

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

MARK SCHEME for the November 2004 question paper

7100/01

7100/01 Commerce, Paper 1 , maximum raw mark 40

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November 2004

GCE O LEVEL

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 7100/01

COMMERCE

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1 (a) Any five points x 1 mark each and +1 for a well developed point such as -

- allow advertising
- needs to keep in touch with all its markets/expand markets
- needs to be able to take up opportunities
- needs to be able to communicate quickly and respond to change
- needs to keep in touch with employees around the world
- needs to keep in touch with branches around the world
- needs to be able to fulfill orders and meet delivery dates
- needs to keep up with its competitors
- need for adventure - creating image
- need to save time
- need to cut costs
- any other relevant point

5 max

(b) Any three means of communication x 1 mark each such as -

e-mail	fax	telephone	tele/videoconferencing
letter	memo	network (intranet)	cellphone/mobile phone
internet/website	letters/mail	telex	face to face

+2 marks each for the circumstances in which they might be used -

e.g. telephone - to hold an important discussion
 - to reach decisions requiring immediate action

9 max

(c) Any two reasons x 3 marks/three reasons x 2 marks or six points x 1 mark each such as -

- distance –
makes communication more difficult, transport is more expensive and transactions take longer
- different currencies –
need to change them, exchange rates
- difficulty of obtaining payment -
means of payment through banks, electronic transfer, risk of non-payment
- different customs/laws -
may affect what can be sold, may have to make for a particular market
- customs barriers -
make goods more expensive, have to comply with many regulations
- more competitive -
operating on large scale e.g. need more capital
- any other relevant reason

6 max

Total Mark 20

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2 (a) (i) Any three reasons x 1 mark each such as -

- amounts in words and figures differ
- cheque is stale
- cheque is post dated
- cheque is torn/dirty/mutilated
- signature differs from specimen in the bank
- insufficient funds in the account
- unsigned alterations on the cheque
- account is closed/drawer is insolvent/bankrupt
- drawer is dead/insane
- cheque has been stopped
- any other relevant point

3 max

(ii) Any three points x 1 mark each (up to 2 marks for a well developed point) such as -

- check cheques before accepting them
- keep careful records of customers who have caused problems
- ask for cash payment
- insist on the use of a cheque guarantee card
- do not accept cheques beyond the limit of the card
- take the person to court
- any other relevant point

3 max

(b) (i) fidelity bond/guarantee

1 max

(ii) Any six points x 1 mark each such as -

- contact insurance company/broker
- complete proposal form giving all relevant information with utmost good faith
- insurance company will assess the risk and calculate the premium
- if accepted a policy will be issued which is the contract of insurance and premiums will be paid for the cover
- any other relevant point

6 max

(c) (i) Any three points x 1 mark (up to 2 marks for a well developed point) such as -

- his income may be falling because of competition
- so his sales are falling attracting his customers
- the chain is offering a wider choice
- at a more competitive price
- as the chain can take advantage of economies of scale and possibly offer other services to attract consumers
- any other relevant point

3 max

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(ii) Any two actions x 2 marks each such as -

- offer a wider range of goods and also offer services which the multiple chain does not offer
- offer better services + e.g.
- stock different goods from the chain store
- advertise more widely
- try to cut costs e.g. staff
- if the worst happens close his shop
- any other relevant point

4 max

Total Mark 20

3 Award up to 5 marks per section. Allow marks for description as well as ways in which the exporter would use the following:

(a) agents

- people who work on behalf of the exporter
- looking for buyers
- saves cost of advertising/organising sales/transport/insurance/documentation/storage/customs clearance (allow any of these) as the agent may undertake these tasks e.g. forwarding agent, broker, factor (1 max)
- works on commission
- has specialist knowledge of market/local knowledge
- any other relevant point

5 max

(b) air waybills

- because the exporter is likely to use air transport to export the computers
- this document accompanies the goods sent by air
- it gives details of the goods, the journey, the consignor and consignee
- it may give the value of the goods for customs purposes
- it acts as a receipt for the transport of the goods
- not document of title
- evidence of a contract
- any other relevant point

