

# Cambridge O Level

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**COMMERCE**

**7100/21**

Paper 2 Written

**October/November 2024**

**MARK SCHEME**

Maximum Mark: 80

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**Published**

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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This document consists of **26** printed pages.

**PUBLISHED****Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

**PUBLISHED****Social Science-Specific Marking Principles  
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Question	Answer	Marks	Guidance
1(a)(i)	<p><b>State what is meant by a flash sale.</b></p> <ul style="list-style-type: none"> <li>Discount/promotion/special deal/low price/quick sale/short period of time/time-limited</li> </ul>	1	
1(a)(ii)	<p><b>State <u>one</u> reason why 0% interest is offered.</b></p> <ul style="list-style-type: none"> <li>To attract customers/increase sales/impulse buying</li> </ul>	1	
1(a)(iii)	<p><b>Calculate the monthly payment if a customer pays by direct debit. Show your working.</b></p> <ul style="list-style-type: none"> <li>Answer = \$32 (4)</li> <li>Method = 20% of \$960 = \$192 (1) \$960 – \$192 (1) = \$768 (1) divided by 24</li> </ul> <p>OR = 20% of \$960 = \$192 (1) \$960 + \$192 (0) = 1152 divided by 24 (1) = 48 (1) 3 marks for OFR</p>	4	<p>4 marks for correct answer with up to 3 marks for correct method but calculation error</p> <p>Allow OFR</p>

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Question	Answer	Marks	Guidance
1(b)	<p><b>Explain <u>one</u> advantage to a retailer of advertising smartphones on their website.</b></p> <ul style="list-style-type: none"> <li>• Lower costs/cheap (1) no need to have expensive retail premises/customer facing staff/staff wages/can insert advert on website themselves/cheaper than television/newspapers (1)</li> <li>• Can operate from anywhere (1) as emails/orders can be received worldwide (1)</li> <li>• Operates 24/7 (1) potential customers can visit website at any time (1)</li> <li>• Widens market / global reach (1) to reach a wide range of potential customers / many people have access to the internet / can sell smartphones worldwide / attracts more customers (1)</li> <li>• Can provide good customer service (1) include information/details / answer customer queries (1)</li> <li>• Increased customer intelligence (1) able to use digital tools to target customers/track customers/find out customer needs (1)</li> <li>• Can target customers (1) many people will visit a website / meet their wants / can customise content (1)</li> <li>• Increase in customers buying online (1) potential for more sales/increases sales / persuades more people to buy (1)</li> <li>• Less time intensive (1) as ordering / payments automatically activated online (1)</li> <li>• Better cash flow (1) if customers pay by credit/debit card (1)</li> <li>• Ecommerce website enables higher profit margins (1) making more profit on each product advertised/sold (1)</li> <li>• Having a website increases retailer's search engine optimization (SEO) (1) which can help drive more traffic to their website (1)</li> </ul>	2	

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Question	Answer	Marks	Guidance
1(c)	<p><b>This online retailer offers delivery by drone.</b></p> <p><b>Do you think delivering goods by drone is a good idea? Give reasons for your answer.</b></p> <p>Yes – Deliver products quickly/efficiently/fast (1) to any location (1) can have same day delivery / door-to-door (1) saves costs of delivery/transport costs (1) no fuel used (1) by car/van (1) eliminates human errors (1) such as negligence/wrong recipients (1) deliver goods to inaccessible/remote places (1) that have poor communications / transportation networks (1) operates 24/7 (1) environmentally friendly (1) reduces carbon dioxide emissions (1) compared to road transport (1) reduces road congestion (1) as fewer delivery vans on the road (1)</p> <p>No – Expensive/costly (1) requires a significant investment to create a network of drones (1) affected by weather (1) e.g. storms/wind (1) can easily fall from the sky (1) safety concerns due to possible drone crash near crowded areas (1) privacy threat in urban areas (1) can affect/injure wildlife (1) high risk of malfunction during delivery (1) e.g. battery defects (1) needs monitoring (1) drones easily lost/stolen (1) end up in wrong address/wrong location (1) goods can be easily lost/stolen (1) leading to losing customers (1) not suitable for heavy goods (1)</p>	3	
1(d)	<p><b>An important factor affecting the location of an online retailer is</b> availability of power.</p> <p><b>A smartphone insurance policy is likely to cover</b> cracked screens.</p>	2	



