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FOREWORD

This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

COMMERCE

GCE Ordinary Level

Paper 7100/01

Paper 1

General comments

The Commerce paper for November 2003 proved challenging for many candidates. Candidate performance was extremely variable and the performance of individual Centres was also variable. There were many very well prepared candidates whose standard of work overall was very commendable and who were able to demonstrate sound commercial knowledge. They wrote in detail and were able to express themselves very clearly. They applied their knowledge to the questions chosen and related their understanding of commercial topics to the problems, scenarios and terms set in the questions.

A large number of weaker candidates tended to write in very vague terms with little understanding of the topics chosen. They often did not answer the questions as set or omitted parts of their chosen questions.

The main problem for many candidates was a very limited command of English. Examiners saw many scripts which were unintelligible with, at worst, a string of words which conveyed little meaning. It was also clear that many candidates did not understand the meaning of the questions which they attempted.

Candidates often illustrated their answers with relevant local examples of commercial practice and the better candidates made good use of commercial terminology. It was pleasing to note that many candidates, even those with poor language skills, were able to gain marks on the calculations set in some questions.

Answers were usually well presented with good use of paragraphing and clear handwriting.

Few candidates disobeyed the rubric and wrote answers to more than the five questions required. Most candidates had adequate time to answer the five questions required.

A large number of candidates still need more practice in examination technique. They tended to write at length when statements or words were required and did not always present developed answers where there was a higher mark tariff. Candidates should look at the words which begin questions in relation to the mark allocations for those questions. If a question says "State" or "Name" such as in **Question 7 (a)(i)** and **Question 6 (a)** it means that a short answer is required and the answer is usually worth one mark. Many candidates wrote short paragraphs for these answers and so wasted time. If a question requires a candidate "To explain", and the majority of questions require such an approach, there needs to be a more developed answer to gain a greater mark allocation. It is, however, noticeable that very good candidates paid attention to the command words of the questions and so adjusted their responses to the parts of the questions far more appropriately and often earned all the marks.

Most questions attracted a large number of responses. Some questions, however, proved to be more difficult for candidates than others. It was noticeable that **Question 5** posed problems for candidates compared with the rest of the questions and some parts of other questions also caused difficulties (see comments on individual questions).

Comments on specific questions**Question 1**

This question gave a different slant on the general introduction to the syllabus. It differentiated well many candidates scoring high marks and others producing textbook phrases often out of context.

- (a)(i) Candidates often missed the point and included detailed analyses of the different sectors of production without relating these to needs and wants. Candidates who commented on needs and wants and then showed why production takes place - to create utility, to change the form of the product and its place were able to gain full marks.
- (ii) Candidates gave good examples but were often unable to define industry as an economic activity concerned with the extraction, manufacture and processing of raw materials. Definitions of commerce were usually accurate although some candidates confused commerce with trade.
- (b) Direct services were frequently confused with aids to trade or with services provided by the wholesaler to the retailer. Those who understood the term direct services - those services performed directly to the people who receive them - and gave clear examples with some explanation of them such as nursing, teaching, hairdressing often gained very good marks.

Question 2

Answers to this question were often thoughtful with some useful development of points clearly stated.

- (a) Candidates often commented on bulk buying linking this to discounts and gaining customers by offering cheap prices. They identified the ability to spread risk and the advantages of being able to transfer stock between shops as well as economies of scale such as advertising for the chain as a whole and financial economies. Weaker candidates misread the question and tended to comment on self-service rather the chain.
- (b) Better candidates were able to show that the growth of large scale retailing, the desire to cut labour costs, the increase in the branding and packaging of goods and the demands of consumers wishing to save time and examine goods have all led to the development of self-service retailing. Other candidates gave descriptive answers talking about trollies, more space and the display of goods.
- (c) This gave candidates the opportunity to present developed answers showing the arguments for and against installing drinks vending machines outside the shops. Some candidates gave reasoned answers with many points made, commenting on 24-hour service, additional income, convenience to buyers, theft, vandalism and maintenance costs. Others misread the question writing about vending machines being placed all over a town rather than outside Mr Ndlovu's shops. Some did not understand the term 'vending machines'.

Question 3

This question was well answered by a large number of candidates. They showed a good understanding of the number of aspects of insurance tested in the question and were able to answer in context.

- (a) Many candidates produced very well reasoned answers relating to nature of the goods in the shop, the value of these goods, previous claims made, fire precautions installed and different demands of different insurance companies. Although overinsurance was sometimes commented upon, this was given no credit.

Most candidates were able to name two business risks but they often had difficulty commenting on such risks as theft and flood to gain the additional marks for explanation. Those candidates who listed public liability, consequential loss, fidelity bond or employer's liability usually gained full marks.

Candidates were usually able to show why bad management could not be insured against mentioning lack of statistics, no past records and inability to assess the risk. Some candidates, however thought that because Mr Ahmed and Mrs Singh were sole traders and so involved in the business, they could not have bad management.

- (d) Most candidates were able to name one insurance principle, usually utmost good faith, and to explain in context how it might apply to a fire insurance policy. They presented developed answers and often gained full marks.

Question 4

- (a) Most candidates scored full marks. Many candidates understood the calculation but made the two figures and so scored no marks.
- (c) This was particularly well answered with a variety of actions being chosen such as subsidising home products, encouraging local manufacturers, increasing import duties, introducing quotas and embargoes and using devaluation and exchange control regulations. Weaker candidates tended to comment on exporting more in order to reduce the deficit - not the question asked.
- (d) Candidates were able to score marks even if they confused an export merchant with an export agent. An export merchant is a person who buys goods from the manufacturer on his/her own account and looks for buyers in order to make a profit. An export agent does not sell on commission as does an agent. Many of the advantages are, however, the same such as saving the manufacturer looking for buyers, saving time and costs and overcoming difficulties such as language and distance.

