

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

www.PapaCambridge.com

MARK SCHEME for the October/November 2014 series

7100 COMMERCE

7100/21

Paper 2 (Written), maximum raw mark 80

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2014 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is the registered trademark of Cambridge International Examinations.

Page 2	Mark Scheme	Syllabus
	Cambridge O Level – October/November 2014	710

1 (a) Any two points × 1 mark each –

- An industrial building where manufacturing and assembly takes place using a production line and finished goods are produced (or example e.g. cars);
- In the secondary production;
- To satisfy needs and wants.

Any other relevant point.

[2]

(b) Any three points × 1 mark each and up to 2 marks for a well-developed point –

- Spades and garden tools are used to dig / prepare the ground;
- Which may be used to grow vegetables / food;
- Which is a need for most people;
- May also be used to dig ditches / drains;
- They may also be used in a garden to grow flowers;
- Which may be a human want;
- Makes gardening easier;
- Provides employment.

Any other relevant point.

[3]

(c) 1 mark for putting on a label / branding / transporting it / storing it / displaying it / advertising / attaching an information booklet.

Any other relevant point.

N.B. after manufacture.

[1]

(d) (i) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- To a wholesaler who will pass on the spades to retailers such as garden centres or hardware stores who will sell the spades and other garden tools to consumers
- Cam Tools could supply some retailers directly e.g. chains of garden centres, home improvement stores who would then do their own distribution to stores where the spades and other garden tools would be sold to consumers
- Cam Tools could have a stand at garden shows and exhibitions and sell directly to consumers who attend these shows
- Cam Tools may sell online using the Internet directly to consumers 2 marks max
- Wholesalers to retailers to consumers 2 marks max

Candidates may comment on methods of transport – allow this approach.

Any other relevant comment.

[4]

Page 3	Mark Scheme	Syllabus
	Cambridge O Level – October/November 2014	710

(ii) Any two reasons × 2 marks each or four points × 1 mark –

- To protect the spades from damage / theft
- To store awaiting sale / transport
- To enable production to be ahead of demand which is likely to be more in the summer months (cope with seasonal demand)
- To store raw materials and components so that they are ready for use
- To enable packaging and distribution to take place from the warehouse.

Any other relevant point.

[4]

(e) **Has assessed the arguments for and against the use of division of labour to manufacture spades and other garden tools and has given a reasoned response. (One-sided argument – award 4 marks max) No context = 5 marks max.**

Level 2 (4–6 marks)

Division of labour is breaking down production so that each individual worker performs a small part of the process on an assembly line. It enables goods, like spades, to be mass produced. It enables the manufacturer to make greater use of machinery, so employing less labour leading to savings in costs. The garden tools will be standardised so consumers will know what they are buying. The manufacturer can take advantage of economies of scale e.g. bulk buying raw materials such as wood and steel and technological economies such as using the latest machinery. Because of cost savings, it is likely that production will be cheaper and these savings can be passed on to consumers in the form of lower prices. Workers will become more skilled in what they are doing. The training may be simpler as the tasks required are simpler and they can move between individual tasks.

On the other hand division of labour may have its drawbacks both for the manufacturer and for the worker. Workers may become bored and as a result make mistakes, leading to wastage and complaints. The assembly line becomes interdependent so that if a machine breaks down in one part of the factory or there is a dispute among the workers, the whole assembly line may be brought to a standstill, thus losing production of the garden tools.

It is important that these tools are produced at a reasonable cost. Division of labour helps to achieve this and so should be used in the manufacture of spades and other garden tools.

Has commented on the use of division of labour in context / without context with / without an opinion.

Level 1 (1–3 marks)

Division of labour will help the manufacturer to increase output. Workers will do one job again and again. They may become bored. The manufacturer can employ less skilled people. The spades will all look alike. Division of labour should be used. [6]

Page 4	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

2 (a) Any two features × 1 mark each –

- A wide range of shops
- Car parking
- Other facilities e.g. snack bars
- Easy walking / space to move around / less traffic
- Everything under one roof
- Entertainment e.g. cinemas
- Security
- Easy access
- Long opening hours
- Billboards to sign the shopping centre
- Special promotions for opening.

