

# Cambridge O Level

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**COMMERCE****7100/23**

Paper 2 Written

**May/June 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 May/June 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **27** printed pages.

**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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For levels of response marking, each level awarded should be clearly annotated on the script the first time it is achieved.

**PREPARATION FOR MARKING**

- 1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
- 2 Make sure that you have read and understand the question paper, which you can download from <https://support.rm.com/ca>
- 3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

**MARKING PROCESS**

- 1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
- 2 If you are in doubt about applying the mark scheme, consult your Team Leader.
- 3 Mark at a steady rate through the marking period. Do not rush, and also do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
- 4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note particular strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

**MARKING SPECIFICS****Crossed out work**

- 1 All of a candidate's answers, *crossed out* or not, *optional* or not, must be marked.
- 2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
- 3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

**0 (zero) marks or NR (no response)**

- 1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
- 2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
- 3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
- 4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

**Annotation**

- 1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
- 2 Every mark awarded for a question (as shown in the mark input box to the right of the screen) must be indicated by a correctly positioned tick on the script. The number in the box below the tick annotation must be equal to the mark awarded in the input box.
- 3 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

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Question	Answer	Marks	Guidance
1(a)(i)	<b>Define <i>logistics</i>.</b> <ul style="list-style-type: none"> <li>• Movement/flow of goods (1) from place of production/manufacturer to retailer/consumer (1)</li> <li>• Logistics is process of how goods stored / transported (1) to their final destination / where they are required (1)</li> <li>• Geographical repositioning of raw material and finished goods (1) to where they are required (1)</li> <li>• Integration of (1) information, purchasing, stock control, warehousing, packaging and transportation (1)</li> </ul>	<b>2</b>	
1(a)(ii)	<b>Identify <u>one</u> method of sea transport that SW could use to deliver goods.</b> <ul style="list-style-type: none"> <li>• Bulk carrier / cargo liner/ship / container ship / roll-on, roll-off ferry/ferry</li> </ul>	<b>1</b>	
1(b)	<b>Name <u>one</u> other type of production.</b> <ul style="list-style-type: none"> <li>• Primary</li> <li>• Tertiary</li> </ul>	<b>1</b>	

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Question	Answer	Marks	Guidance
1(c)	<p><b>Explain <u>two</u> reasons why businesses use road transport.</b></p> <ul style="list-style-type: none"> <li>• Fast (1) over short distances / compared to sea transport (1)</li> <li>• Low cost (1) over short distances / compared to air transport (1)</li> <li>• Transport is direct (1) so reduced theft (1)</li> <li>• Suitable for long distances (1) making it competitive against other methods (1)</li> <li>• Flexible method (1) goods can be moved when required / routes can be altered to achieve speed and save time (1)</li> <li>• No restriction to fixed timetables/schedules not set (1) frequencies can be adjusted / compared to rail transport (1)</li> <li>• Diversity (1) various designs to carry simple goods as well as goods requiring special conditions (1)</li> <li>• Door-to-door delivery (1) goods can be directly moved from supplier to buyer (1)</li> <li>• Economical (1) can make return journey with another shipment (1)</li> <li>• Easy to own and operate (1)</li> <li>• Businesses can buy their own fleet (1) to have more greater control over deliveries / protect goods against loss from theft (1)</li> <li>• Can track goods (1) to ensure their safety (1)</li> </ul>	<b>4</b>	1 mark for each reason plus 1 mark for each linked explanation × 2
1(d)	<p><b>Circle the correct answer to complete each of the following sentences.</b></p> <p>For a retailer, an important factor for choosing a location is <b>potential market</b>.</p> <p>Wholesalers help retailers by providing <b>advice</b>.</p>	<b>2</b>	1 mark for each correct circled answer



