CAMBRIDGE INTERNATIONAL EXAMINATIONS GCE Ordinary Level

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7100 COMMERCE

7100/21

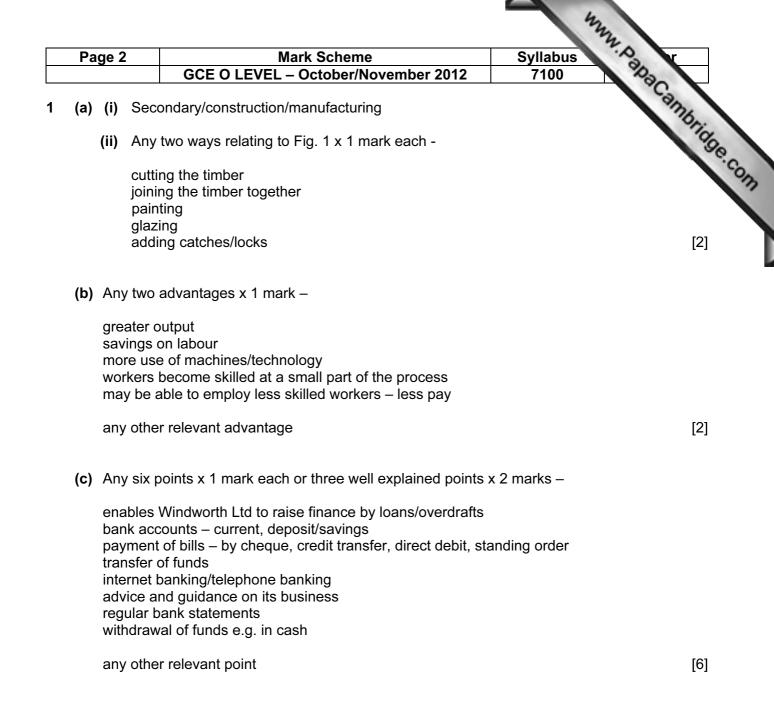
Paper 2 (Written), maximum raw mark 80

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 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.



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(d) Level 2	(4–6 marks)	Cannut.
that migh	ussed some selling techniques and has given a rent be used.	asoned recommendation on
(Conside	eration of advertising only = L2 4 marks maximum)	OT
Mindura	the litel would not use many of the colling techniqu	use used by retail shape such as

(d) Level 2 (4–6 marks)

Windworth Ltd would not use many of the selling techniques used by retail shops such as self service. In order to sell its windows it will have to use selling techniques that appeal to consumers who will be spending large sums of money. It may set up a display area where consumers can view what is on offer and see the windows set up in buildings. It may prepare detailed and coloured leaflets and pamphlets so that consumers can compare what is on offer. Windworth Ltd may brand its windows with its name to make them recognisable but branding the windows may not be particularly important. Windworth Ltd will need to offer credit terms to encourage consumers to buy from them. If consumers can spread their payments they may be more likely to place orders. Windworth Ltd will offer after sales service. The firm will need to fit the windows and deal with any problems that may arise after selling. Windworth will need to compete with many other window companies and so it will probably advertise on the Internet so that a wide range of customers can be attracted. It may also offer promotions from time to time e.g. discounted lines.

I would recommend that Windworth offers good credit terms so that consumers can place orders and spread the payments. It should offer after sales service so that it builds up a reputation for reliability and customer care. It should also give as much information as possible to potential customers.

Level 1 (1–3 marks)

Has commented on some selling techniques with/without a recommendation.

Windworth Ltd will need to use selling techniques if it is to sell the windows it makes. It could advertise in magazines. It should set up a website. It should try to make its windows as good as possible. It will then sell lots of windows. [6]

(e) Any three points x 1 mark each and up to 2 marks for any well explained point –

Windworth Ltd will use road transport to distribute its windows to local customers