Any other relevant point.

[2]

Low prices / self-service = 0 marks.

(b) Any two reasons × 2 marks each –

- They provide a range of shops that will attract a variety of customers
- They have small and large units available for a range of retailers
- They attract a large number of customers and so the retailers may increase their sales
- The small-scale retailers hope that the attraction of large-scale retailers will increase their trade
- They can take advantage of good security arrangements and so feel that their businesses are safe
- They benefit from the advertising of the shopping centre as a whole which may be better known than some of the individual shops
- The shopping centre provides them with an attractive venue that will attract customers to satisfy a range of needs and wants.

Any other relevant point.

[4]

(c) Any two ways explained × 2 marks –

- Introduce special offers such as buy one, get one free / loss leaders
- Lower prices to dispose of more stock and so increase sales
- Look for other goods to sell that may attract more customers
- Change to cheaper suppliers so reducing cost of goods sold
- Look for goods that offer better value for money and quality so that they appeal to customers
- Advertise (although shopping centre advertises itself) using various media / examples
- Offer credit to give competitive edge
- Offer longer opening hours to give more opportunities for shopping.

Any other relevant point.

[4]

Page 5	Mark Scheme	System	paper
	Cambridge O Level – October/November 2014	710	

(d) (i) One mark for buildings / fire / theft / motor / consequential loss / public liability / employer's liability / accident / product liability.

Any other relevant risk.

(ii) Any three points × 1 mark each –

- Business failure is a non-insurable risk
- There are no past records on which to calculate the risk and set a premium
- May deliberately make the business fail in order to collect compensation
- Because insurance companies do not offer cover for this.

Any other relevant point.

[3]

(e) Level 2 (4–6 marks)

Has discussed both informative and persuasive advertising in relation to the opening of the retail shopping centre and has given a reasoned opinion.

(If a candidate has discussed either informative or persuasive advertising with a reasoned opinion, award 4 marks max)

A new shopping centre needs to advertise itself in order to make itself known to as wide an audience, of potential consumers, as possible. It will need to give details of where it is located, when it opens, its opening times, the facilities it offers and the kinds of shops it has. This is all information and so the shopping centre will have to undertake informative advertising.

It is in competition with other kinds of shopping e.g. town centre shopping and online shopping so it will need also to undertake some persuasive advertising in order to tempt consumers to visit it. It may offer incentives to come such as competitions or vouchers to spend in some of the shops. This is all designed to encourage consumers to come to the shopping centre and also to return.

It may concentrate on informative advertising with some persuasive advertising as back-up. It would expect some of the large-scale retailers (who have taken space in the shopping centre to advertise) to undertake advertising to persuade people to shop there. This in turn would help to advertise the shopping centre.

Therefore, it is important to advertise the shopping centre and to undertake both informative and persuasive advertising.

Level 1 (1–3 marks)

Has commented on informative / persuasive advertising in context / without context and has / has not given an opinion.

A new shopping centre needs to advertise itself. It needs to make itself known to consumers. It will need to give details of where it is, its opening times, the facilities it offers and the kinds of shops it has. The shopping centre should use informative advertising.

It is in competition with other kinds of shopping. It will also need to undertake some persuasive advertising. Otherwise it will not attract customers. It may need to use persuasive advertising when it is open.

[6]

Page 6	Mark Scheme	Syllabus
	Cambridge O Level – October/November 2014	710

3 (a) $\frac{20}{100} \times 3500$ (1 mark) = 700 (1 mark)

OFR applies. Award full marks if the correct answer is given without working.

(b) (i) One mark for –

- Will be able to recognise the restaurant from the outside
- Customers will know what food to expect
- Customers may know what prices to expect
- Fast service
- Can be found in many locations.

Any other reasonable point.