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Question	Answer	Marks	Guidance
1(e)	<p><b>Discuss the importance of regional distribution centres (RDC) to large-scale retailers. Give reasons for your answer.</b></p> <p>Regional distribution centres are warehouses. They are used by large-scale retailers to supply goods to their branches/shops. Large-scale retailers are where a variety of products are sold in the same physical store. Common characteristics include being large in physical space and often part of a chain of stores e.g. supermarkets.</p> <p>Importance:</p> <ul style="list-style-type: none"> <li>• Large-scale retailers can order in bulk and request delivery to the regional distribution centre, thus taking advantage of bulk purchase and reducing delivery costs from the manufacturer.</li> <li>• Delivery to individual branches can be based on what they need, and many different products can be sent in one shipment.</li> <li>• Reduces transport costs by not having to go to various warehouses to deliver and collect goods from.</li> <li>• There is increased inventory kept there and greater storage capacity.</li> <li>• Centrally located so it reduces inbound distribution costs as well as enabling shorter transport distances to retailers.</li> <li>• Head office will have closer control over stock levels.</li> <li>• Buffer stocks can be kept at the regional distribution centre in case branches run out.</li> <li>• Hiring staff at the individual branches will no longer be needed.</li> </ul>	<b>6</b>	<p>Up to 2 marks for <b>describing</b> regional distribution centres (RDC) / large-scale retailers</p> <p>Up to a further 2 marks for <b>analysing</b> the importance of regional distribution centres (RDC)</p> <p>Up to a final 2 marks for <b>evaluating</b> the importance of regional distribution centres (RDC)</p>

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Question	Answer	Marks	Guidance
1(e)	<b>Evaluation:</b> Regional distribution warehouses are very important to large-scale retailers. They simplify inventory and logistics by having central storerooms that consolidate orders in an efficient way. If it was not for regional distribution warehouses, large-scale retailers would fail to achieve their primary purposes of reduced delivery times, cutting costs and maximising customer satisfaction.		

Question	Answer	Marks	Guidance
2(a)(i)	<b>Identify <u>one</u> item of short-term finance from Fig. 2.1.</b> <ul style="list-style-type: none"> <li>Bank overdraft</li> </ul>	1	
2(a)(ii)	<b>Identify <u>one</u> current asset from Fig. 2.1.</b> <ul style="list-style-type: none"> <li>Cash</li> <li>Debtors</li> </ul>	1	
2(a)(iii)	<b>Calculate the working capital of this business.</b> Method = $150\,000 + 25\,000 - (50\,000 + 55\,000)$ (1) Answer = 70 000 (1)	2	2 marks for correct answer with 1 mark for correct method but calculation error
2(b)	<b>Explain <u>one</u> reason why Jessica and Ahmed need to have employer's liability insurance.</b> <ul style="list-style-type: none"> <li>It is mandatory by law (1) for businesses that employ people (1)</li> <li>Protects business against claims (1) resulting from employee injury / accident during working hours (1)</li> </ul>	2	1 mark for reason plus 1 mark for linked explanation

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Question	Answer	Marks	Guidance
2(c)	<p><b>Do you think a partnership is the best form of ownership for Jessica and Ahmed's business? Give reasons for your answer.</b></p> <p>Yes – easy to set up (1) capital is contributed by partners (1) losses are shared among the partners (1) usually better in building personal contacts (1) with customers and suppliers (1) partners contribute to decision making (1) so better decisions (1) does not have to publish accounts (1) therefore secrecy in business (1) partners able to give ideas (1) partners able to cover each other for holidays and sickness (1) each partner can contribute their skills/knowledge/specialise (1) sharing responsibilities (1) helping each other (1) sharing ideas (1) shared discussion (1) shared risks / shared losses (1) Jessica can take time off as she can be covered by Ahmed (1)</p> <p>No – cannot have unlimited number of partners (1) only up to 20 (1) which restricts capital (1) not a legal entity (1) each partner can be held accountable for the actions of the partnership (1) unlimited liability (1) if business fails, partners need to repay debts (1) using personal assets (1) partners can be bound by decision taken by just one partner without consultation (1) disagreements (1) can hinder progress (1) might be better to be a limited company (1) where owners have limited liability (1) more capital (1) easier to expand (1)</p>	<b>3</b>	Up to 3 marks for justified reasoning of no and/or yes responses