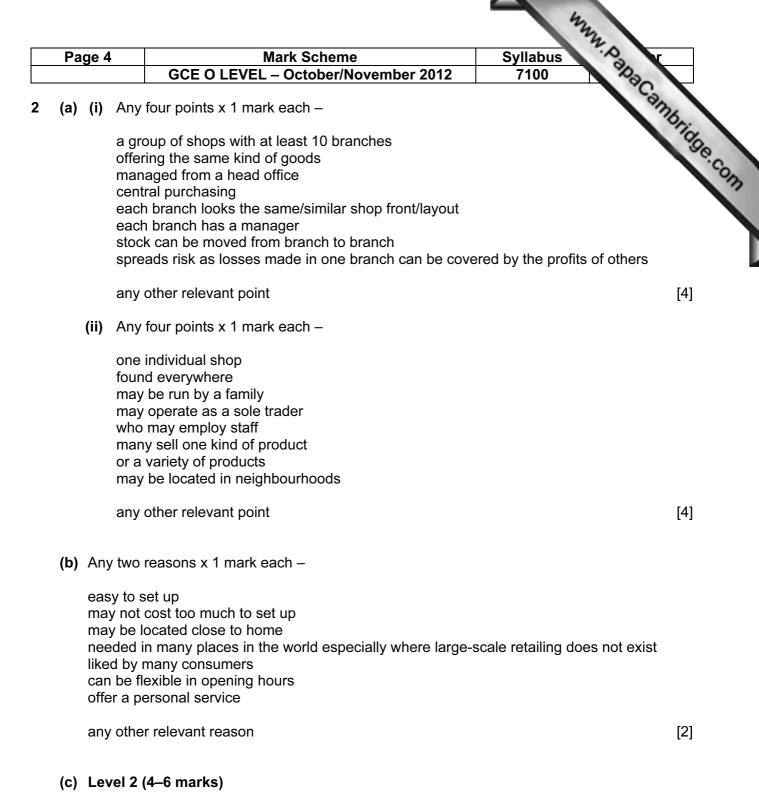
it is likely to have its own fleet of vehicles such as specially equipped vans

it will have to make many short journeys as its customers are likely to be spread over the local area

if it owns its own vehicles, it can be flexible in where it goes, when and can give the windows more careful handling

before distributing the windows, it will need to store them as several windows may be needed for one job

any other relevant point



Has discussed both multiple chain stores and unit retailers and has given a reasoned opinion.

(If a candidate has discussed only multiple chain stores or unit retailers award 4 marks max.)

Multiple chain stores consist of many branches so risk can be spread among the branches. Goods can be moved between branches if they do not sell. If one branch makes a loss, this loss may be covered by the profits made in other branches. The organisation of a multiple is centralised so economies of scale such as bulk buying can be achieved.

On the other hand unit retailers will have low overheads. They can be located anywhere whereas multiple chain stores are more likely to be sited where there are considerable numbers of consumers. Unit retailers can serve local areas and are convenient for everyday shopping and save consumers having to travel.

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Cambridge.com Both kinds of shops are successful. Multiple chain stores are more likely to be su developed town and city centres where consumers like to shop at stores with we brands. Unit retailers cater for all kinds of consumers. They may not make huge profit they fulfil consumer needs in many parts of the world.

Level 1 (1–3 marks)

Has commented on multiple chain stores and/or unit retailers with/without an opinion.

Unit retailers are found in all countries of the world. They are often successful. Multiple chain stores have many branches. They are often well known and very successful. They sometimes put the unit retailer out of business. [6]

(d) Any four points x 1 mark each or two well explained points x 2 marks -

lower their prices so that they are lower than Superfashion's prices hold promotions to sell slow moving lines stage special events e.g. fashion shows review their costs close any loss making branches advertise more to attract more customers review what they are selling and look for more attractive lines increase/develop their online selling open shops where there is no branch of Superfashion improve their service introduce loyalty scheme improve window displays to catch people's attention provide pleasant shopping atmosphere do nothing

any other relevant point

3 (a) (i) Any two points x 1 mark each –

> a large company with its head office in one country and factories/outlets/offices in many other countries

any other relevant fact

[2]

[4]

(ii) Any example x 1 mark – Ford, Honda, Toyota, Fiat, BMW, Mercedes, Nissan, General Motors, Saab, Peugeot, Hyundai, Volvo [1]

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(b) Any four points x 1 mark each or two well explained points x 2 marks –

need much investment in plant and machinery and only a very large company could rais finance needed

ambridge.com cars are needed all over the world and these companies fulfil that need they make parts of the cars in many different countries and are able to assemble them in other countries governments wish to have multinational car companies operating in their country for the benefit of the country's economy they provide employment for many people with engineering skills

developed as global businesses because everyone wants cars

any other relevant point

[4]

(c) Level 2 (4–6 marks)

Has discussed how commerce links the car industry to the consumer (with consideration of some of the six commercial services) and has given a reasoned opinion.