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Question	Answer	Marks	Guidance
1(e)	<p><b>Discuss the importance of warehousing to an online retailer. Give reasons for your answer.</b></p> <p>Warehousing is the process of storing goods before they are sold.</p> <p>Online retailers sell goods using the internet.</p> <ul style="list-style-type: none"> <li>• Goods are stored – to meet demand / waiting for delivery</li> <li>• Increased online returns – greater warehouse space required</li> <li>• Picking orders – selecting items until order is complete</li> <li>• Protection / safety – from damage / theft / weather</li> <li>• To help in stockpiling – act as a reservoir ahead of demand</li> <li>• Enables goods to be bought in bulk – at lower prices / needs large space</li> <li>• Place for processing to be carried out – e.g. packaging / branding / labelling – will help with transporting / advertising</li> <li>• To even out supply – so prices are kept stable</li> <li>• To meet unexpected demand – so consumers are not disappointed</li> </ul> <p><b>Evaluation:</b></p> <p>As an online retailer, warehousing is a very important element of the supply chain. Online shopping continues to grow and many businesses are exclusively operating online. With the need to fulfil as many customer orders as quickly as possible, warehouses become necessary. Proper warehouse storage ensures that companies are able to safekeep their large supply of goods and execute order management efficiently. A good online retailer’s warehouse will keep their customers happy. This can increase their customer loyalty, and make the ecommerce retailer more attractive to potential buyers</p>	6	<p>Up to 2 marks for <b>describing</b> warehouses/online retailers</p> <p>Up to a further 2 marks for <b>analysing</b> the importance of warehouses to online retailers</p> <p>Up to a final 2 marks for <b>evaluating</b> the importance of warehouses to online retailers</p>

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Question	Answer	Marks	Guidance
2(a)(i)	<p><b>Identify which stage is a primary industry activity.</b></p> <p>Tea grower / first stage / first box</p>	1	
2(a)(ii)	<p><b>Identify stage <u>X</u>.</b></p> <p>Customer / consumer / buyer</p>	1	
2(b)	<p><b>Explain <u>one</u> difference between a broker and a factor.</b></p> <ul style="list-style-type: none"> <li>• Brokers bring/interacts buyers and sellers together / helps to find customers (1) factors sell goods (1) on behalf of owners/principals / do not buy goods for their principals (1)</li> <li>• Brokers are not responsible for delivery of goods (1) factors do carry out delivery (1)</li> <li>• Brokers do not have possession of goods (1) factors have possession of goods / deliver sold goods directly to buyers (1)</li> <li>• Brokers cannot arrange sign contracts in their own names / must give the names of the people that they are working for/principals (1) factors only deal with goods as if they were owners / can sign/sell in their own name / may provide credit (1)</li> <li>• Brokers gain commission for their services (1) factor earns profit / extra commission as a del credere agent (1)</li> <li>• Brokers do not deal with payments (1) factor guarantees/ensures payment (1)</li> </ul>	2	

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Question	Answer	Marks	Guidance
2(c)	<p><b>State <u>two</u> features of a bonded warehouse.</b></p> <ul style="list-style-type: none"> <li>• Stores dutiable goods</li> <li>• Goods are kept/stored until duty is paid</li> <li>• Goods cannot be removed until duties are paid</li> <li>• When duty is paid, a customs warrant is completed</li> <li>• Controlled/supervised by Customs and Excise / maintained by customs office</li> <li>• May be owned by the state/government/privately owned</li> <li>• Located near ports of entry/borders</li> <li>• Goods can be processed/bottled/blended/packed/repackaged/branded /graded</li> <li>• Goods can be withdrawn in separate groups /small quantities</li> <li>• Goods can be sold in bond</li> <li>• Goods for re-export/entrepot trade can be kept</li> <li>• Can store illegal goods</li> </ul>	<b>2</b>	