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Question	Answer	Marks	Guidance
2(d)	<p><b>Discuss the environmental impacts of locating a factory near a populated area.</b></p> <p>There is a growing demand from consumers and society on businesses to be conscious of the environment and reduce any negative impact on it.</p> <p>Has impact:</p> <ul style="list-style-type: none"> <li>• Factories are big causes of air pollution as they produce greenhouse gases.</li> <li>• Factories cause water pollution by disposing chemicals into water.</li> <li>• Factories use non-renewable resources sourced from exploitation of forests/earth.</li> <li>• Factories in populated areas cause traffic congestion which in turn become a source of greenhouse gases.</li> <li>• Factories produce noise pollution which can affect quality of life.</li> <li>• Factories produce waste in the process of production.</li> </ul> <p>No impact:</p> <ul style="list-style-type: none"> <li>• Factories can make investment in carrying out manufacturing with non-polluting machinery.</li> <li>• Factories can employ renewable and recyclable resources and raw materials in their production.</li> <li>• Factories can use cleaner energy sources.</li> <li>• Factories can use less packaging for their final products.</li> <li>• Factories can respond positively to the demands of the pressure groups.</li> <li>• Factories can be sensitive to the needs of future generations</li> </ul>	<b>6</b>	<p>Up to 2 marks for <b>describing</b> environment / environmental impacts / factory</p> <p>Up to a further 2 marks for <b>analysing</b> the environmental impact of locating a factory near a populated area.</p> <p>Up to a final 2 marks for <b>evaluating</b> the environmental impacts from locating a factory near a populated area.</p>

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Question	Answer	Marks	Guidance
2(d)	<p><b>Evaluation:</b></p> <p>Though there are many ways in which factories can mitigate the negative environmental impact, most fail to do so because of the high costs involved in obtaining and using environmentally friendly resources. Factories in populated areas certainly cannot overcome all the barriers that can help them to have zero negative impact on the environment. Most factories in populated areas are sources of noise pollution and traffic congestion. Unless they are forced to comply with strict environmental laws and regulations, factories avoid investing money in green resources. This inevitably leads to negative impact on the environment.</p>		

Question	Answer	Marks	Guidance
3(a)(i)	<p><b>State <u>one</u> feature of a sole trader.</b></p> <ul style="list-style-type: none"> <li>Controlled directly by the owner</li> <li>One owner</li> <li>Usually, it is a small-sized business</li> <li>Owner gets all profits</li> <li>Owner bears all losses</li> <li>Owner makes all decisions</li> <li>Owner has unlimited liability</li> <li>There is no legal requirement to set up the business</li> <li>Cheap/easy to set up</li> <li>Publication of accounts is not needed</li> <li>In private sector</li> </ul>	1	

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Question	Answer	Marks	Guidance
3(a)(ii)	<p><b>Identify <u>one</u> disadvantage to Munira of advertising special offers.</b></p> <ul style="list-style-type: none"> <li>• May need to spend money on advertising special offers</li> <li>• Once offer is withdrawn, customers may switch to other brands that offer better value for money</li> <li>• Reduces/hurts profit margins</li> <li>• Munira risks damaging the reputation of the brand</li> <li>• Customers may get into a habit of “waiting” for special offers before purchasing</li> <li>• Munira risks getting into a price war with the competition and being seen as a commodity</li> <li>• Potential customers may question the quality of Munira’s products / not interested in the price of goods but the quality</li> <li>• Costly / time-consuming to distribute special offers on leaflets</li> </ul>	<b>1</b>	
3(b)	<p><b>State <u>two</u> reasons why businesses accept payments by credit card.</b></p> <ul style="list-style-type: none"> <li>• Increased sales / attracts customers</li> <li>• Gain competitive advantage / compete with competition</li> <li>• Safer/risk of theft is reduced / less cash on premises</li> <li>• Improves cash flow</li> <li>• More convenient for customers to use so will buy from your business</li> <li>• Increases market potential when selling online</li> <li>• Speed / efficient</li> <li>• Minimal cash handling</li> <li>• Customers prefer to pay by credit</li> <li>• Reduces bad debts / guaranteed payment</li> <li>• Suitable to pay for high-value items</li> </ul>	<b>2</b>	1 mark for each reason