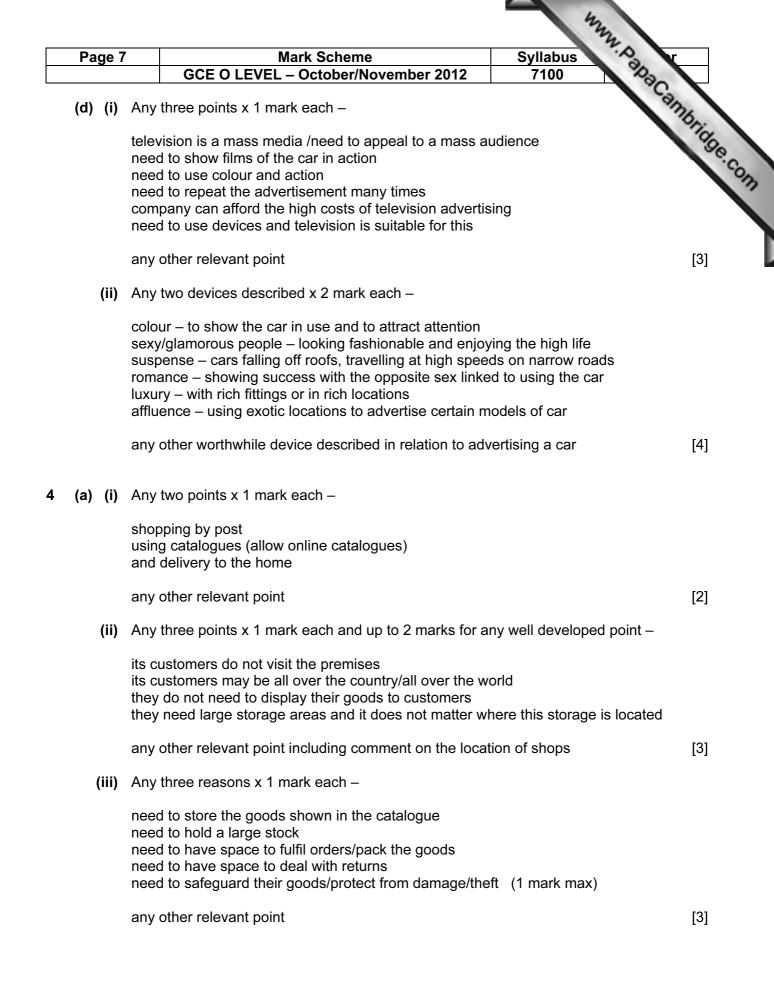
Cars are manufactured in order to be sold to consumers. If there were no commercial services, cars would not reach the consumer at the right time and at the right place. After cars have been manufactured they may need to be stored until they are sold. This may be in an open field or at a garage's showroom on display. Cars need to be exported to many countries and special ro-ro ships may be used for this purpose. They will also be transported from the docks or factories to the garages and car transporters are often used for this. Car manufacturers will need finance and banking in order to carry on their businesses. They will need loans to buy machinery and banking services to pay their creditors. Both the car manufacturer and the garages will need insurance in case risks such as fire or theft occurs. Advertising and promotion will be needed. Otherwise the consumer will not know the range of cars on offer and will not have any information about them. Communication is also important so that the manufacturer can keep in touch with importers and with customers such as the garages. It may use email, telephone or letter and will post large amounts of information on the Internet.

Without commerce, the car manufacturer would soon be unable to make cars. Commerce helps production to be ahead of demand and is very important to multinationals involved in car manufacture.

Level 1 (1–3 marks)

Has commented on commerce in relation to the car industry with/without an opinion.

Car manufacturers need commerce. They need banks and finance. They need advertising to inform and persuade consumers. They need to communicate with garages. Therefore they need commerce. [6]



			2.
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(b) Level 2 (4–6 marks)

Has discussed the statement and has given a reasoned opinion.

Cambridge.com Good communication is very important in business. It is very important when trying to sell as most markets are very competitive. In order to sell computer software, the company will need to communicate with prospective customers. It may do this by sending a printed catalogue or by using an Internet website where customers can view the products available and buy online. The catalogue and website must be up to date and attractive and also easy to use, otherwise customers will go elsewhere.

When a customer places an order, it is important to keep the customer informed of the progress of the order. This can be done by email. If there are problems the customer needs to know. Again this could be done by email or by telephone.