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Question	Answer	Marks	Guidance
2(d)	<p><b>Evaluate the importance of transportation in a chain of distribution.</b></p> <p>A distribution channel is the chain of businesses or intermediaries through which goods or services pass until they reach the consumer. It can include wholesalers, retailers, distributors, importers, exporters and the internet. Transport can be by road, rail, air or sea.</p> <p>Transport enables raw materials to be moved from extraction to where they can be processed. Manufactured (finished) goods are moved from factories to wholesalers/retailers/consumers preventing shortage/surplus of goods and higher/lower prices by using transport to supply markets on time. Goods can be delivered to the door allowing businesses to have personal contact to increase sales. Transport enables customers to have goods when they demand them. Transport also enables goods to be imported/exported so allowing markets to expand and global markets/customers to be satisfied. Retailers can advertise on side of vans so increasing demand for their goods.</p> <p><b>Evaluation:</b> Transportation is very important in the chain of distribution because it provides the essential service of linking suppliers and customers wherever they are in the world. Transport supports the interdependence of countries in the move towards globalisation, which can help a country's economy to grow which might also be considered very important.</p>	6	<p>Up to 2 marks for <b>describing</b> chain of distribution/transport</p> <p>Up to a further 2 marks for <b>analysing</b> the importance of transport in the chain of distribution</p> <p>Up to a final 2 marks for <b>evaluating</b> whether transport is important in the chain of distribution</p>

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Question	Answer	Marks	Guidance
3(a)(i)	<p><b>Which country has the most income from selling goods abroad?</b></p> <ul style="list-style-type: none"> <li>Country A</li> </ul>	1	
3(a)(ii)	<p><b>Which country has a visible trade deficit?</b></p> <ul style="list-style-type: none"> <li>Country C</li> </ul>	1	
3(a)(iii)	<p><b>Define <i>invisible trade</i>.</b></p> <ul style="list-style-type: none"> <li>International trade in services/intangibles or buying/selling in services/intangibles/intangible goods or importing/exporting in services/intangible goods</li> </ul>	1	
3(b)(i)	<p><b>Explain the effect on imported goods if country C introduces tariffs.</b></p> <ul style="list-style-type: none"> <li>The imported goods will become more expensive (1) reduces imported goods (1) as tariffs are taxes on imported goods (1)</li> </ul>	2	
3(b)(ii)	<p><b>Explain the effect on imported goods if country C places embargoes on certain goods.</b></p> <ul style="list-style-type: none"> <li>The imported goods will not be allowed into the country (1) reduces imported goods (1) as an embargo is a ban on trade (1)</li> </ul>	2	

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Question	Answer	Marks	Guidance
3(c)	<p><b>Do you think having a stall at a trade fair is useful for exporters? Give reasons for your answer.</b></p> <p>Yes – raise awareness /recognition (1) a form of advertisement/promotion of products (1) attracts customers / increases sales (1) increases revenue /income (1) attract investors (1) some products are difficult to sell without displaying them (1) e.g. industrial machinery (1) launch/showcase products/introduce goods/display goods (1) helps brand image (1) meeting face-to-face with potential customers is a great way to start building relationships / improves networking (1) build marketing database of potential customers (1) to reach wider/larger market (1) exporter able to explain their products in person / answer questions (1) gain feedback (1) on what customers want (1) check on what competition is doing (1) gives exporter ideas (1)</p> <p>No – increases costs (1) e.g. travel/accommodation/stands (1) it will need to make the stand better than competitors (1) to get potential customers attention (1) not guaranteed to get sales (1) potential low turnouts (1) not enough delegates to make presence worthwhile / can be a waste of resources (1)</p>	3	