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Question	Answer	Marks	Guidance
3(c)	<p><b>Do you think Munira should buy her supplies from a cash-and-carry warehouse? Give reasons for your answer.</b></p> <p>Yes – prices are cheaper (1) than a general wholesaler (1) can buy in small bulk/bulk (1) Immediate access to the warehouse (1) reduces delivery waiting time/saves time (1) able to physically view products (1) can obtain goods to meet sudden demands (1) saves storage costs (1) less wastage of time (1) related to administrative work (1) convenient (1) as warehouse open during retail hours (1)</p> <p>No – transport costs (1) as no delivery service (1) not convenient (1) in stock-out situations during peak hours (1) may not stock what is needed (1) need to have funds (1) as no credit is made available (1) may be a cost of membership (1) has to pay immediately/in cash/by card (1) might be cheaper to buy the goods online (1) where they may be cheaper (1)</p>	<b>3</b>	Up to 3 marks for justified yes and/or no responses

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Question	Answer	Marks	Guidance
3(d)	<p><b>Explain <u>two</u> advantages to Munira if she decides to become a franchisee of a well-known pizza company.</b></p> <ul style="list-style-type: none"> <li>• The pizza brand would be recognised / established (1) so less cost / less effort in establishing brand (1)</li> <li>• Receives training (1) which helps to improve employee skills / less investment needed by franchisee (1)</li> <li>• Franchisor knows profitability potential (1) which reduces risk of failure (1)</li> <li>• Franchisor contributes to initial costs (1) such as cost of advertising (1)</li> <li>• Easier to obtain finance (1) as there is less risk to lender/bank (1)</li> <li>• Supplies may be cheaper (1) if provided by the franchisor who buys in bulk for all franchises / franchisor enjoys economies of scale (1)</li> <li>• Franchisee may become a monopoly in the local area (1) which offers an opportunity to earn more profits (1)</li> <li>• The franchisee has bought an established product/service (1) which may already enjoy widespread brand name recognition / less advertising needed (1)</li> <li>• It gives the franchisee the benefit of a ready-made market (1) which would normally take years to establish (1)</li> <li>• A franchise increases the chance of business success/profits (1) because of association with proven products / methods / quality of food is trusted (1)</li> <li>• Less risky (1) no need to establish brand (1)</li> </ul>	<b>4</b>	1 mark for each reason plus 1 mark for each linked explanation × 2



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Question	Answer	Marks	Guidance
3(d)	<ul style="list-style-type: none"> <li>• The franchisee is offered support/expertise (1) e.g. location / design / finance / grand opening (1)</li> <li>• Some initial costs may be paid by the franchisor (1) e.g. advertising (1)</li> <li>• Other benefits from economies of scale (1) as part of a large organisation (1)</li> <li>• No prior experience needed (1) as franchisor gives managerial support (1)</li> <li>• Certain standard of food/hygiene (1) as detailed in the franchise agreement (1)</li> <li>• Will have exclusive rights in an area (1) as the franchisor will not sell another franchise in the same area (1)</li> </ul>		

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Question	Answer	Marks	Guidance		
3(e)	<p><b>Discuss whether Munira should use local newspapers or leaflets to advertise her pizza restaurant. Which would you recommend? Give reasons for your answer.</b></p> <p>Local newspapers serve a part of a country. Leaflets are used to advertise locally and may be hand delivered or sent by post.</p> <p>Local newspapers:</p> <ul style="list-style-type: none"> <li>• This is a relatively cheap medium that can provide detailed information and visual stimuli.</li> <li>• Can achieve a wide circulation that can create awareness.</li> <li>• Can be kept for reference.</li> <li>• However, there is a risk people will just throw away the newspaper without reading or may not notice an advertisement that is particularly small.</li> <li>• The advertisement may not stand out as it may only be in black and white.</li> <li>• Not everyone buys/sees a local newspaper, so may not see the advertisement, so sales will not increase.</li> <li>• Money may be wasted if target audience is either small or not fully reached.</li> </ul>	8	Level	Mark	Description
			3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of whether Munira should use local newspapers or leaflets.
			2	5–6	Candidate offers a satisfactory analysis of whether Munira should use local newspapers or leaflets without recommendation.
			1	1–4	Candidate demonstrates some knowledge and understanding of local newspapers / leaflets
			0	0	No creditable response.

