

MARK SCHEME for the June 2005 question paper

7100/02

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

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

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.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

• CIE will not enter into discussion or correspondence in connection with these mark schemes.

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June 2005



GCE O LEVEL

MARK SCHEME

MAXIMUM MARK: 80

SYLLABUS/COMPONENT: 7100/02

COMMERCE

Page 1	Mark Scheme	Syllabus	MAN D
	GCE O LEVEL – JUNE 2005	7100	100
., .	six points of explanation including development x	1 mark each e.g.	andridge
	needs are essential for human beings e.g. food, shelter		See.
	wants are non-essential requirements e.g. transport, entertainment		10
•	(these are provided for by home trade) - trade wit	hin a country or re	tail or wholesale

- 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 m development of video/teleconferencing need for information - us of Internet need to place orders need to follow through orders	
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

Page	e 2	Mark Scheme	Syllabus	
		GCE O LEVEL – JUNE 2005	7100	3
2 (a)	(i)	Any two points x 1 mark each e.g.	Syllabus 7100	Cannb
		electronic commerce		
		 buying and/or selling using a computer/through the 	e Internet	[2]
	(ii)	Any two reasons explained x 2 marks each e.g.		
		 many companies wish to expand their markets with additional shop space 		
		 their competitors are offering e-commerce, so they remain competitive 	must offer e-commerce	ce to
		• an increasing number of people have access to co	mputers and to the Int	ernet
		suitable for a large range of products/services		donaran
		 some of the difficulties of using Internet shopping h of credit card fraud 	lave been overcome -	danger
		 many people have little time to go shopping and pr 	refer to shop on-line	
		 saves time and money on other forms of advertisin 	ng	
		any other relevant point		[4]
(b)	(i)	(4 x \$50) + (2 x \$25) (1 mark) = \$250	OFI	R applies
. ,	.,	If the correct answer is given without working award ful		[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 mar	rks	
		• to make the chocolates more attractive than other	chocolates	
		chocolates are often given as presents so colour a		
		• the brand can be included on the packaging to attr		
		 so that the packaging attracts attention - may mea can be used as part of the advertising on the webs 		
		 can be used as part of the advertising on the webs to encourage impulse buying 	DIC	
	any	other relevant point		[4

			2
Page 3	Mark Scheme	Syllabus	<u>\$</u>
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(d) Level 3 (5 - 6 marks)

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

Cambridge.com 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.

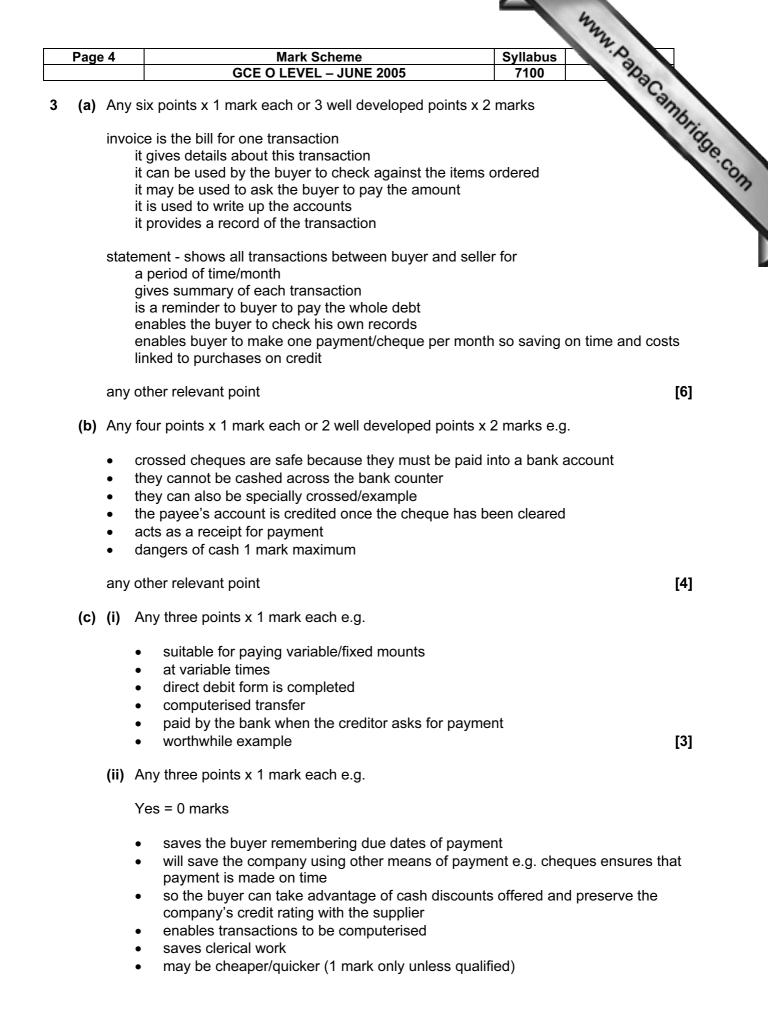
Level 1 (1 - 2 marks)