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Question	Answer	Marks	Guidance																	
3(d)	<p><b>Many exporters are concerned with the risk of non-payment in international trade.</b></p> <p><b>Discuss <u>two</u> methods of payment that exporters can use to make sure that they do receive payment. Which method of payment do you recommend? Give reasons for your answer.</b></p> <p>Methods of payment include letters of credit/documentary credit, bank draft, bill of exchange, electronic transfer, cash in advance/credit/debit cards.</p> <p><b>Letter of credit/documentary credit</b> – is a promise by a bank to pay an exporter if all terms of the contract are executed properly. It guarantees payment/eliminates the risk of non-payment as the payment is made before shipment The process involves several stages:</p> <ul style="list-style-type: none"> <li>- The contract is negotiated and confirmed</li> <li>- The importer applies for the documentary credit with their bank</li> <li>- The documentary credit is set up by the issuing bank and the exporter and the exporter’s bank are notified by the importer’s bank</li> <li>- The goods are shipped</li> <li>- Documents verifying the shipment and all terms of the sale are provided by the exporter to the exporter’s bank and the exporter’s bank sends the documents to the importer’s issuing bank</li> <li>- The issuing bank verifies the documents and issues payment to the exporter’s bank</li> <li>- The importer collects the goods</li> <li>- It is used if the importer has not established credit with the exporter, but the exporter is comfortable with the importer’s bank.</li> </ul>	<b>8</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="1274 217 1391 282">Level</th> <th data-bbox="1391 217 1503 282">Mark</th> <th data-bbox="1503 217 2049 282">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="1274 282 1391 485" style="text-align: center;">3</td> <td data-bbox="1391 282 1503 485" style="text-align: center;">7–8</td> <td data-bbox="1503 282 2049 485">The candidate is able to offer a thorough evaluation, with a recommendation, of two international methods of payment that exporters can use to receive payment.</td> </tr> <tr> <td data-bbox="1274 485 1391 719" style="text-align: center;">2</td> <td data-bbox="1391 485 1503 719" style="text-align: center;">5–6</td> <td data-bbox="1503 485 2049 719">Candidate offers a satisfactory analysis of two international methods of payment that exporters can use to receive payment, with or without a recommendation.</td> </tr> <tr> <td data-bbox="1274 719 1391 887" style="text-align: center;">1</td> <td data-bbox="1391 719 1503 887" style="text-align: center;">1–4</td> <td data-bbox="1503 719 2049 887">Candidate demonstrates some knowledge and understanding, with application to exporting, of international methods of payment.</td> </tr> <tr> <td data-bbox="1274 887 1391 952" style="text-align: center;">0</td> <td data-bbox="1391 887 1503 952" style="text-align: center;">0</td> <td data-bbox="1503 887 2049 952">No creditable response.</td> </tr> </tbody> </table> <p>Note: Maximum of 5 marks for only discussing one option.</p>			Level	Mark	Description	3	7–8	The candidate is able to offer a thorough evaluation, with a recommendation, of two international methods of payment that exporters can use to receive payment.	2	5–6	Candidate offers a satisfactory analysis of two international methods of payment that exporters can use to receive payment, with or without a recommendation.	1	1–4	Candidate demonstrates some knowledge and understanding, with application to exporting, of international methods of payment.	0	0	No creditable response.
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Question	Answer	Marks	Guidance
3(d)	<ul style="list-style-type: none"> <li>• <b>Bank draft</b> – is a cheque from a financial institution. This means the funds for the transaction are withdrawn from the institution, rather than from the individual's account. When an exporter requests an international banker's draft, the importer must immediately transfer the funds from their account to cover the amount of the cheque, which adds an extra level of security. Drafts can be drawn in the foreign currency.</li> <li>• <b>Bill of exchange</b> – is a binding agreement by an importer to pay a fixed amount of cash to the exporter as of a predetermined date or on demand. If an exporter accepts a bill of exchange, its risk is that the importer may not pay. No matter who the importer is, the exporter should investigate the creditworthiness of the importer before accepting the bill. If the importer refuses to pay on the due date of the bill, then the bill becomes dishonoured.</li> <li>• <b>Electronic/bank transfers/EFT/international money transfer (can allow</b> – are payments completed over a computer network. These payments move between people and banks to pay exporters quickly on the same day. No paperwork is involved. There is less need for currency exchange. These payments reduce the risk of theft as the transaction takes place within the bank.</li> <li>• <b>Cash in advance – credit card/debit card/e-wallets</b> is where the importer pays for the goods upfront and before shipment. The payment may be completed by any means agreed between the exporter and the importer, e.g. payment by credit card and debit card. This payment term clearly favours the exporter because it means they receive payment while still in possession of the goods. The advantage for the exporter is no risk of non-payment and more cash up-front. For the importer, this payment method means negative cash flow and a risk of not receiving the goods or receiving defective goods.</li> </ul>		



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Question	Answer	Marks	Guidance
3(d)	<p>It can also be an option for exporters who are not convinced of the importer's creditworthiness, or where the importer completely trusts the exporter. There are likely to be limits on the size of payments you can receive via each service, and fees are charged</p> <ul style="list-style-type: none"> <li>• <b>Cash on delivery</b> is a method of collecting payment that requires customers to pay for goods at the time of delivery. Despite its name, cash on delivery can refer to check or electronic payments too. For instance, sales reps can collect card payments in the field through a mobile card machine. Whereas most ecommerce sales require that customers pay upfront before receiving a product, Cash on Delivery allows customers to manage cash flow by paying at the time of delivery. Cash on delivery also allows customers with minimal or less favourable credit histories to do business with vendors they would otherwise not be able to.</li> </ul>		