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Question	Answer	Marks	Guidance
3(e)	<p>Leaflets:</p> <ul style="list-style-type: none"> <li>• They are cheap / easy / quick to produce for a small business/sole trader as they may not be able to afford other advertising media.</li> <li>• Can hand deliver them to target group / local people with relevant information/details.</li> <li>• Can be kept for reference/long-lasting as they can be passed on to other people.</li> <li>• can easily be changed / can use colour/eye catching/visual impact.</li> <li>• They might be treated as junk mail, and the information is not read, and then just thrown away which pollutes the environment.</li> <li>• They are time-consuming to distribute.</li> <li>• No audio impact.</li> </ul> <p><b>Evaluation:</b> Typically, local newspapers are more expensive than leaflets. Local newspapers are often more crowded with content and therefore an advertisement can go unnoticed unless it is of considerable size and is colourful, which can add to advertising cost. Leaflets, on the other hand, are very focused and can get immediate attention if delivered as house drop. Since Munira has just one outlet in her local area, leaflets may be more cost effective.</p>		

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Question	Answer	Marks	Guidance												
4(a)	<p><b>Which of these statements about Fig. 4.1 are TRUE and which are FALSE?</b> <b>Tick (✓) TRUE or FALSE in the correct column.</b></p> <table><tr><td></td><td><b>TRUE</b></td><td><b>FALSE</b></td></tr><tr><td>Country M's exports are greater than its imports.</td><td></td><td>✓</td></tr><tr><td>Country M has visible exports and invisible imports.</td><td></td><td>✓</td></tr><tr><td>Country M has a deficit in its balance of trade.</td><td>✓</td><td></td></tr></table>		<b>TRUE</b>	<b>FALSE</b>	Country M's exports are greater than its imports.		✓	Country M has visible exports and invisible imports.		✓	Country M has a deficit in its balance of trade.	✓		3	1 mark for each correct answer
	<b>TRUE</b>	<b>FALSE</b>													
Country M's exports are greater than its imports.		✓													
Country M has visible exports and invisible imports.		✓													
Country M has a deficit in its balance of trade.	✓														
4(b)	<p><b>Explain <u>two</u> reasons why effective communication is important to exporters of flowers.</b></p> <ul style="list-style-type: none"><li>• Brings buyers and sellers together (1) over long distances (1)</li><li>• Enables buyers and suppliers to create agreements / contracts (1) that helps in supply of raw materials (1)</li><li>• Allows businesses to contact banks (1) which makes it easy to discuss financial matters (1)</li><li>• Creates a larger scope for products and services (1) since foreign markets can be reached (1)</li><li>• Eliminates the need for travel through technology-based devices (1) which saves time / money (1)</li><li>• Flowers are perishable (1) they need urgent communication to ensure prompt delivery (1)</li><li>• Provides advice on goods being sold (1) so that they can increase production (1)</li><li>• Less errors made (1) as importer can clarify points (1)</li></ul>	4	1 mark for each reason plus 1 mark for each linked explanation × 2												