Has listed some ways in which computers might be used e.g. using e-mail, ordering goods, sending a fax

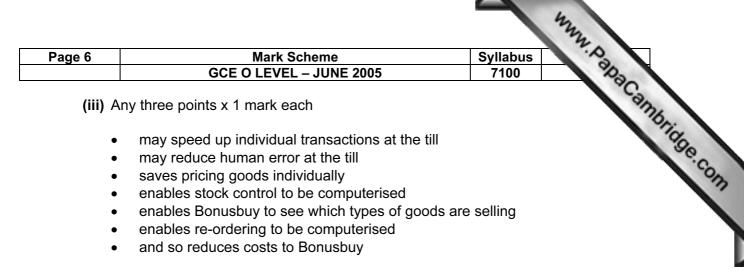
Points that might be included:

- 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



Page	e 5	Mark Scheme Syllal	bus 7.0
Ŭ		GCE O LEVEL – JUNE 2005 710	0 903
	1	No = 0 marks	Call
	•	 less control over when payment is made as the creditor as bank then pays 	sks for payment and
	•	may mean the company is overdrawn if too many other co direct debit is paid	bus 0 Rhacan sks for payment and ommitments when the
(d)	Any f	our points x 1 mark each or 2 well developed points x 2 marks	
		o find out what services are available from particular banks	
		o set up the accounts of the company o find out the status of the company's bank account at any on	o timo
		o make payments for supplies/to creditors	
	• t	o enable payments to be made into the accounts	
		o transfer funds between accounts	
		o call up a statement on any bank account o obtain information on any service offered by the company's	hank
		o review the company's borrowing commitment with the bank	
	any c	other relevant point	
(a)	Any s	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 can afford to use regional distribution centres and own transpo- can use self service - savings on sales staff should have quick turnover - beneficial when selling perishable economies of scale - administration/advertising use of technology - bar coding, epos offers wide range of goods attracts customers profit	ort
	any c	other relevant point	
(b)	(i) A	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 	ce
	(ii) <i>A</i>	Any three points x 1 mark each	
		 enables customers to recognise the products assists Bonusbuy to advertise may be able to offer these goods more cheaply than other 	r brands because has
	•	placed a bulk order with a particular producer encourages brand loyalty/goodwill	



