying habits and are constantly looking for new products. Supermarkets compete for consumers who are price conscious but they also compete with other supermarkets in terms of services offered, range of goods offered and brands stocked.

Level 1 (1 - 2 marks)

Has made some comment on pricing and/or special offers with/ without a superficial judgement

e.g. Supermarkets always try to offer low prices to attract customers. They may also give special offer to their customers.

Points that might be included:

- supermarkets bulk buy and so can offer lower prices to consumers
- they attempt to obtain large discounts from producers
- they may offer loss leaders on certain products to tempt consumers
- they obtain information on the activities of their competitors
- they are constantly monitoring trends in consumer buying habits
- they are always looking for other market opportunities/new products
- they also compete in terms of location/services/loyalty cards

any other relevant point

[5]



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5 (a) Any two characteristics explained x 2 marks e.g.

- owners are shareholders who have limited liability
- has shares which are sold on stock exchanges
- registered under the Companies Acts with Ltd as part of name
- controlled by board of directors elected by shareholders
- ultimate power with shareholders voting at AGM
- must have trading certificate to start operating
- minimum of 2 shareholders, no maximum
- usually a large business enjoying economies of scale
- separate legal entity apart from its shareholders

any other relevant characteristic

[4]

(b) Any two points explained x 2 marks each e.g.

- to promote trade and clear warehouse
- to maintain and increase its market share against any competitors also offering credit
- to allow the retailers to sell the goods before they have to pay
- to enable the retailers to make a series of transactions - pay a number of bills at one time
- to enable discount to be offered for prompt payment
- builds up goodwill between Bing Ltd and its customers
- to enable small scale retailers to use cash for other purposes

any other relevant reasons

[4]

(c) Any three other services explained x 2 marks each e.g.

- offer a variety of goods often displayed in warehouse
- supply goods to retailers in the quantities they require
- store goods ready for sale – retailer does not need to hold large stocks
- give information - on new lines
- passing information from retailers to manufacturers
- breaking bulk
- delivery of goods – retailer has no transport
- preparing goods for sale e.g. bottling, packaging
- offering cash and carry - helps retailers to obtain goods at lower prices
- acting as risk bearers - buying goods from manufacturers before selling them to the retailers
- giving trade discount - enabling the retailer to make a profit

any other relevant service

[6]

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(d) Level 3 (5 - 6 marks)

Has analysed and justified the need for the three business risks specifically or has shown clearly why Bing Ltd does not need cover for some of these business risks (possibly mentioning others that might be needed)

e.g. Bing Ltd would need public liability because it deals with the public who might have accidents because of Bing Ltd's negligence and demand compensation. Bing Ltd would be required by law to have employer's liability insurance because it employs a large number of people, some of whom might have accidents at work because of the company's negligence. Consequential loss would be needed if the business closed down because of a fire. It would cover loss of profits and other expenses while repairs were carried out. Insurance against these risks and others such as fire, theft and motor are essential because they protect the company against financial loss and give it the confidence to carry on its business.

Level 2 (3 - 4 marks)

Has explained the need for insurance cover making a judgement as to whether or not Bing Ltd needs this cover with reference to one or more of the three business risks.

e.g. Bing Ltd would need public liability insurance to protect itself against claims made by the public because of its negligence. The same applies to employer's liability because employees who have accidents at work might claim against the company.

Level 1 (1 - 2 marks)

(Definitions only Level 1 max)

Has commented on the need/or no need for insurance cover.

e.g. Bing Ltd needs insurance to provide cover against loss and also to provide it with compensation in case of loss.

Points that might be included:

- Public liability - needed because Bing Ltd deals with customers who may make a claim because of an accident on Bing Ltd's premises
- Employer's liability - required by law as Bing Ltd employs a large number of people, some of whom might make claims as a result of accidents while working for Bing Ltd
- consequential loss - needed because Bing Ltd would have to close down in the event of a fire. Covers loss of profits during this time and the expenses of restoring the business
- may need other insurance cover - fire, theft, fidelity bond, motor
- may need insurance in order to claim compensation, to gain financial protection, help business confidence
- may decide does not need some of the forms of insurance because the business decides to be its own insurer - this is unlikely as large risks are involved and employer's liability is required by law.

[6]

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6 (a) Any one advantage x 1 mark each e.g.

- B more freight carried by air
- C rising popularity of low cost airlines
- D emergency aid can be sent by air

[1]

Any one disadvantage x 1 mark each e.g.

- A successful airlines cannot fly all routes
- C more congestion at overcrowded airports
- E **allow** delays caused by airport security services

[1]

(b) Any six points x 1 mark or 3 developed points x 2 marks or 2 x 3 marks e.g.

- increased trade in perishable and valuable goods e.g. flowers
- need for speed to transport many kinds of goods successfully
- growth of global economy and increased demand for foreign goods
- increased number of airports, air routes, air cargo planes
- larger carrying capacity of air cargo planes
- can transport goods for long distances and reach inaccessible places
- increase in the number of goods which are of low bulk and high value and so can cover the costs of air freight
- some expenses of air freight are lower - insurance, packaging because of the speed of transport
- possibly more secure than other forms of transport
- other forms of transport may not be available to certain areas - sea transport to a landlocked country
- specialist facilities for carrying certain cargoes e.g. horses
- lower freight cheaper plus reason cheap/quick = 0 unless qualified

any other relevant point

[6]

(c) (i) Any two services x 1 mark each

security = 1 mark

x-ray machines, customs and immigration, security officers, allow restricted access to departure lounges, CCTV, use of dogs, restrictions on certain items carried in luggage, armed police, metal detectors, checking luggage, fire brigade, first aid

[2]

(ii) Any four points x 1 mark each or 2 developed points x 2 marks

they offer cheap travel  
they offer frequent services  
abolition of cartels  
operate from small/local airports

offer many routes  
they do not provide unwanted services  
they undercut established airlines  
booking procedures online

any other relevant point

[4]

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(d) (i) Any two points x 1 mark each e.g.