5 max

(c) container lorries

- enables goods to be transported safely (1) preventing damage/theft (1)
- the exporter may be sending the computers across land borders so they can be packed in a container and sent by road
- the exporter may be sending the computers to the docks/airport for export by air or ship
- can send a large number of computers in one consignment which should reduce damage as the container can be packed at the factory and not unpacked until it reaches its destination
- storage provision
- any other relevant point

5 max

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(d) packaging

- computers are fragile machines so good packaging is necessary to protect them against damage/theft
- the packaging may be in various forms - boxes, polystyrene etc
- it assists handling of the computers
- it enables other items to be packed with the computers
- it enables information about the computers to be printed on the packaging
- it may reduce transport costs as there will be less claims for damage
- it makes computers look attractive
- it aids storage
- any other relevant point

5 max

Total Mark 20

4 (a) (i) Any six points x 1 mark each and up to 2 marks for a well developed point such as -

- enables payments to be made without cash and purchases to be made on credit in hotels/for transport/for goods any one
- enables large payments to be made
- saves carrying cash and so is much safer
- saves obtaining foreign currency/travellers cheques acceptable worldwide
- may obtain a better rate of exchange
- can be cancelled if lost/stolen
- can be used to obtain cash using an ATM
- useful to postpone payment when on an expense account
- may give discount/voucher/loyalty points
- any other relevant point

6 max

(ii) Any four points x 1 mark each such as -

- enables messages to be sent/received when travelling
- enables the traveller to keep in touch with office
- enables traveller to receive messages across time zones
- messages stored until the traveller has time to access them
- can send text messages
- can leave messages for people
- saves funding a landline
- calls are prepaid
- any other relevant point

4 max

(b) Any four points x 1 mark each such as -

- provides a rapid form of transport with access to most cities around the world
- enables the business traveller to undertake business wherever required
- has led to international salesmen who undertake business face to face; travel long distances
- enables businessman to work/relax on plane
- any other relevant point

4 max

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(c) (i) Any three circumstances x 1 mark each (+1 for well developed point) such as -

- when the bill is for a small amount/example
- when there is plenty of cash available
- when a cheque or other means of payment is not accepted
- when discount is offered for cash

3 max

(ii) Any three circumstances x 1 mark each (+1 for well developed point) such as -

- when dealing with a regular supplier
- when making payments of irregular amounts frequently (instalments)
- when wishing to save on clerical work/time/paperwork
- when the payee demands that a debt is paid by direct debit
- when the payee offers an incentive to use direct debit
- any other relevant circumstance

3 max

Total Mark 20

5 (a) (i) Any two examples x 1 mark each such as -

- offers and bargains in all departments changing each day
- free gifts
- special offers
- come quickly while stocks last
- free car parking

2 max

(ii) Any two examples x 1 mark each such as -

- opening of new superstore
- name of store
- location of store in Greendale
- time of opening
- name of the opener
- date of opening
- extended opening hours in all branches
- types of goods listed

2 max

(b) Any six points x 1 mark each or three well developed points x 2 marks each such as -

- cheaper prices
- more promotions + example
- additional services + example
- better customer service
- better quality products
- wider range of goods
- wider choice
- more information to consumers
- ability to bargain
- any other relevant point

6 max

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(c) Any two benefits explained x 2 marks each such as -

- fairly competitive rates compared with other forms of advertising
- can repeat the advertisements
- can give a lot of information in a small space
- can reach the target group required as many people read newspapers
- use of colour
- cheap (1)
- cheaper than(2)
- any other relevant reason

4 max

(d) (i) Any two x 2 marks each such as -

- advertising undertaken by a group of producers or a trade association on behalf of producers to advertise the product itself
- sharing costs and so increase overall sales of the product perhaps at the expense of another product e.g. beef versus lamb
- does not seek to promote the product of an individual producer
- may also be used to promote a place e.g. a holiday place
- any other relevant point

4 max

(ii) relevant example e.g. drink more milk

2 max

Total Mark 20

6 (a) Any one document x 1 mark such as enquiry/quotation and 1 mark for its purpose
OFR allowed