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

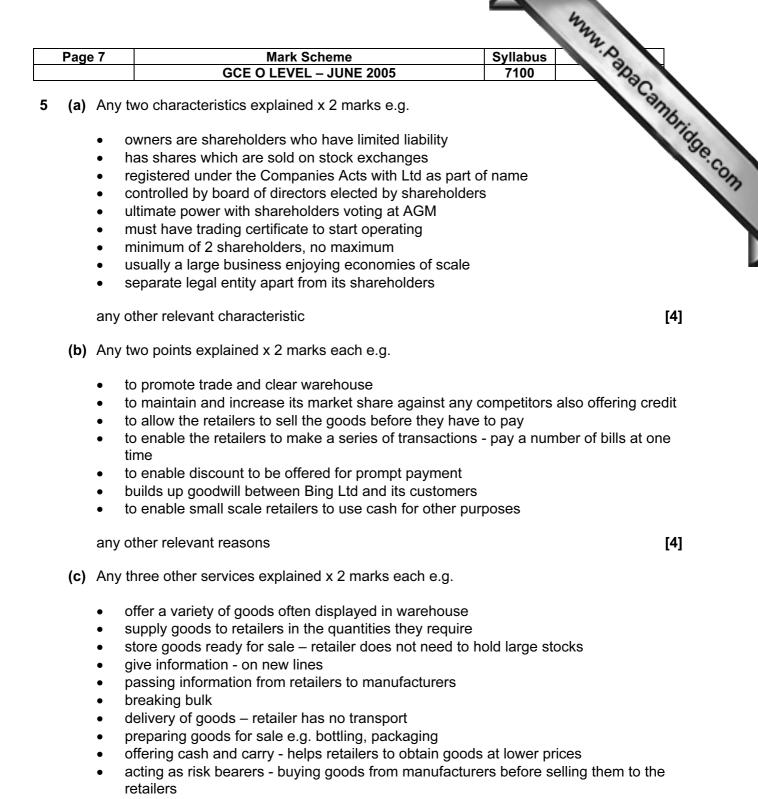
e.g. Supermarkets always try to offer low prices to attract customers. They may also give special offer to their customers.

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]



giving trade discount - enabling the retailer to make a profit

any other relevant service

[6]

			2
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(d) Level 3 (5 - 6 marks)

Cambridge.com Has analysed and justified the need for the three business risks specifically or has she clearly why Bing Ltd does not need cover for some of these business risks (possible 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.

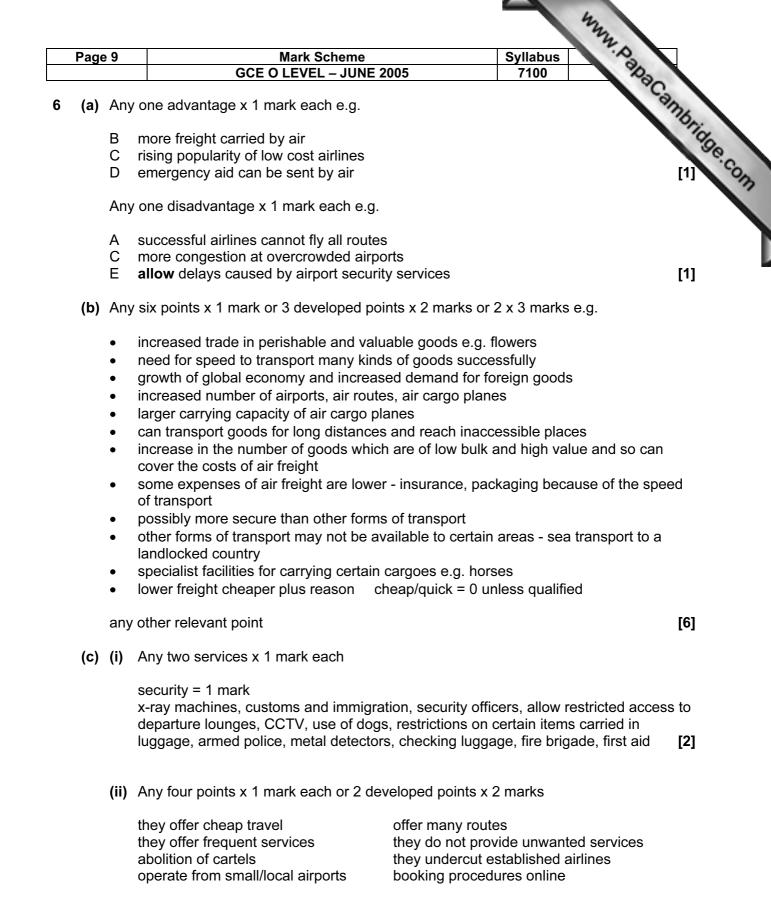
Level 1 (1 - 2 marks)

(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.