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Question	Answer	Marks	Guidance
3(d)	<ul style="list-style-type: none"> <li>• <b>Cash with Order (CWO)</b> is also known as Cash in Advance (CIA), is a payment term used in shipping and commerce that requires the buyer to pay for the goods in full before the seller ships the products. Under a CWO payment arrangement, the seller requests payment from the buyer upfront, and the buyer makes the payment before the seller ships the goods. The payment can be made through a variety of methods, such as wire transfer, credit card, or other agreed-upon payment methods. Once the payment is received and verified by the seller, they will ship the goods to the buyer.</li> </ul> <p><b>Evaluation:</b> The cash in advance method is the most secure for exporters because they are securely paid before goods are shipped and ownership is transferred, with letters of credit the next most secure of method of payment. However, deciding on which payment method to use is not always easy as much will depend on what the importer prefers and what sort of bargaining position the exporter is in to demand a particular method of payment, but minimising the risk of non-payment in international trade is always a good thing.</p>		

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Question	Answer	Marks	Guidance
4(a)	<p><b>State <u>two</u> features of a multinational bank.</b></p> <ul style="list-style-type: none"> <li>• Operates in more than one country</li> <li>• Has head office in one/mother country/in more than one country</li> <li>• Usually public limited companies</li> <li>• Has many employees internationally</li> </ul>	<b>2</b>	
4(b)	<p><b>Identity <u>two</u> types of bank account that MM Bank might provide for its customers.</b></p> <ul style="list-style-type: none"> <li>• Savings/deposit</li> <li>• Current/cheque/checking</li> <li>• Basic bank account</li> <li>• Fixed deposit</li> <li>• Digital account</li> </ul>	<b>2</b>	

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Question	Answer	Marks	Guidance
4(c)	<p><b>MM Bank wants to introduce a mobile banking app.</b></p> <p><b>Should MM Bank send letters to inform its customers about this new banking service? Give reasons for your answer.</b></p> <p><b>Yes</b> – provides a permanent record/proof (1) for future reference/can refer to (1) enables detailed information to be sent (1) e.g. how the app works (1) can be supplemented by visual/numerical information (1) less chance of misunderstanding between bank and customer / better explanation of the change (1) be prepared to use it (1) can send the same letter to all customers (1) over long distances / international customers (1) lacks personal approach (1) enables customers without mobile devices to receive the information (1)</p> <p><b>No</b> – slow to receive/to distribute (1) can take 3-4 days (1) risk of letter not being received/lost/damaged (1) some customers do not have postal addresses (1) expensive/costly (1) paper/printing/transport costs (1) to post to all customers (1) response not usually possible (1) it may not be read in full by the customer / some customers would not be interested / ignore letter (1) illiterate customers (1) or understood by the reader / on complex points in letter (1) may be seen as junk mail (1) quicker/cheaper/easier to use email (1) as it provides internet banking service (1) could forward one email to all customers/sent in one send (1)</p>	3	Up to 3 marks for justified reasoning of yes and/or no responses

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Question	Answer	Marks	Guidance
4(d)	<p><b>Evaluate the possible effects on a bank when more of its customers now use internet banking.</b></p> <p>Positive effects on banks:</p> <ul style="list-style-type: none"> <li>• Fewer staff needed to serve customers in banks as teller transactions have declined. This reduces labour costs and saves on wages, possibly increasing profits</li> <li>• Less bank branches needed as more people use internet banking This reduces costs of premises and other running costs</li> <li>• Improved customer service as some customers, prefer the benefit of instant access to their bank accounts and the ability to carry out transactions 24/7 wherever they are</li> <li>• Can widen customer base/customers prefer it as it easier/faster to use / with more people applying for loans / better interest rates</li> <li>• If a bank’s website is user-friendly, it can attract customers from other banks making the banking industry more competitive.</li> </ul> <p>Negative effects on banks:</p> <ul style="list-style-type: none"> <li>• Less customer satisfaction as some customers not ready or do not want to use internet banking</li> <li>• Less personal service/relationship with customers as customers are expected to use ATMs and their smartphones to access banking so banks are less knowledgeable about their customer needs</li> <li>• Internet banking has led to increasing technology costs for banks to have robust systems against security breaches</li> <li>• Internet bank accounts usually have higher interest rates, so this cost banks more interest</li> </ul>	<b>6</b>	<p>Up to 2 marks for <b>describing</b> internet banking / identifying effects</p> <p>Up to 2 marks for <b>analysing</b> positive and/or negative effects of internet banking on banks</p> <p>Up to 2 marks for <b>evaluating</b> the effects of internet banking on banks</p>

