

**MARK SCHEME for the October/November 2009 question paper
for the guidance of teachers**

7101 COMMERCIAL STUDIES

7101/01

Paper 1 (Elements of Commerce), maximum raw mark 100

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.

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- 1 (a) (i) A = Home (1)
B = Retailing (1)
C = Warehousing/Transport (1)
D = Transport/Warehousing (1)
- (b) (i) Goods/services brought into a country (1)
Goods/services sold to another country (1) [2]
- (ii) Provides foreign currency (1) to pay for imports (1)
Wider market for goods (1) to sell surplus production (1)
Creates employment (1) increases standard of living (1)
Friendship/political reasons (1) example (1)
Mass production possible (1) gains economies of scale (1)
Maintain Balance of trade/payments position (1) avoid deficit (1)
Increase national income (1) economic growth (1) [4]
- (c) Bill of lading (1) explanation such as acts as a receipt or is evidence of contract of carriage or is a document of title or gives details of goods shipped (1)
Air waybill (1) explanation (1)
Consular invoice (1) explanation (1)
Shipping note (1) explanation (1)
Mate's receipt (1) explanation (1)
Certificate of origin (1) explanation (1)
Certificate of insurance (1) explanation (1)
Import licence (1) explanation (1)
Export invoice (1) explanation (1) [4]
- (d) Information is required about what is taking place outside the business (1)
example (1)
To make orders (1) example (1)
To receive payments (1) example (1)
To inform/manage employees (1) example (1)
To inform shareholders (1) example
Get information from customers (1) example (1)
Increasing efficiency (1) business deals completed more quickly (1) [6]
- 2 (a) Wholesaler is between the manufacturer (1) and retailer/
consumer/customer (1) [2]
- (b) Warehousing (1)
Advertising (1)
Breaking bulk (1)
Provides a wide range of goods (1)
Keeps prices stable (1)
Gives credit (1)
Risk-bearing (1)
Delivery (1)
Advice/information (1)
Prepares goods for sale or example (1) [4]

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- (c) (i) $\$10000 \times 0.4 = \4000 (1) $\$10000 - \$400 = \$6000$ (1)
 $\$6000 \times 0.05 = \300 (1) $\$6000 - \$300 = \$5700$ (1)
 Note: Allow four marks for correct answer. Allow OFR (4)
- (ii) Allows Mr Phiri to receive a reduction on price (1) thus allowing him a greater profit margin when reselling the goods (1)
 Can attract more customers to use his business (1) leading to more sales (1) [2]
- (d) There is the risk that seasonal goods might not sell (1) wholesaler buys goods immediately so that the risks will not be borne by manufacturer (1)
 By buying seasonal agricultural produce at harvest time and releasing it gradually over the year (1) the wholesaler can eliminate wide price variations (1)
 If the product is in short supply (1) the wholesaler may be able to put more on the market (1)
 Likewise, if there is a shortage (1) wholesalers can protect or store the seasonal goods (1) [4]
- (e) Growth of large-scale retailers (1) explanation (1)
 Manufacturers setting up their own retail stores (1) explanation (1)
 Growth of pre-packed/branded goods (1) explanation (1)
 Manufacturers selling direct to retailers (1) to push their own products (1)
 Declining number of small retailers (1) explanation (1)
 Note: Only TWO factors allowed [4]
- 3 (a) (i) Partnership = Partners (1)
 Plc = shareholders or shares or debentures or loans (1) [2]
- (ii) Partnership = Partners (1)
 Plc = Board of Directors/Managing Director (1) [2]
- (iii) Partnership = shared between partners (1)
 Plc = Dividend paid to shareholders or put back into business or to pay corporation/company taxes(1) [2]
- (iv) Partnership = Unlimited liability or explanation (1)
 Plc = Limited liability or explanation (1) [2]
- (b) (i) How much capital each partner would put into business (1)
 How the profits/losses would be divided (1)
 What part each partner would play in business (1)
 The amount of partner salaries (1)
 Duration of partnership (1) [2]
- (ii) In case of dispute or misunderstanding (1) deed can be referred to in order to resolve issue such as sharing of profits (1)
 So that partners know their rights/rules (1) helps to prevent dishonesty (1)
 Reduces possible argument (1) damage to business operations (1) [2]

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- (c) Personnel or Human Resources/Purchasing/Sales or Marketing/Research & Development/Production/Transport/Accounts or Finance/Administration/Information Technology or Computing (Any 2 x 1 marks (names) + 1 marks (explanations).
For example:

Personnel (1) recruiting workers (1)
Purchasing (1) identifying suppliers (1)
Sales (1) organising advertising campaigns (1)
R & D (1) testing new products (1)
Production (1) carrying out quality control (1)
Transport (1) sending goods to customers (1)
Accounts (1) paying invoices (1)
Administration (1) ensuring security (1)
Computing (1) maintaining communication systems (1) [4]

- (d) Will be able to trade internationally (1) new markets (1) increase sales (1)
Gain economies of scale (1) lower costs (1) example, such as labour (1)
More powerful image (1) global brand (1) [4]

- 4 (a) (i) To inform (1) new goods (1) example such as staff vacancy (1)
To persuade (1) increasing sales (1) increasing profit (1)
To maintain market share (1) against competitors (1)
To remind customers (1) maintain brand loyalty (1) [4]