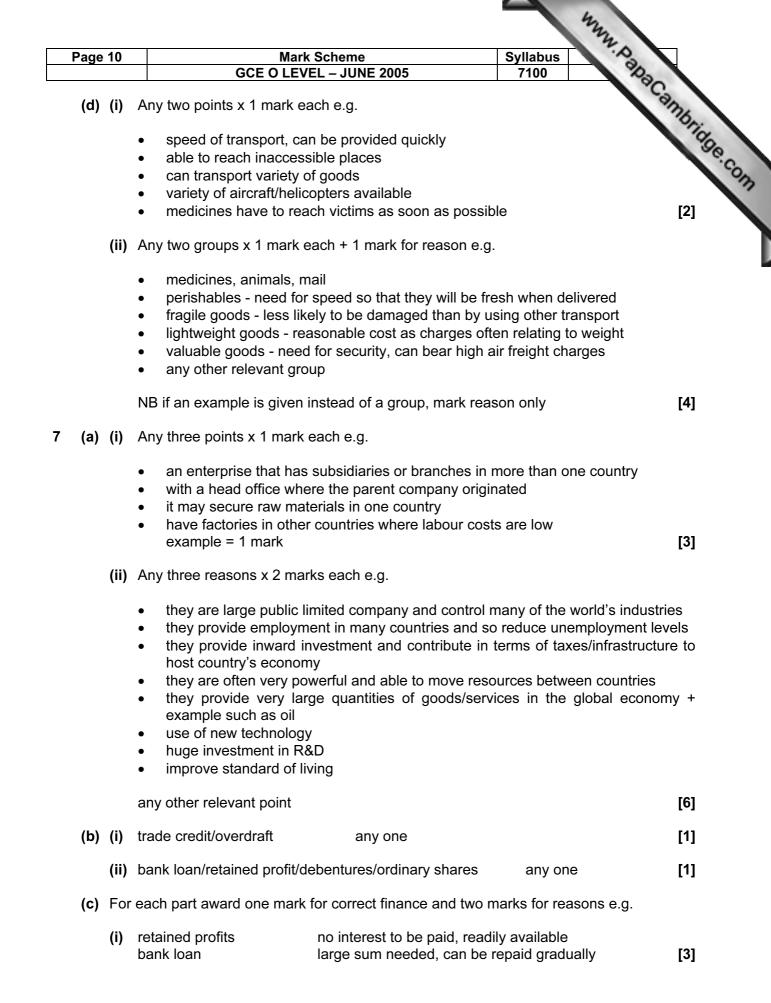
Points that might be included:

- 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]



any other relevant point

[4]



Page 11		Mark Scheme	Syllabus	ANN D
	GCE C	DLEVEL – JUNE 2005	7100	No.
(ii)	ordinary shares debentures bank loan	requires large sum, does large sum available, long large sum required, intere a long period, when facto help towards the repayr collateral	term repayme est payments ory comes into	ent, low interc can be made production it may can be used as
	retained profits			[3]
(iii)	overdraft	uses only what is required easily arranged, interest p		
	trade credit	can sell goods before hav the profit to pay for furthe	• • •	supplier and use

- (a) (i) Any three points x 1 mark each e.g. 8
 - to give details/information such as • kinds of services offered/prices charged/area covered/ target audience/how to make contact (any two) [3]
 - may also be recruiting staff •
 - (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

[3]

- to enable her to establish her business
- shows her services are better than competition

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 a 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.

			2.	
Page 12	Mark Scheme	Syllabus	Q.	
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Level 2 (3 - 4 marks)

aCambridge.com Has commented on one or more of these factors and has made a judgement based on 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

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