[1]

(ii) Any three points × 1 mark each and +1 for development –

- Provides a well-known brand / name
- Provides standardised accounting procedures
- Supplies the products sold
- May provide the site
- May equip the premises
- May provide training
- May provide advertising
- Offer advice and assistance
- Offer promotions.

Any other relevant point.

[3]

(c) Any two reasons explained × 2 marks each –

- Yes, it should because it is large enough to buy in bulk at discounted prices direct
- It will have the logistical services to distribute to all its franchised restaurants
- By not using the middleman, the wholesaler, it is cutting costs
- It will have sufficient purchasing power to be able to negotiate with suppliers
- May have better quality control.

- No, it may have to buy some supplies through wholesalers who can supply in smaller quantities from a variety of suppliers;
- It may need the wholesaler as back-up;
- If manufacturers cannot supply.

Any other relevant point.

[4]

Page 7	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

(d) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Many people all over the world want similar fast-food products which can be provided by very large companies
- The standard of living has gone up in many parts of the world and people can afford to pay for their products
- They have the resources to open and equip many restaurants in many countries
- Improvements in communications have meant that they can keep in touch with their franchisees and can keep them supplied more easily
- There is a demand by people wanting to start their own businesses for franchises in the fast-food sector;
- Enables them to make profits.

Any other relevant point.

[4]

(e) **Level 2 (4–6 marks)**

**Has discussed whether or not Baseway’s activities are important to Country A and has given a reasoned opinion.
(One-sided argument = 4 marks max)**

Baseway will give would-be entrepreneurs in the country opportunities to open their own businesses. Baseway will provide employment within Country A in its restaurants. The people who take up franchises or who work in the restaurants will have to be trained and this will make them more skilled and employable. These people will pay taxes to the country and so assist the economy. Baseway will probably buy from manufacturers based in Country A. This will provide income and business for another sector in the economy. Baseway’s activities are likely to improve the standard of living in the country and change people’s social habits. More people may be able to afford to go out to eat rather than eat at home.

Baseway’s activities, however, are likely to be profitable for the company. Although Baseway will pay taxes in Country A, much of their profits may be moved overseas for the benefit of Baseway. They are likely to bring in employees from other countries to manage the business in the country. If the business is not successful, Baseway could close down the franchises and end its connection with Country A. This is probably unlikely, given the nature of the business. What is more likely is that a franchise outlet in a particular area of the country may not be successful and close but others will open elsewhere. It may also bring unwelcome competition to other restaurants in the country. This may make them improve and offer better or other services. It may, however, force them to close as they cannot compete.

On balance, Baseway’s activities are likely to be important to Country A and benefit its economy.

Level 1 (1–3 marks)

Has commented on Baseway’s activities in relation to Country A.

Baseway will give people opportunities to start their own businesses. It will provide employment. It will offer training. It will raise the standard of living of people in the country.

It may take money out of the country. This will be a disadvantage. It may provide competition to other restaurants.

[6]

Page 8	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

4 (a) Any two commercial documents used after the order has been placed × 2 marks –

- Advice note – used to inform Amrit that the cattle feed is going to be delivered
- Delivery note – accompanies the cattle feed when delivered, signed on delivery
- Consignment note – when using hired transport
- Invoice – gives details of the cattle feed delivered together with the price
- Credit note – informs Amrit of a credit if any of the cattle feed is returned
- Debit note – to correct an undercharge
- Statement of account – shows series of transactions between Amrit and the supplier in a given period of time
- Receipt – provides proof of payment.

Any other relevant document. [4]

(b) (i) Any six points × 1 mark each and up to 2 marks for a well-developed point –

- May use telephone to contact possible buyers
- May email details of the cattle he wishes to sell
- May communicate to discuss terms of sale
- May arrange for collection of the cattle
- May inform buyer of when to expect the cattle
- May receive payment via the internet banking system
- May send the relevant forms required by email / fax / letter post
- May enter cattle for sale at a market using email / telephone
- May have a website if he is a well-known cattle breeder with animals for sale
- May be selling meat directly from the farm and communicating with customers when they come to buy
- May meet buyers face-to-face to discuss sales.