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Question	Answer	Marks	Guidance
4(c)	<p><b>Discuss whether or not Country M should introduce trade restrictions on the import of raw materials. Give reasons for your answer.</b></p> <p>Country M could put a trade restriction on import of raw materials through quotas or by increasing the import duty.</p> <p>Should introduce trade restrictions:</p> <ul style="list-style-type: none"> <li>Country M has a trade deficit of \$6bn, so restriction on imports of raw materials such as raw cotton could help it to reduce imports, and as a result its trade deficit because raw cotton import is a large percentage of total imports.</li> <li>If raw materials are already produced in Country M to a certain extent, then protectionism could be a support for domestic industry.</li> <li>Country M could overcome dumping of raw materials by imposing trade restrictions.</li> <li>To protect unemployment from cheap imports.</li> <li>To protect infant industries / local businesses which are not yet established so that they can grow / compete in the world market.</li> <li>To gain revenue from tariffs, which can be spent on infrastructure e.g. new roads / healthcare.</li> <li>Can use embargoes to prevent the entry of harmful/dangerous/demerit goods, such as weapons</li> <li>Trade restrictions have a favourable effect on the balance of payments of the importing country. They reduce imports and increase the export surplus so can improve a deficit in the balance of payments, putting a country in a stronger financial position.</li> </ul>	<b>6</b>	<p>Up to 2 marks for <b>describing</b> trade restrictions / imports</p> <p>Up to a further 2 marks for <b>analysing</b> how trade restrictions might impact its international trade</p> <p>Up to a final 2 marks for <b>evaluating</b> whether or not Country M should introduce trade restrictions on the import of raw materials</p>

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Question	Answer	Marks	Guidance
4(c)	<p>Should not introduce trade restrictions:</p> <ul style="list-style-type: none"> <li>• The biggest import is petroleum. Trade restrictions on its import could lead to an increase in the transport costs which will have a direct inflationary impact on the prices of various goods.</li> <li>• Similarly, restricting the import of wheat could have a negative impact on food prices, and reducing cotton imports will decrease the product of clothing which is the biggest export of Country M.</li> <li>• The importing countries may also retaliate by imposing duties on Country M's exports leading to reduced exports and job losses in the export industries. This could also lead to decline in living standards.</li> <li>• Country M may experience reduction in trade and reduced output of finished goods that use raw materials as key raw material.</li> <li>• International trade provides a wider variety of goods/services leading to more choice for consumers, thereby improving their standard of living.</li> <li>• Helps to develop the economy with more jobs / less unemployed.</li> </ul>		

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Question	Answer	Marks	Guidance
4(c)	<p><b>Evaluation:</b></p> <p>Restrictions might have a negative impact on the Balance of Trade. This is particularly true for imposing restriction on import of cotton, which is likely to decrease the output of clothing, and as a result lead to a reduced potential of exports. This could increase Country M's balance of trade deficit and lead to unemployment. Trade restrictions could also lead to retaliatory trade restrictions from other countries. Trade restrictions are recommended only when dumping is a serious problem and infant industries need support from cheap imported finished goods. In this context, the key items of import are mostly critical raw material needed by the manufacturing industries.</p> <p>It is recommended that Country M should make better effort in increasing the exports of vegetable and flowers. This will insulate Country M from retaliatory trade restrictions, and will ensure availability of critical raw materials needed to maintain production of finished goods such as clothing, which when exported help in reducing trade deficit.</p>		

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Question	Answer	Marks	Guidance
5(a)	<p><b>State <u>two</u> advantages, other than 24/7 trading, of being an online retailer.</b></p> <ul style="list-style-type: none"> <li>• Less costs than operating a physical shop / cheap to set up</li> <li>• Opportunity to establish business quickly</li> <li>• Electronic processing of information produces fewer errors than manual systems</li> <li>• Faster / automatic processing of order / payment results</li> <li>• Can operate from anywhere / anytime</li> <li>• Larger market / can access more potential customers</li> <li>• Less paperwork/documentation</li> <li>• Can easily edit/update changes on website</li> <li>• Customers can pay by credit/debit card</li> </ul>	<b>2</b>	1 mark for each advantage
5(b)	<p><b>After seeing the online advertisement shown in Fig. 5.1, a new customer places her first order for a television priced at \$380 and a laptop priced at \$330.</b></p> <p><b>Calculate the total amount paid by the customer. Show your working.</b></p> <p>Total purchase: \$380 + \$330 = \$710 (1)  Discount: 10% of \$710 (1)  Price paid: \$639 (1)</p>	<b>3</b>	3 marks for correct answer. 2 marks for correct method but calculation error Allow OFR