Question 5

This question posed problems for most of the candidates who selected it.

- (a) Very few candidates saw the point of the question, confusing the benefits to the customer with those of the retailer. Retailers will accept cash as it is legal tender and so has to be accepted, it can be used by retailers to pay their debts, it is used to pay small amounts, there are no bad debts as it is an immediate payment. Retailers will accept cheques in payment for large amounts, when guaranteed by a cheque card, because they can be made out for any amount, can be posted and because there is less cash held on the premises. Retailers will accept credit cards because they are likely to increase sales as customers can gain instant credit, their competitors accept credit cards, less cash is held on the premises, can be used for transactions by telephone or using the Internet and they are guaranteed payment by the credit card company.
- (b) It was obvious that many candidates had no understanding of cheque cards and debit cards and wrote about cheques and credit cards instead. A cheque card guarantees a cheque up to certain amount, the cheque cannot be stopped and it is protection against the cheque being refused by the bank because of insufficient funds. A debit card enables payments to be made without writing cheques, the amount is automatically deducted from the person's bank account and immediate transfer of funds takes place.
- (c) Most candidates failed to appreciate that the payment was for imported goods so an international method of payment was needed rather than one of the methods of payment listed in the question. Most candidates wrote about cheques and so gained no marks. Answers should have commented on electronic/cable/telegraphic transfer of funds, documentary credits, bank drafts or bills of exchange. Credit card was not a viable answer as the payment was such a large amount.

Question 6

Parts (a) and (b) were quite well answered, although some candidates wrote out the means of communication given in the question as their answer to part (a). Some candidates had no knowledge of teleconferencing and others confused teleconferencing, using the telephone to hold a meeting of people located in several places, with videoconferencing. Some candidates seemed to have personal experience of e-mail and so were able to show why e-mail is now so important as a means of communication. Others relied on low cost and speed without any reasoning to gain some marks.

Question 7

Answers to many parts of this question were rather disappointing.

- (a) Many candidates failed to apply their answers to the advertisement stimulus given in the question and commented on how any advertisement can be informative and the use of different media to make the advertisement more persuasive. The question asked the candidates to use the advertisement and so answers to part (a)(ii) should have mentioned such points as changing fonts, emboldening parts of the advertisement, including discount, introducing special offers and providing more information.

Most candidates were able to define air freight although mentioned the carrying of passengers and to name two products which might be carried.

- (c) Answers were disappointing usually because candidates failed to read the phrase 'other than' given in the advertisement' and wrote about cost, speed and safe handling.

They commented on the advantages of air transport rather than explaining reasons for the growth of the volume of goods carried by air transport such as the growing international market, the growth of multinational companies, more and larger aircraft, more airports, more routes and air transport's ability to handle many different kinds of goods.

It was, however, pleasing to note that many candidates appreciate the benefits of containerisation of goods although some related their answers to sea transport. Answers such as protecting goods, acting as storage, allowing trans-shipment, speeding turnaround, reducing costs and mechanising handling all gained marks.

Question 8

This question proved to be quite successful with many candidates showing sound understanding of business organisation and sources of finance.

- (a) Answers usually made comment on both the sole trader and the public limited company.
- (b) Candidates had more difficulty confusing capital with profits. Candidates failed to appreciate that stock exchange approval gives some indication to investors that the company quoted is reputable. Most answers concentrated on raising capital and allowing small investors to become shareholders.
- (c) Candidates needed to read the question carefully. Although bank loans were in the question, many candidates gave loans as one source of finance for both Mr Masenda and Eversharp and so gained no marks. Acceptable answers for Mr Masenda were personal savings, overdraft, loans from family retained profits and taking a partner. Acceptable answers for Eversharp were debentures, sale of shares, retained profits, mortgage and sale and leaseback. Overdraft was not a suitable choice for building a new office block.

Question 9

This question discriminated effectively.

- (a) Candidates who were able to give coherent, reasoned answers with realistic examples gained full marks. Some candidates thought that collective advertising encompassed advertisements of types or brands of milk instead of milk as a product.
- (b) This produced varied responses. Some answers were precise and thoughtful showing sound understanding of the three advertising media in the context of a book publisher. Other answers were contradictory e.g. catalogues do not cost much, they are expensive to produce, or relied on repetitive answers to all three media. Some candidates had no understanding of trade exhibitions.

Question 10

Many candidates misread the requirements of part (a) giving three functions of one kind of warehouse shown in the data or giving three functions of each kind of warehouse shown in the data. Perhaps it might have been better to have shown the data after part (b). Those candidates who were able to describe three general functions such as storage, protection, preparing for sale, stabilising prices or breaking bulk often gained full marks. Cash and carry warehouses were usually understood but some candidates relied on answers relating to cheaper prices, not the question, rather than why selling costs are cheaper.

- (c) This question revealed the weaknesses in many candidates' understanding of bonded warehouses. Candidates were able to achieve some marks for general points relating to bonded warehouses in part (c)(i) although many answers were not in context. Most candidates had no appreciation of the fact that locally produced goods may be subject to duty if sold in the home market but if stored in a bonded warehouse will *not* attract duty when exported.