2 max

(b) Any two differences x 2 marks each such as -

- order is sent from the buyer to the seller
- invoice is sent from seller to buyer
- order requests the supply of goods/services
- invoice accompanies goods sold
- order gives details about the order/delivery address
- invoice contains all information related to the order

N.B. Allow differences relating to the data

- any other relevant difference

N.B. to achieve full marks, candidate must have commented on both order and invoice

4 max

(c) Any reason x 1 mark such as -

- shows that it has been approved within the company ordering
- shows a commitment by the buyer to the seller

1 max

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- (d) (i) $\$1120 \times .25$ (1 mark) = $\$280$ (1 mark)
 $\$1120 - \$280 = \$840$ (1 mark)
allow full marks if correct answer is shown
without working OFR applies **3 max**
- (ii) $\$840 \times .02 = \16.80 (1 mark)
 $\$840 - \16.80 (1 mark) = $\$823.20$ (1 mark)
allow full marks if correct answer is shown
without working OFR applies **3 max**
- (iii) Any two points x 1 mark or one well explained point x 2 marks such as -
- when the retailer has insufficient funds
 - when the retailer wishes to use funds elsewhere and can take advantage of larger incentives to pay early **2 max**
- (e) Any five points x 1 mark (up to 2 marks for well developed points) such as -
- cheaper prices because likely to be buying in bulk
 - may obtain better discounts + explanation of discounts
 - may be able to obtain goods more quickly and so put them on sale more quickly so gaining income
 - cuts out the costs of the wholesaler
 - may be less damage to the travel goods
 - retailer receives better information from manufacturer
 - goods may be fresher/more up to date
 - any other relevant point **5 max**

Total Mark 20

- 7 (a) Any two advantages explained x 2 marks each such as -
- have the benefits of capital from each of the partners so more capital available
 - each partner may have specific talents so more labour available
 - the workload can be shared giving each partner time off, holiday time
 - losses can be shared although unlimited liability exists
 - business activities and accounts are kept private
 - any other relevant advantage **4 max**
- (b) (i) $\$120\ 000 - 12$ parts = $\$10\ 000$
- Fabrice has $\$10\ 000 \times 7 = \$70\ 000$ (1 mark)
Charlene has $\$10\ 000 \times 3 = \$30\ 000$ (1 mark)
Joseph has $\$10\ 000 \times 2 = \$20\ 000$ (1 mark) **3 max**

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(ii) Any two reasons x 1 mark and up to 2 marks for a well developed reason such as -

- Fabrice may have invested more money than the others
- Fabrice may be undertaking far more of the work than the others
- Fabrice may have started the business and the others joined her in the partnership
- any other relevant reason **2 max**

(c) (i) To achieve full marks the candidate must have discussed each option
8 marks max for two options

- sleeping partner -
additional finance, no work input
- bank loan -
instant large amount of finance, has to be repaid, interest payments
- private limited company -
shareholders have ownership, protection of limited liability for
shareholders, legal status separate from the owners
- any other relevant advantage and disadvantage **9 max**

(ii) recommendation - 0 marks as there is no correct answer

reasons for the choice made x 1 mark each or one well developed answer x 2
marks such as –

- easy to raise finance
- does not interfere with the operation of the business (partnership)
- extends ownership of the company (limited company)
- any other relevant reason which may be a repeated point from (c) (i)
2 max

Total Mark 20

8 (a) (i) ships which carry goods in very large quantities often low value goods or
refrigerated goods example - grain, fertilisers **3 max**

(ii) ships which carry liquids, usually in bulk in separated tanks
example - oil, water, gas **3 max**

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(b) Any three reasons x 2 marks each such as –

- containers can be packed at the factory and not opened again until they reach their destination
- mixed cargo can be carried in one container
- handling time/charges have reduced so costs have decreased handling of containers is mechanised + e.g.
- trans-shipment of containers speeds up transport of goods
- specialised handling depots have been built
- reduction in damage + reason
- speedier delivery of goods
- reduction in theft + reason
- expansion of international trade has meant the development of container ships and container lorries
- can be used as storage
- any other relevant reason

6 max

(c) Any eight points x 1 mark or four points x 2 marks with at least 2 marks scored on advantages/disadvantages such as –