- (ii) Newspaper (1) eg free weekly or local paper (1)
Poster (1) eg on back of bus or in the street (1)
Leaflet/handbills (1) given out in street showing details of a sale (1)
Billboards (1) details of new goods on outside of shop (1)
Local radio (1) example of local radio station (1)
Shop window (1) display notice (1)
Internet (1) website showing information of goods sold (1)
Mailshots (1) information of goods sold sent in the post (1) [4]

- (b) Insurable risks are risks that can be assessed/calculated (1) example such as fire (1)
Non-insurable risks cannot be assessed/calculated (1) example such as
one's own bankruptcy (1) [4]

- (c) To find out what she wants to insure (1) to check if is insurable (1)
Need to obtain personal information (1) to fix premium (1)
Information will determine risk (1) and correct premium (1)
Details of stock (1) what is the level/value of risk (1)
Details of area (1) number of shop fires in the area (1)
Needs to establish utmost good faith (1) information correct/true (1) [4]

- (d) £110,000 is under-insurance (1) Safi will receive £110,000 (1)
Under the principle of indemnity (1) you are not allowed to make a profit from a loss (1) only
allowed to be restored to previous position (1) [4]

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- 5 (a) (i) Current (1)
Savings (1)
Budget (1)
Fixed Deposit (1)
- (ii) Open – does not have a crossing across the cheque (1) can be cashed across the counter (1)
Crossed – Has two lines drawn across the face of cheque (1) needs to be paid into an account (1) [4]
- (iii) Lack of funds (1)
Amounts written may differ (1)
Wrong signature (1)
Stale cheque (1)
Post dated cheque (1)
Cheque not fully completed (1)
Defaced cheque (1)
If drawer stops the cheque (1)
Freezing of account through court order (1) [2]
- (b) (i) To make regular payments (1) of a fixed amount (1) example such as rent (1) [2]
(ii) To meet unexpected expenses (1) example such as a season ticket to work (1) [2]
- (c) **Advantage:** Allows customers to look at accounts online (1) 24/7 [1]
No need to queue up in bank (1) saves cost of travel to bank (1) [4]
- Disadvantage:** Possibility of fraud (1) hackers gaining access to account/funds (1)
Need to have a computer (1) and be computer literate [4]
Note: Maximum of six marks for either advantage or disadvantages
- 6 (a) (i) Pat Moyo (1) [1]
- (ii) $10 \times \$5.70 = \57
 $+ 5 \times \$6 = \30
 $+ 7 \times \$4 = \28 (1)
 $= \$115$ (1) + $\$20 = \135 (1) + $\$3 = \138 (1)
- Note: Allow 4 marks for correct answer. Allow OFR [4]
- (iii) To trace/identify goods (1) if goods are not delivered or similar (1) [2]
- (iv) To maintain goodwill (1) to encourage buyers to increase size of order (1) [2]
(v) As a record or proof of order (1) [1]

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(b) Enquiry/Quotation or catalogue/advice note/delivery note/invoice/debit note/credit

For example:

- Enquiry (1) to ask if certain goods are stocked (1)
- Quotation (1) to show prices of goods (1)
- Advice note (1) to advise buyer that the goods are being sent (1)
- Delivery note (1) receipt for goods delivered
- Invoice (1) bill for goods sold (1)
- Debit note (1) to correct undercharge (1)
- Credit note (1) to correct overcharge (1)
- Statement of account (1) showing the amount owed (1)
- Receipt (1) proof of payment (1)
- Cheque (1) Paying for goods (1)

[6]

(c) Allows instant credit (1) no need to pay until later (1)
No interest may have to be paid (1) if settled by statement due date (1)
No need to have a current account (1) so no need to write cheques (1)
May receive gifts or credit card points (1) example such as airmiles (1)

[4]

7 (a) (i) Container ship (1)

[1]

(ii) Clothes/computers/light machinery/technical instruments /food/furniture/household appliances/spare parts/medicines
Any 2 x 1 marks

[2]

(b) Cargo liners (1)
Passenger liners (1)
Tanker (1)
Tramps (1)
Bulk carriers (1)
Ferries/hovercraft (1)
Coastal vessels (1)

[2]

(c) Large bulky cargoes can be handled (1) has enough space to store large goods (1)
Can operate on a worldwide basis (1) can transport over long distances (1)
Relative small amounts of power required (1) cheaper than air transport (1)
Can use specially built vessels for particular goods (1) eg oil tankers (1)

[6]

(d) Need for speed (1) especially for perishables/valuable goods (1)
Growth of global economy (1) increased demand for foreign goods (1)
Increased number of airports (1) more air routes available (1)
Safer than sea transport (1) less packaging required (1)
Can transport over mountains (1) inaccessible places reached (1)
Increase in the number of low bulk/high value goods (1) can absorb air costs (1)

[6]

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- (e) Nature of goods (1)
- Urgency of goods (1)
- Cost of transport (1)
- Quantity of goods (1)
- Which forms of transport can best reach the destination (1)
- Distance involved (1)
- Reliability of carrier (1)
- Value of goods (1)
- Security (1)
- Convenience (1)

[3]