- speed of transport, can be provided quickly
- able to reach inaccessible places
- can transport variety of goods
- variety of aircraft/helicopters available
- medicines have to reach victims as soon as possible

[2]

(ii) Any two groups x 1 mark each + 1 mark for reason e.g.

- medicines, animals, mail
- perishables - need for speed so that they will be fresh when delivered
- fragile goods - less likely to be damaged than by using other transport
- lightweight goods - reasonable cost as charges often relating to weight
- valuable goods - need for security, can bear high air freight charges
- any other relevant group

NB if an example is given instead of a group, mark reason only

[4]

7 (a) (i) Any three points x 1 mark each e.g.

- an enterprise that has subsidiaries or branches in more than one country
- with a head office where the parent company originated
- it may secure raw materials in one country
- have factories in other countries where labour costs are low  
example = 1 mark

[3]

(ii) Any three reasons x 2 marks each e.g.

- they are large public limited company and control many of the world's industries
- they provide employment in many countries and so reduce unemployment levels
- they provide inward investment and contribute in terms of taxes/infrastructure to host country's economy
- they are often very powerful and able to move resources between countries
- they provide very large quantities of goods/services in the global economy + example such as oil
- use of new technology
- huge investment in R&D
- improve standard of living

any other relevant point

[6]

(b) (i) trade credit/overdraft                      any one

[1]

(ii) bank loan/retained profit/debentures/ordinary shares                      any one

[1]

(c) For each part award one mark for correct finance and two marks for reasons e.g.

(i) retained profits                      no interest to be paid, readily available  
bank loan                      large sum needed, can be repaid gradually

[3]

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(ii) ordinary shares requires large sum, does not have to be repaid  
 debentures large sum available, long term repayment, low interest  
 bank loan large sum required, interest payments can be made over  
 a long period, when factory comes into production it may  
 help towards the repayments, assets can be used as  
 collateral

retained profits [3]

(iii) overdraft uses only what is required at any one time  
 easily arranged, interest paid on amount overdrawn

trade credit can sell goods before having to pay the supplier and use  
 the profit to pay for further supplies [3]

8 (a) (i) Any three points x 1 mark each e.g.

- to give details/information such as  
 kinds of services offered/prices charged/area covered/ target audience/how to  
 make contact (any two)
- may also be recruiting staff [3]

(ii) Any three points x 1 mark each e.g.

- possibly not as important as informative advertising
- to encourage potential customers to use her services especially if there is  
 competition in the market
- to enable her to establish her business
- shows her services are better than competition [3]

any other relevant points

(b) Level 3 (5 - 6 marks)

Has analysed the three general factors in relation to Rita's business and has made a  
 judgement based on this analysis.

e.g. Rita has just set up her business so it is likely she will have a limited budget. She will,  
 therefore, not be able to use expensive advertising media such as national newspapers.  
 Rita's target audience is likely to be small - people requiring nursing at home or hospitals  
 needing nurses so she will need to choose media that target those market segments such  
 as nursing magazines and leaflets that can be sent out. Methods of appeal are not likely  
 to be so important as Rita needs to give information about her services rather than use  
 any devices such as colour and music in the content of the advertisements she uses to  
 persuade people to use her services.

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Level 2 (3 - 4 marks)

Has commented on one or more of these factors and has made a judgement based on the comments OR has offered some analysis on one or more of the factors without a clear judgement.

e.g. The cost of the media and the people she is aiming her advertising at will be very important as Rita is likely to have limited money to spend on advertising. She is starting her business and so will be looking to spend as little as possible on advertising. She will probably not consider methods of appeal as she wants to give out information.

Level 1 (1 - 2 marks)

Has commented on one or more of the factors listed.

e.g. Rita will not spend very much on advertising and she will be advertising to anyone who is ill.

Points that might be included:

- cost of media - Rita may be on a limited budget as she is setting up the business
- some media are more expensive than others - leaflet might be suitable, nursing magazine would be suitable, TV would not
- target audience - should be considering their age and income, may be targeting people caring for elderly relatives or people in hospitals who require private nurses
- methods of appeal - possibly not so important as it would be if Rita was selling goods. Accurate and detailed information in the advertisement is likely to be the best method of appeal

[6]

(c) (i) Any four points x 1 mark each or two well developed points e.g.

- definition of working capital - CA - CL - allow 1 mark
- Rita needs working capital to meet her day to day expenses such as wages/buying supplies/electricity/telephone and unexpected bills (1 mark max)
- without working capital the business cannot pay bills promptly and may need to borrow
- it will also restrict its activities
- it could slip into insolvency

any other relevant point

[4]

(ii) Any four points x 1 mark each or 2 developed points x 2 marks:

- sell more services
- make sure that she does not expand too quickly especially by borrowing
- keep control of costs especially wages
- make sure that realistic prices are charged for the services
- prepare a budget and monitor the budget
- make sure that she has sufficient working capital to maintain cash flow
- offer quality service – repeat business

any other relevant point

[4]

advertising = 0 unless qualified e.g. to obtain business