Any other relevant point in context. [6]
List of communication methods = 2 marks max.

(ii) Any three points × 1 mark each –

- There are farming journals available
- Likely buyers read trade journals
- Able to give detailed information on what he has available
- May be cheaper for the same size of advert
- Trade journals more likely to be kept and referred to than newspapers
- Advert may not be noticed in a general newspaper.

Any other relevant point. [3]

(iii) One advertising medium such as Internet / hoarding on side of road at his farm / direct mail to potential buyers / side of his vehicle / agricultural show / television / radio and other mass media = 0 marks. [1]

Page 9	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

(c) Level 2 (4–6 marks)

Has discussed whether or not Amrit is involved in commerce and has given a reasoned opinion.

(For full marks a candidate should have commented on some aspect of trade and at least two commercial services and how they help Amrit – otherwise 4 marks max)

Amrit, as a farmer, uses natural resources to rear animals and so is involved in a primary industry, the first stage of the production process. He is involved in a non-exhaustive primary industry. In order to make use of his production of cattle, he needs to make use of trade and aids to trade i.e. commerce. He will need to buy cattle feed and other supplies to rear his cattle. He will need to sell some of his cattle in order to make a profit and so he is involved in trade. He may sell them in the home market. He may even export them.

In order to assist this trade, Amrit will need to make use of commercial services. He will probably need finance to expand his business. He will need a bank so that he can process payments and can deposit money from sales. He will need insurance to provide him with financial protection against loss. He will need warehousing to store his feed and other supplies and for in-wintering his cattle. He may move his cattle to market, to buyers or to the abattoir in his own transport or use a road haulage company. He may need to advertise in order to sell his cattle and he will need to communicate with buyers, with vets and with other farmers to conduct his business.

Amrit is certainly a primary producer but he is also involved in commerce, without which he would not be able to conduct his business.

Level 1 (1–3 marks)

Has commented on Amrit in relation to commerce.

Amrit is a farmer and a primary producer. He is also involved in commerce. He needs to sell his cattle. He buys feed and medicines. He stores these. He saves his money in a bank. He transports his animals. He communicates with farmers and with people who want to buy his cattle. [6]

5 (a) (i) Any 3 points × 1 mark each –

- To arrange transport for goods between seller and buyer
- To arrange the documentation for the transport of goods
- To arrange customs clearance
- To arrange any storage needed
- To pack goods into containers
- To move goods overseas / within the country
- To keep goods secure.

Any other relevant point. [3]

(ii) 1 mark for transported goods. [1]

Page 10	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

(b) Any four points (which covering both making and receiving payments) × 1 mark each

- Various means of payment are available such as cheques, credit transfer, direct debits and standing orders (2 max)
- Bank drafts are issued on the bank
- Payments abroad may be made using letters of credit / bills of exchange
- Banks issue debit cards to make immediate payments
- Banks issue credit cards which allow clients to postpone payment
- Pushalong can pay in money using paying-in slips
- Clients may transfer money to Pushalong using Internet banking
- Banks will provide various bank accounts for Pushalong to deposit surplus funds
- Check creditworthiness of customers.

Any other relevant point. [4]

(c) Any two reasons × 1 mark each –

- Fast means of transport
- Increased global trade
- Larger aircraft capable of carrying greater volume
- More routes available for carrying freight
- Better means of carrying containerised goods by air
- More goods that can bear the cost of air transport
- Consumers becoming richer.

Any other relevant point. [2]

(d) (i) Level 2 (4–6 marks)

**Has discussed whether or not Pushalong should continue to use its own transport or hire transport when required, has mentioned any other information required and has given a reasoned opinion.
(One-sided argument = 4 marks max. No penalty if no further information is given.)**

Pushalong owns its own aircraft and a fleet of trucks. It obviously sends goods to traders in the home market and also handles imported and exported goods. If it owns transport, it must have been economically viable to do so. There must have been sufficient business generated to pay for this transport. If it is considering hiring other companies' transport, perhaps there has been a downturn in business. We do not know. We do not know the possible volume of future traffic.