Advantages

- has speeded up the transport of freight with the quick turnaround of ships
- has reduced the cost of transporting goods across short sea channels
- has enabled goods to be sent by lorry without unloading
- has led to the increase in container traffic
- has led to the expansion of ferries specially designed for lorries
- has led to the development of ferry terminals designed to handle lorries
- has enabled a variety of cargo to be exported/imported quickly especially where there are no tariff barriers between countries e.g. EU
- has reduced cargo handling and so reduced pilferage
- increases exports

Disadvantages

- has led to increased imports - balance of trade problems
- has led in some countries to increased traffic in illegal immigrants/drugs/harmful goods.
- has led to unemployment among dock workers
- may be conflict between the requirements of passengers and the carrying of freight
- dangers associated with terrorism
- any other relevant point

8 max

Total Mark 20

9 (a) Any two points x 1 mark each such as –

conversion of a public sector business to a private sector business by selling shares/establishing a plc/selling as a complete business to one private owner

2 max

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(b) Any two features explained x 2 marks each such as -

- shareholders are owners who purchased their shares on the stock exchange
 - shareholders have limited liability - liable for losses only to the extent of their holding
 - legal entity - can sue and be sued in its own right
 - must obtain trading certificate before it can start business
 - must have £50 000 nominal capital before it can start trading
 - any relevant point which could relate to a limited company
- 4 max**

(c) Any two ways described x 2 marks or 4 points x 1 mark including of sources of finance

- purchase of (ordinary) shares
 - sale of debentures - giving ownership, interest payable
 - bank loan - fixed interest, long term
 - use of retained profits - no repayment, no interest
 - increasing prices to customers
 - any other relevant method
- 4 max**

(d) (i) Any two points x 1 mark such as -

total sales less returns = 2 marks i.e. net sales
(sales only = 1 mark)
from selling water services

2 max

(ii) (ii) $\$55 \times \frac{100}{100}$ (1 mark) = \$50(bn) (1 mark)

2 max

(iii) Any one example x 1 mark such as -

creditors, overdraft, hire purchase debt, payments for wages/maintenance/repairs/materials

1 max

(iv) Any five points x 1 mark (+1 for a well developed point) such as –

- obtain a loan
 - reduce costs e.g. wages
 - increase sales
 - use reserves
 - dispose of any unnecessary stock held (N.B. reducing stock = 0)
 - pay off short-term debts/reduce creditors
 - review total amount of debtors to obtain payments
 - use cash to purchase items on which profits are made
 - increase prices to consumers to increase income
 - selling fixed assets
 - N.B. definition of working capital - CA - CL = 1 mark
 - any other relevant point
- 5 max**

Total Mark 20

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10 (a) Any ten points x 1 mark each such as –

- storage (1) of goods/raw materials/work in progress
- protects (1) against weather/theft/damage/deterioration
- enables goods to be processed/packed/prepared for sale
- enables a variety of goods to be offered in one place
- enables goods to be displayed
- awaiting sale
- awaiting transport
- may be operated as a cash and carry business
- enables manufacturers to clear their production lines and keeps retailers supplied
- enables bulk breaking to be carried out
- guards against price fluctuations and evens out supply
- any other relevant point

10 max

(b) Do not allow the general points given in (a) above. Answers should be in context

(i) Any three points x 1 mark each such as –

- enables him to continue producing all the year round
- and to be able to sell at the appropriate time
- and achieve good prices
- he is able to supply when there is large demand
- example of seasonal product
- any other relevant point

3 max

(ii) Any three points x 1 mark each such as –

- enables the importer to prepare/blend the tea ready for re-export
- saves the importer paying import duty
- by keeping the tea in a bonded warehouse until he is able to export it again
- claim refund of import duty
- any other relevant point

3 max

(c) Any four points x 1 mark each (+1 for well developed point) (0 marks for general points) such as –

- so that goods are easily available
- to maintain sales
- to keep the supermarket well stocked
- to provide storage for perishable items
- allows deliveries after hours when shopping centre is quiet
- may need to prepare some of the goods for sale
- has to store a variety of products
- has large warehouse elsewhere
- any other relevant point

4 max

Total Mark 20