Although good communication is important for sales to increase, it is not the only factor. The product needs to be of high quality and at a reasonable price. Delivery needs to be prompt and there needs to be good customer service.

I agree that customer service is important but the company and the people it employs like Aziz, need to offer good service overall for sales to increase.

Level 1 (1-3 marks)

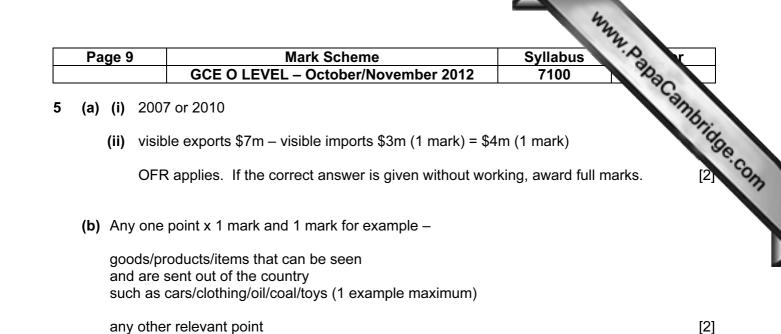
Has commented on the relationship between communication and sales with/without an opinion.

Communication is important when selling. People need to understand you. They may telephone you or email you. You need to know the products you are selling. The price needs to be reasonable. Then sales will increase. [6]

- (c) For each section award 1 mark for each correct method of credit and 1 mark for the reason
 - (i) credit card can postpone payment/pay at the end of the month to avoid interest extended credit – may be offered by the department store/if pays at the end of the month will avoid interest/owner as soon as the purchase is made
 - (ii) informal credit likely to be known to the shopkeeper/small amount of money involved/can pay when receives salary
 - (iii) hire purchase can pay in instalments over a period of time/formal agreement made/can return it if the car proves to be faulty allow credit card

NB if the choice is wrong award no marks for the section

[6]



(c) Level 2 (4–6 marks)

Has commented on the **changes** in the Balance of Trade figures and has given a reasoned answer as to whether or not the government should be concerned about the figures.

In the six years shown on the graph, the visible imports have declined by 50% between 2006 and 2009 and then have risen back sharply to their 2006 figure i.e. \$6m in 2011. At the same time visible exports which were low in 2006, reached their highest point in 2009, \$7m, but have declined in value in the last two years to \$4m. Consequently the balance of trade, the difference between visible imports and exports has changed considerably in these six years.

In 2006 imports exceeded exports, in 2007 there was equilibrium but in 2009 there was a substantial surplus of \$4m. Unfortunately this was not sustained and the Balance of Trade in 2011 showed a deficit of \$2m.

The government may well be concerned about these figures especially the most recent deficit.

However, the figures do seem to fluctuate from year to year and it is possible that exports may be increasing in 2012 – we do not know. If the Balance of Trade continues to get worse, then the government must be concerned and will need to take action.

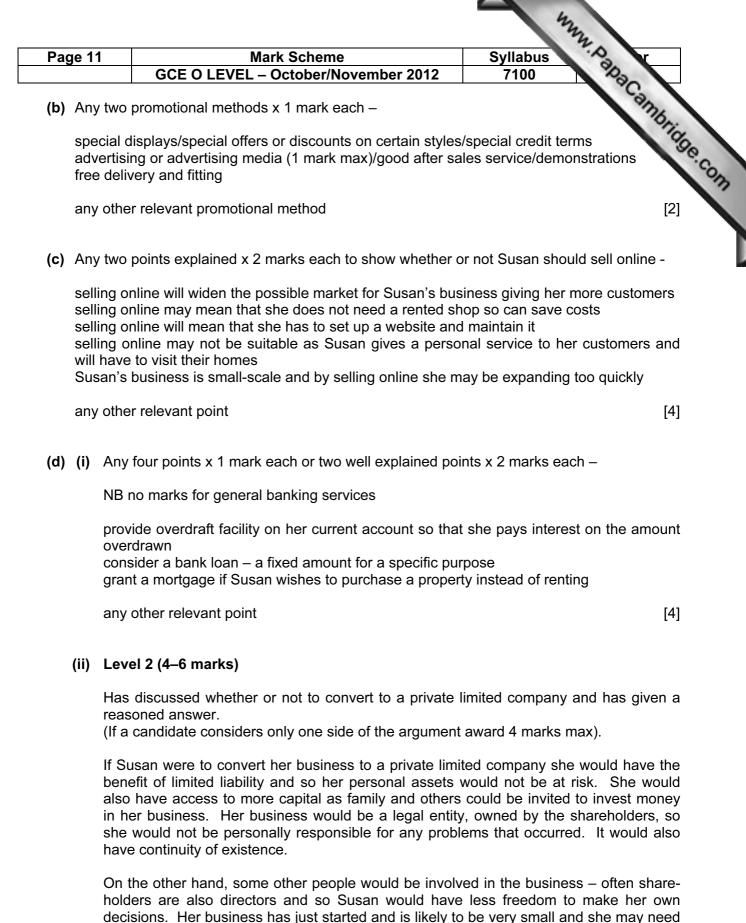
Level 1 (1–3 marks)