Using your own transport has certain advantages. The goods are better supervised. Delivery times and places can be arranged to suit the customer. Deliveries can be made to several customers along one route when using road transport. Specialised transport can be bought e.g. refrigerated trucks. Both the trucks and the aircraft can be used to advertise the firm's business.

On the other hand, there is the high capital cost of purchasing. Leasing might be an option in the future. There are high running costs e.g. fuel, labour and there is a danger that the transport may be underused or return loads cannot be obtained. Pushalong will have to weigh up whether or not the money spent on owning transport can be better used elsewhere in its business.

Page 11	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

If Pushalong has enough business to continue to own its own transport, it should continue to do so. Customers are likely to be happier to have their goods transported under the company they are dealing with, rather than a company hired by Pushalong. If not, Pushalong should look for other customers who can make use of its services.

Level 1 (1–3 marks)

Has commented on whether or not Pushalong should continue to use its own transport or hire transport with / without an opinion.

If Pushalong continues to use its own transport it has greater control. It will be able to supervise the goods. It may be cheaper to offer this service. It can use its transport when and where it wishes. It will have to pay quite a lot of expenses. The cost of buying vehicles is expensive. Fuel costs are high. It will need to employ labour. The transport could breakdown. [6]

(ii) Any two reasons × 2 marks each –

- The capital cost of owning ships and maintaining them would be prohibitive
- Pushalong is not a shipping company and there is no information to suggest that it moves goods in bulk
- Pushalong offers services to many traders who are likely to want small quantities transported
- Pushalong does not have enough business to make the ownership of ships an economic proposition
- Pushalong may be operating in a land-locked country
- Ships are too slow for the kind of cargo handled.

Any other relevant point. [4]

6 (a) (i) One mark for surplus. [1]

(ii) A – One mark for \$–40 bn [1]
B – One mark for \$680 bn [1]

(b) Level 2 (4–6 marks)

Has discussed, with reference to the country's Balance of Payments figures, whether or not the government of the country should introduce restrictions on foreign trade and has given a reasoned opinion. OFR would apply from (a). (If there is no reference to the figures given, award 4 marks max)

The country had a surplus in 2011 and then deficits in both 2012 and 2013. The deficit, at \$–80 bn in 2013, is double that of 2012 and total imports are gradually increasing so probably action of some kind needs to be taken.

The government could increase import duty to make imported goods more expensive to bring into the country. It could introduce quotas on certain goods that are imported in large quantities so reducing the number coming into the country in any one year. To introduce an embargo on particular goods would probably not be necessary.

Page 12	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

If the government does this, it is likely that there may be some retaliatory measures in countries affected. If this country exports to these countries, they may introduce similar restrictions so exports will be reduced. The government's scope for action may also be restricted by membership of a trading bloc. If most of its imports come from within the trading bloc where free trade operates, it will not be able to do this.

The government should consider other measures. It should try to encourage an increase in exports which seem to be rather static at \$600 bn. It should offer assistance to exporters to look for other markets and to become more competitive. Then restrictions on imports may not be necessary.

Level 1 (1–3 marks)

Has commented on possible restrictions on foreign trade with / without reference to the country's figures and with / without an opinion.

The country had a surplus in 2011. In 2013 it had a deficit. It should introduce restrictions. It could increase import duties. It could introduce quotas. Then imports will be reduced. [6]

(c) (i) Any three services offered to exporters × 1 mark each –

- Secure storage
- Bonded warehouses
- Security
- Good road / rail links into the port / transport
- Wharves
- Office accommodation
- Container handling equipment / terminals
- Lifting gear
- Trolleys
- Customs inspection
- Car parking
- Cranes
- Outside storage areas.