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Question	Answer	Marks	Guidance
4(d)	<ul style="list-style-type: none"> <li>• Most banks offer better savings rates for internet-based accounts so banks profit margins may be lower</li> <li>• Some customers have lost money through criminal activity on their internet-based accounts causing negative publicity for a bank.</li> </ul> <p><b>Evaluation:</b> Overall, there are many benefits to banks who offer internet banking services but there is still resistance from some customers who prefer to talk to bank staff and who do not have reliable internet connections. This means the banks could lose those customers to other banks so their revenue would decrease. At present, both bank branches and internet banking are still needed for the wide range of banking customers.</p>		

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5(a)	<p><b>Identify <u>one</u> characteristic of a public sector enterprise.</b></p> <ul style="list-style-type: none"> <li>• Owned/controlled by the state/government</li> <li>• Government ministers have overall responsibility/public accountability</li> <li>• Often run not-for-profit</li> <li>• Financed by taxes/state funded</li> <li>• Has separate legal identity/incorporated</li> <li>• Created by law</li> <li>• Provides essential/public services/public goods/support welfare.</li> </ul>	<b>1</b>	
5(b)	<p><b>Calculate the total number of unemployed people in 2023. Show your working.</b></p> <p>Answer = 2.4 million (2)  Method = Percentage unemployed = <math>100 - (35 + 55) = 10\%</math>  (1)</p>	<b>2</b>	
5(c)(i)	<p><b>Explain the role of wholesalers in the breaking of bulk.</b></p> <p>Wholesalers will buy in large quantities/bulk from the producer (1) and sell in small quantities to retailers (1) making it easier for the retailer to buy/offer in smaller quantities to sell / only require small quantities (1) saves the retailer the expense of providing storage (1) as the producer does not want to distribute in small loads to many retailers (1) and the small retailer cannot afford to buy in bulk / buy from the manufacturer (1)</p>	<b>2</b>	