Has made some comment on the figures in Fig. 2 with/without any comment on the government and the figures.

The figures show many changes. The country imported goods to the value of \$3m in 2009 exported \$7m worth of goods. This was good. In 2011 exports have gone down and imports have increased. The government should be concerned. [6]

Dac	ge 10	0 Mark Scheme Syllabus	M.D.
гац	Je n	GCE O LEVEL – October/November 2012 7100	8
(d)	Δn	y two ways explained x 2 marks -	aCan
(u)	-		"bri
	gov fror cou enc gov mul gov for new	vernment gives encouragement to companies to export more – export vernment encourages a stable economy so that importers feel that it is m a particular country untry joins a trading bloc – making it easier to trade within a group of of couragement of companies that develop new products that have work vernment encouragement of companies that expand to explo litinationals vernments offering inward investment to companies locating in the co export w sources of raw materials are found that are in demand from other co y other relevant way Beware of comment on companies increasing their exports.	is less risky to impo countries dwide appeal re new markets - ountry and producing
	ΠĽ		
(e)	(i)	Any two points x 1 mark each –	
		balance of payments relates to services as well as goods balance of payments also includes interest/profit/dividends/borrowin balance of payments consists of a current account and a capital acc	
		any other relevant difference	[2]
	(ii)	Any 3 ways x 1 mark and up to 3 marks for any well explained point	-
		collect statistics of imports and exports – enabling government to as assessing and collecting import duties	sess trends
		imposing the measures taken by government to reduce a Balance e.g. operating quotas, embargoes, licences supervising the operation of the re-export trade	e of Payments defici
		any other relevant point	[3]
(a)	Any	y one advantage and any one disadvantage x 2 marks each –	
	kee eas fam	n business so she can make decisions as she wishes eps all the profits as she is the sole owner sy to set up with no legal formalities to complete nily members may be able to help so saving costs y a small amount of capital needed to set up – may use own savings	
	ma ma sma	imited liability so she is liable for any losses and her personal assets a y have no one to share the work with and so may be overworked y find it difficult to borrow and so may find it difficult to expand all turnover and low profit margins may make it difficult to compete ag y be shortage of certain skills – so inefficient management	

any other relevant point



the time to prove that it is worthwhile. Setting up a private limited company may be expensive, and, unless she has family members keen to invest for little or no dividends, perhaps this is something that should be considered later on. The shares are not freely transferable and any share transfer would have to be approved by existing shareholders.

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Cambridge.com On balance, it is likely that setting up a private limited company would be be Susan's business when it is a little more established. Susan may find out very that the business is not going to be successful or she may wish to change to some else. I would recommend that she operates as a sole trader for the short term.

Level 1 (1–3 marks)

Has commented on the advantages/disadvantages of forming a private limited company with/without an opinion.

Susan should stay as a sole trader. She is her own boss. If she converts to a private limited company, other people will be involved. They may put in capital. They may want to have a say in how the business is run. She will have to give them dividends. [6]

7 (a) (i) Any two risks x 1 mark each that apply to international traders –

> aviation - or losses when carrying goods by air marine – losses when carrying goods by ship non-payment for goods or services - export credit insurance travel loss or theft of credit cards fire/theft in warehouse

any other relevant risk relating to international traders

[2]

(ii) Level 2 (4–6 marks)

Has shown the extent to which insurance is necessary to businesses with reasoning. (If a candidate has given a reasoned answer without showing the extent to which insurance is necessary – award 4 marks max.)

Insurance is **very important** for most businesses. Many businesses want to reduce risk. If a business is not insured and a risk occurs such as a fire, the business will suffer financial losses and may have to close. Having insurance gives the business person the confidence to conduct the business. The insurance company may advise the business on ways to reduce risk e.g. fire precautions such as sprinklers. Cover for some risks is also compulsory by law in some countries e.g. employers' liability for employees and third party motor insurance.