Any other relevant service relating to exporters. [3]

(ii) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Containerisation of goods has enabled the goods to be packed at the factory and not unpacked until they reach their destination
- It has enabled the groupage of mixed cargo so small quantities of goods can still be sent using a container
- The container protects the goods against damage / weather / theft
- The container acts as a method of storage and can be left in the open air
- Mechanised handling of containers has speeded up the movement of goods
- Containers can be transhipped between different kinds of transport so speeding up the movement of goods.

Any other relevant point. [4]

Page 13	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

(iii) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Customs officers check goods being packed into containers at the factory and again at the destination
- Customs officers supervise bonded warehouses in which dutiable goods are stored
- Customs officers collect import duty on goods entering a country
- Customs officers collect statistics on international trade such as value and volume of goods and country of origin
- Customs officers supervise the movement of goods across borders to prevent smuggling
- Customs officers inspect the documents associated with international trade e.g. bill of lading, invoice, certificate of origin
- Customs officers enforce restrictions such as quotas
- Customs officers are found at country border crossings.

Any other relevant point. [4]

7 (a) (i) 1 mark for –

- Provides a specific range of products
- May cater for a particular market
- Offers expert product knowledge.

Any other relevant point. [1]

(ii) Any one difference with comment on both types of store × 2 marks –

- Speciality store may be a small unit, department store is a large shop
- Speciality store may be located in town, city centres or shopping centres, department Stores will be in city centres or shopping centres
- Speciality store may sell one range of goods; department store will offer a range of goods
- Speciality store may offer a few extra services, department store will offer a range of services
- Speciality store may do limited advertising, department store uses national advertising
- Speciality store may be part of a chain of shops, department store may be only one shop
- Speciality store has one manager; department store has several departmental managers.

Any other relevant difference. [2]

(b) Any two ways described × 2 marks –

- Internet website to advertise itself
- Email to contact customers / order goods
- Bar coding goods to assist stock control
- Computerised till to speed up transactions and record information
- Computerised security system to guard against shop lifting
- Printing of notices, forms used in the shop
- Computer software to assist accounting.

Any other relevant point. [4]

Page 14	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

(c) Any two circumstances × 1 mark each and two reasons × 1 mark each –

- To answer an enquiry because the shopkeeper can give specific details and answer any questions
- To deal with a complaint because it is a more personal approach and the shopkeeper can discuss any issues that arise
- To inform a customer that goods required have arrived because the shopkeeper will know that the customer has received the message and to find out when the customer is likely to collect them
- When the customer has no email address so that the customer does not feel ignored.

Any other relevant circumstance. [4]

(d) Any three points × 1 mark each and up to 3 marks for a well-developed point –

- Because the consumer may have a complaint about the shop or its products and may take the matter further if it is not dealt with
- Because the shopkeeper could be breaking the law e.g. if goods not fit for purpose are supplied, false descriptions are given, incorrect weights are given
- Otherwise the shop will have a poor reputation and so sales will suffer
- Because the shop may have to honour guarantees or warranties if goods break down
- Because the shopkeeper wants customers to return to the shop and recommend it to others.

Any other relevant reason. [3]

(e) Level 2 (4–6 marks)

**Has discussed the acceptance of credit cards as a means of payment in the shop and has given a reasoned opinion.
(One-sided argument = 4 marks max)**

Accepting credit cards means that the customer is able to buy and pay later. It should mean that the shop will achieve more sales as many customers wish to postpone payment until the following month. Whether or not it will give the shop a competitive edge is debatable as most shops now accept credit cards. If the shopkeeper decided not to accept credit cards, it would certainly give its competitors an advantage. Another advantage to the shopkeeper is that not too much cash is held on the premises so reducing the chance of theft.

Accepting credit cards can be costly to a business. Commission is charged on each credit card transaction. This may be passed on to customers in the form of higher prices or it may be absorbed by the business. There may be delays in payments by the credit card companies so affecting the cash flow of the business. Credit card fraud is an issue. Shopkeepers need to be watchful about stolen cards and credit limits and complete careful checks because of fraud.