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5(c)(ii)	<p><b>Explain the role of wholesalers in risk-bearing.</b></p> <p>Wholesalers will buy ahead of demand / own/warehouse the goods they buy from the producer / buy in bulk(1) this means that they have to find the money needed to purchase the goods (1) and also store the goods until sold (1) wholesalers will bear the loss for damaged goods (1) unsold goods (1) retailers defaulting on payment (1) may have to sell goods at a loss (1) if demand falls/changes/ changes in consumer tastes (1) Manufacturers' risk is reduced (1) as they have sold the goods to the wholesaler (1) so does not bear the risk of losses (1)</p>	<b>2</b>													
5(d)	<p><b>Which of these statements about documents used between wholesalers and retailers are true and which are false?</b></p> <p><b>Tick (✓) TRUE or FALSE in the correct column.</b></p> <table border="1" data-bbox="338 895 1137 1262"> <thead> <tr> <th data-bbox="338 895 913 963"></th> <th data-bbox="913 895 1061 963">TRUE</th> <th data-bbox="1061 895 1137 963">FALSE</th> </tr> </thead> <tbody> <tr> <td data-bbox="338 963 913 1062">An order is sent by the wholesaler to the retailer.</td> <td data-bbox="913 963 1061 1062"></td> <td data-bbox="1061 963 1137 1062" style="text-align: center;">✓</td> </tr> <tr> <td data-bbox="338 1062 913 1161">An advice note tells the retailer that the goods have been despatched.</td> <td data-bbox="913 1062 1061 1161" style="text-align: center;">✓</td> <td data-bbox="1061 1062 1137 1161"></td> </tr> <tr> <td data-bbox="338 1161 913 1262">A credit note is sent when goods have been undercharged by the wholesaler.</td> <td data-bbox="913 1161 1061 1262"></td> <td data-bbox="1061 1161 1137 1262" style="text-align: center;">✓</td> </tr> </tbody> </table>		TRUE	FALSE	An order is sent by the wholesaler to the retailer.		✓	An advice note tells the retailer that the goods have been despatched.	✓		A credit note is sent when goods have been undercharged by the wholesaler.		✓	<b>3</b>	
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5(e)	<p><b>A wholesaler is experiencing a shortage of working capital. It is considering two options to improve its working capital.</b></p> <p><b>Option 1: improve collection of money owed by retailers</b> <b>Option 2: ask for a bank overdraft</b></p> <p><b>Discuss each of these two options. Which would you recommend? Give reasons for your answer.</b></p> <p>Working capital is the difference between current assets and current liabilities. It is capital used for the day-to-day running of the business.</p> <p>Option 1 (improve collection of money owed by retailers): If the wholesaler asks its retailers to pay as soon as possible, this will increase its cash flow and so increase its current assets It will reduce bad debts and not having to pay any interest on borrowed money Could offer discounts/incentives for early payment Could take a personal approach with a follow-up call / find out why a payment is late Make it easier for the retailer to pay e.g. could set up a payment plan so that retailers can speed up payments Could offer some incentives to retailers to persuade them e.g. cash discount so that their cash receipts will not be as great Make sure invoices are sent out promptly so there are fewer delays in payment Could charge late fees/penalties for overdue invoices but this may annoy retailers who might decide to take their custom to another wholesaler Could recruit / get help from collection agents to help collect payment but this will add to costs</p>	8	<table border="1"> <thead> <tr> <th data-bbox="1274 217 1382 282">Level</th> <th data-bbox="1382 217 1478 282">Mark</th> <th data-bbox="1478 217 2047 282">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="1274 282 1382 520">3</td> <td data-bbox="1382 282 1478 520">7–8</td> <td data-bbox="1478 282 2047 520">The candidate is able to offer a thorough evaluation, with a recommendation, of whether the wholesaler should be improving collection of money owed by retailers or asking the bank for an overdraft to improve its working capital.</td> </tr> <tr> <td data-bbox="1274 520 1382 758">2</td> <td data-bbox="1382 520 1478 758">5–6</td> <td data-bbox="1478 520 2047 758">Candidate offers a satisfactory analysis of the advantages and/or disadvantages of improving collection of money owed by retailers or asking the bank for an overdraft, to improve its working capital, with or without a recommendation.</td> </tr> <tr> <td data-bbox="1274 758 1382 995">1</td> <td data-bbox="1382 758 1478 995">1–4</td> <td data-bbox="1478 758 2047 995">Candidate demonstrates some knowledge and understanding, with application to improving collection of money owed by retailers or asking the bank for an overdraft to improve its working capital.</td> </tr> <tr> <td data-bbox="1274 995 1382 1053">0</td> <td data-bbox="1382 995 1478 1053">0</td> <td data-bbox="1478 995 2047 1053">No creditable response.</td> </tr> </tbody> </table> <p>Note: Maximum of 5 marks for only discussing one option.</p>			Level	Mark	Description	3	7–8	The candidate is able to offer a thorough evaluation, with a recommendation, of whether the wholesaler should be improving collection of money owed by retailers or asking the bank for an overdraft to improve its working capital.	2	5–6	Candidate offers a satisfactory analysis of the advantages and/or disadvantages of improving collection of money owed by retailers or asking the bank for an overdraft, to improve its working capital, with or without a recommendation.	1	1–4	Candidate demonstrates some knowledge and understanding, with application to improving collection of money owed by retailers or asking the bank for an overdraft to improve its working capital.	0	0	No creditable response.
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5(e)	<p>Option 2 (ask for a bank overdraft):  Overdrafts tend to be used in the short term for working capital requirements, such as buying more stock  This is a very flexible method of borrowing money for the wholesaler.  If the wholesaler requires more money, and if the bank agrees they can borrow the money, then an overdraft is useful in reducing their liabilities  Would enable the wholesaler to spend more than they have, up to an agreed limit. Interest is charged on the amount overdrawn with the interest charged likely to be higher than for a loan  Interest will be charged until she has repaid the overdraft in full which can make it expensive if it is used for a long time  Does not require much paperwork to complete.  The overdraft can be received quickly and repaid at irregular intervals  However, the bank may not agree to the overdraft, or they can request the money back at any time creating cash flow problems</p> <p>The wholesaler should first ask the retailers to pay more quickly. They may, of course, refuse. Then the wholesaler might have to think about borrowing money or another option, such as not overstocking. They should certainly consider reviewing their relationship with debtors. It would be best if the wholesaler does not ask the bank for an overdraft as it will have to pay interest, increasing its liabilities. However, if the amount is not too much, an overdraft may be used as a form of flexible credit to reduce the number of creditors, and could then be gradually paid back from sales, so eventually improving the level of working capital.</p>		