Level 1 (1–3 marks)

Has mentioned some reasons for having insurance cover.

Many businesses have insurance. They want to obtain compensation if a risk occurs. They want cover in case of fire or theft. [6]

Page 13	Mark Scheme Syllabus GCE O LEVEL – October/November 2012 7100	and the second
	GCE O LEVEL - OCIODEI/MOVEIIIDEI 2012 / 100	Sec.
(b) Any f	three points x 1 mark each for each of the following sections –	MMM, Papacannunida ed by fire [3]
• • •	the person has overinsured the factory	193
	he would not be indemnified	
	as he is not able to make a profit from a loss he would receive only (up to) \$1.5m if the factory was totally destroye	d by fire [3]
	the person has not given all relevant facts (when completing the prop	osal form)
	and so has not complied with the principle of utmost good faith	
	if she makes a claim it may be refused as she has not told the truth	
	the risk may have been greater because of the extra rooms	
ć	and so the premium would have been greater	[3]
(iii) t	this person would not be able to insure against business failure	
	because it is a non-insurable risk	
	as there are no past records/statistical records	
	with which to assess risk	
	and set a premium the person may cause the business failure in order to claim compens	ation [3]
	this person should have cancelled the insurance policy on the busine	SS
	as he no longer owns the business and so has no insurable interest in the business	
	as he will not suffer any financial loss if anything happens to it	
t	the new owner should insure the business	[3]
	any other relevant point	
(a) Any t	two services x 1 mark each –	
	iding seads in the supertities they require	
	iding goods in the quantities they require king bulk	
	and carry	
deliv		

delivery storage display of goods providing a variety of goods saving time travelling to different suppliers

any other relevant service

[2]

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	ree points x 1 mark each to show the difference ist have commented on both trade credit and trade dis	count	Ibrid
enablin and to	credit is credit given to customers by a trader ng them to buy now and pay later sell the goods before they have to pay for them ssist the buyer's cash flow/working capital	Syllabus 7100 Recount	30
to enco and rep	liscount is a reduction given between traders ourage bulk buying peat orders		
	is the retailers to make a profit e variable according to the amount bought/individual tr	ader	
any oth	ner relevant point		[3]
c) One m	ark for each of the following –		
(i) ord	der form		[1]
(ii) cre	edit note		[1]
(iii) sta	atement of account		[1]
\$4 bu	titled to trade discount of 20% of \$4000 = \$800 000 – \$800 = \$3200 It not entitled to cash discount of 5% (\$160) as she dic no cash discount is allowed as paid after the 30 days		[3]
(ii) An	ny three actions x 1 mark each –		[0]
sh as or	ntact the wholesaler owing any documents involved e.g. invoice k for a credit note replacement biscuits k for better quality products in future		
an	y other relevant action		[3]

(e) Level 2 (4–6 marks)

Has discussed the issue of selling both to retailers and to consumers and has given a reasoned answer. If a candidate has discussed selling to consumers without mentioning also selling to retailers, award 4 marks max.

Wholesalers are facing competition from large-scale retailers. They have always sold to retailers especially small-scale retailers. In order to widen their customer base they need to sell as widely as possible. One way of doing this is to sell directly to consumers who gain the benefit of bulk buying and lower prices. This may mean more sales and so greater profits for the wholesaler. The wholesaler may be offering cash and carry services and these services would also appeal to consumers.

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GCE O LEVEL – Octobernie end of the same services may not like cat consumers buying directly and obtaining the same services. They may regar consumers as their customers and so the wholesaler becomes a threat to their busine. They may find the wholesaler's warehouse crowded when they visit so it is difficult for the to obtain their goods. They may find the warehouse geared to the needs of consumers e.g. selling in small quantities, rather than to their needs.

By limiting the number of consumers allowed to use the wholesaler's facilities to card holders, the wholesaler is controlling the amount of business done directly with consumes. The bulk of the business is likely to be with retailers and these must be more important customers for the wholesaler than the direct sales to consumers.

Level 1 (1–3 marks)

Has commented on the issue with/without an opinion.

Wholesalers usually sell to retailers. They have a cash and carry warehouse. They could also sell to consumers who like cheap prices. They will earn more profits if they sell to both retailers and to consumers. [6]