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Question	Answer	Marks	Guidance
5(c)	<p><b>Do you think this retail company should offer free delivery on orders over \$100? Give reasons for your answer.</b></p> <p>Yes – attracts customers (1) can persuade them to buy (1) impulse buying (1) increases sales (1) profits may increase (1) makes business competitive (1) cost of delivery can be absorbed by large value of items bought (1) customers may be tempted to purchase higher-priced items (1) encourages customer loyalty (1) leads to repeat sales (1)</p> <p>No – costs money (1) reduces profit margin/profit (1) service cannot be offered on a temporary basis (1) customers can move to competitors if service is stopped (1) may need extra manpower to manage transportation (1) may increase losses from refunds caused by theft or damage of goods (1) \$100 is too high to attract customers (1) would be better to offer free delivery on cheaper goods (1)</p>	<b>3</b>	Up to 3 marks for justified reasoning of no and/or yes responses
5(d)	<p><b>State <u>one</u> reason why an online retailer should have a secure ecommerce website.</b></p> <ul style="list-style-type: none"> <li>• Safe shopping / protects customers</li> <li>• Security fears / hackers may steal information</li> <li>• Protects from viruses</li> <li>• Builds customer trust / helps with business reputation</li> <li>• Gives competitive advantage</li> </ul>	<b>1</b>	

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Question	Answer	Marks	Guidance		
5(e)	<p><b>This retail company is considering two options to finance a new warehouse.</b></p> <p><b>Option 1: shares</b></p> <p><b>Option 2: mortgage</b></p> <p><b>Discuss each of these two options. Which would you recommend? Give reasons for your answer.</b></p> <p>Both, share issue and mortgage, are long-term external sources of finance.</p> <p>Shares:</p> <ul style="list-style-type: none"> <li>• Shares do not carry any interest charges making them a cheaper source of finance than mortgage.</li> <li>• Finance raised from sale of shares is not repayable.</li> <li>• The shareholders (investors) are the owners of the property and may receive dividend from profits earned by the business as a result of expansion.</li> <li>• Shareholders have limited liability if the business fails; the risk from this failure is the loss of amount invested by buying the shares. Shares may also lose value resulting in a loss.</li> <li>• However, shareholders may receive dividend only if the business earns profits.</li> <li>• If the business fails, shareholders get the least preference compared to other creditors, and therefore are paid only after all other creditors are paid, and only if any money is left for payment.</li> <li>• Dilution of earnings if new shares are issued; existing shareholders may not be pleased.</li> </ul>	8	Level	Mark	Description
			3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of mortgage and shares to finance a new warehouse
			2	5–6	Candidate offers a satisfactory analysis of whether the retailer should take a mortgage or issue new shares to finance a new warehouse without a recommendation.
			1	1–4	Candidate demonstrates some knowledge and understanding of share issue and mortgage / application to setting up a new warehouse
			0	0	No creditable response.

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Question	Answer	Marks	Guidance
5(e)	<p>Mortgage:</p> <ul style="list-style-type: none"> <li>• For specific purpose such as building a factory/warehouse.</li> <li>• Easier to obtain for a warehouse as asset can be used as a future collateral.</li> <li>• Can be paid over a long period of time in monthly instalments.</li> <li>• However, requires paperwork that satisfies the bank on the viability of the project.</li> <li>• Also increases monthly cash outflow and business expenses which may result in lower profits.</li> <li>• Mortgages always carry interest charges that result in a greater payout than the original sum borrowed.</li> <li>• Mortgages are debts that must be repaid. In the event, mortgage payments are stopped, the lender becomes the owner of the property.</li> </ul> <p><b>Evaluation:</b> If the business is already established with a healthy sales revenue and cashflow and if there is a good possibility of increasing the revenue by setting up a new warehouse, then a bank loan is advisable even though it is likely to increase monthly cash outflow. The shares are an equally attractive and less risky option if the entire amount required for buying and setting up a warehouse can be raised from selling shares. However, shareholders may have a voting right which allows them to influence the policies of the business.</p>		