If the speciality store sells goods that are quite expensive, it is important that it accepts credit cards as it is likely to benefit from sales due to impulse buying. If it sells low priced goods such as fruit and vegetables, credit cards would not be necessary.

Page 15	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

Level 1 (1–3 marks)

Has commented on the acceptance of credit cards as a means of payment with / without an opinion.

Customers who use credit cards buy now and pay later. This will increase sales at the speciality store. The shopkeeper will have to pay commission. The shopkeeper may have to wait for payment from the credit card company. The owner of the business should accept credit cards. Most shops accept them.

8 (a) Level 2 (4–6 marks)

Has shown with reasons which site Penny should choose and has shown why she should reject the other shop.

(If a reasoned response is given on one shop, award 4 marks max)

Penny should choose shop B. It is in a shopping centre where many people are likely to shop. The shopping centre has good access and good car parking. The shopping centre is close to the sports centre so people visiting the sports centre may come to the shop to buy what they need especially if Penny undertakes some advertising in the sports centre. Although there is competition from another sports shop in the shopping centre, this could be to Penny's advantage as people may want to compare what is offered and at what price in more than one shop before making a decision.

The conversion costs of the shop in shop B are cheaper than those of shop A. Penny will not be purchasing the shop but leasing it. As setting up a business is a risk, perhaps this is an advantage as Penny will not have to commit so much capital and could, if necessary, sell on the lease for another business.

Although there is no competition and plenty of potential customers at lunchtime, shop A is rejected because there is no guarantee that there will many customers at other times of the day, the conversion costs are greater and buying the site will prove very costly for Penny.

Level 1 (1–3 marks)

Has commented on which shop Penny should choose and may / may not have commented on the other shop.

Penny should choose shop A. She will own the site. She could sell it if necessary. It is in a busy town centre. It is close to a health club and gym. People visiting the health club may want sports equipment. There is no competition. Penny should do well. [6]

Page 16	Mark Scheme	System Paper
	Cambridge O Level – October/November 2014	710

(b) Any four points × 1 mark each and up to 2 marks for a well-developed point –

- Penny will have unlimited liability so she is liable for all the debts of the business and her personal assets may be at risk
- Penny will have to work long hours and it may be difficult to cover for illness
- Penny may suffer from lack of capital and difficulties with cash flow and the bank may regard her as a poor risk
- Penny will have no one with whom to discuss her business decisions and so may make the wrong decisions
- Penny may be unable to compete against chains of sports shops in terms of price and so customers may go elsewhere.

Any other relevant point.

[4]

(c) (i) Any two reasons × 2 marks each –

- To provide protection against financial loss;
- Because Penny and her business may be at risk e.g. risk of fire
- Because it is compulsory by law e.g. employer's liability, third party motor insurance
- To give Penny confidence to proceed with the business with the back-up of compensation if a loss occurs
- Because she is a sole trader with unlimited liability.

(2 marks max for list of insurance risks)

Any other relevant point.

[4]

(ii) One mark for proposal form / application form.

[1]

(iii) Any two reasons × 1 mark each or one well explained reason × 2 marks –

- May get a better deal on a specific type of insurance especially if it is straightforward
- May save time as can talk to someone from the insurance company direct
- Insurance broker may charge commission to the applicant as well as be paid commission by the insurance company
- Insurance broker may not give the impartial advice that is expected but recommend the insurance company that pays the highest commission.

Any other relevant point.

[2]

(d) Any one source of finance × 1 mark and one mark each for two reasons –

- Bank loan – fixed rate of interest, may be able to negotiate the repayment time
- Mortgage – long-term borrowing, linked to purchase of property e.g. Shop A
- Borrowing from friends and relatives – may have the funds necessary, may not charge interest or a very low rate of interest
- Own savings – interest, readily available
- Redundancy
- payments – no interest, readily available, no repayment
- Take a partner – may be sleeping partner who invests money for share in profits.

Any other suitable source of finance.

[3]