

Cambridge O Level

COMMERCE**7100/22**

Paper 2 Written

October/November 2024**MARK SCHEME**Maximum Mark: 80

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.

This document consists of **25** 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.

PUBLISHED**Annotations**

Symbol	Possible Use
Tick	Tick
X	Cross
BOD	Benefit of doubt
Highlight	Highlight
On Page Comment	On Page Comment
Off Page Comment	Off Page Comment
TV	Too vague
REP	Repeat
L1	Level 1
L2	Level 2
L3	Level 3
NAQ	Not answered question
OFR	Own figure rule
SEEN	Noted but no credit given
BP	Blank Page

Question	Answer	Marks	Guidance
1(a)(i)	Identify the <u>one</u> tertiary import activity of this country. Banking	1	
1(a)(ii)	Calculate the percentage of timber exported by this country. Answer = 27%	1	
1(b)	Explain <u>two</u> reasons why countries use shipping containers to import food. <ul style="list-style-type: none"> Containers can be refrigerated / temperature / climate controlled / need for cold storage (1) for perishable foods (1) preserve food / food does not go bad / spoiled / deteriorate / rot (1) Food can be transported in large capacity / big space (1) bulky / large amount of goods (1) Cheap / lower costs / cost effective (1) so prices can be decreased (1) compared to air transport (1) Containers are secure / sealed / locked (1) food kept safe / not opened (1) Protected (1) from weather / theft / damage (1) Food can be transhipped (1) no need for constant packing (1) saves time (1) Food does not need to be warehoused (1) container acts as the warehouse / for storage of goods (1) Containers are loaded / unloaded quickly / easily (1) saves time (1) 	4	

Question	Answer	Marks	Guidance
1(c)	<p>An importer has not received their order from an exporter. Do you think the importer should use email, rather than telephone, to contact the exporter? Give reasons for your answer.</p> <p>Yes – provides a permanent / written / record (1) proof (1) for future reference / can refer back to (1) as it is stored (1) enables detailed information to be sent (1) example of information, such as how long will the order take to arrive (1) can be supplemented by visual / numerical information (1) can use attachments (1) one email can be sent to different addresses at once / forwarded to other people (1) direct method (1) less chance of misunderstanding between importer and exporter / clearer explanation of the problem (1) the phone line may be busy / do not want to hang on / avoids automated options (1) telephone signal may be poor / difficult to understand / distortion (1) telephone would be affected by time-zones (1) telephone has no evidence (1) making communication email is cheaper / quicker (1)</p> <p>No – Telephone is better when the exporter wants to hold a discussion / conversation / talk (1) when a quick / urgent decision / response is needed (1) it is direct / one to one communication (1) message can be conveyed immediately (1) can have an immediate answer / instant feedback / reply (1) when there is no working email/computer / internet is down / may not have internet (1) there may be delays in replying (1) if email not seen / checked (1) emails can be deleted / lost by accident (1) may be seen as junk mail (1) can be seen as impersonal (1) spam emails can clutter up inbox (1)</p>	3	
1(d)	<p>Oil is a non-renewable resource.</p> <p>Tourism is an example of invisible trade.</p>	2	

Question	Answer	Marks	Guidance
1(e)	<p>Evaluate the benefits of using an overseas agent when exporting goods.</p> <p>Overseas agents are intermediaries / third parties / who act on behalf of other businesses in bringing buyers and sellers together in international trade. Agents include brokers, factors and freight forwarders.</p> <p>Benefits:</p> <ul style="list-style-type: none"> • Overseas agents have knowledge and understanding of foreign markets so are well placed to identify and exploit opportunities • Overseas agents will find buyers, leading to increased sales • Some agents will sell the goods on behalf of their principals • Some agents can help with delivery of goods so saving exporters' times • Some agents can help with language so improves communication / avoids communication barriers / so no need for exporter to employ a translator • Some agents can guarantee payment so avoiding bad debts for the exporter • Some agents will help with documentation / customs clearance so reducing the need for the exporter to employ extra staff • Some agents can help with finding insurance which helps the exporter to have financial protection • Some agents will help with advertising so reduces costs to exporter / exporter does not need to worry about employing an advertising agency • Some agents will sell at the best price so the exporter will earn a profit • Some agents will have possession of the goods / arrange warehousing so keeping goods safe from theft • Overseas agents will have the necessary expertise in what they are selling and what the local consumers are likely to demand as they will have a network of contacts, reducing risk of failure • Overseas agents assume responsibility for transporting / customs clearance which saves the exporter time gaining that knowledge and expertise • The overseas agent will save a business time / money as there is no need 	6	<p>Up to 2 marks for describing overseas agents / exporting goods</p> <p>Up to a further 2 marks for analysing the benefits of using an overseas agent</p> <p>Up to a final 2 marks for evaluating the benefits of using an overseas agent</p>

Question	Answer	Marks	Guidance
1(e)	<p>to recruit / train new employees to travel long distances / provide accommodation as agents will collect payment / making contracts for the business / guaranteeing payment</p> <ul style="list-style-type: none"> • Solves the problem of not being sure whether they will receive payment for goods / some overseas agents guarantee payment so avoiding bad debts • Some agents will help with currency exchange saving time / money for the exporter • Using an agent allows an exporter to maintain more control over other matters such as final price and brand image compared with the other intermediary option of using a distributor • They provide local representation giving trust to local buyers to purchase goods. <p>Evaluation: Much will depend on whether the business has enough resources to have their own export department or are experienced in exporting. Then, an overseas agent might be less needed. However, if the business is first time exporting, or exporting to a new market, it might be better to use an agent so that they can concentrate on other aspects of their business, which may otherwise be neglected.</p>		

Question	Answer	Marks	Guidance
2(a)(i)	<p>Identify <u>two</u> examples that make this an informative advertisement.</p> <ul style="list-style-type: none"> • States that FF Freight Forwarders is the ninth biggest in the UK • Announces a new air cargo service • From UK to Asia • Gives the date of service when it begins (10th December 2024) • Destinations / locations have been stated / starts from Glasgow airport / name of airport • Please look at the website for our competitive rates / please look at the website. 	2	
2(a)(ii)	<p>Explain <u>one</u> way that this advertisement could be more persuasive.</p> <ul style="list-style-type: none"> • Fonts / colour / graphics / photos (1) so that they stand out / attract customers (1) • Embolden some parts of the advertisement (1) such as the heading (1) • Add some persuasive wording or example (1) such as the word wonderful / reliable / receive the best service (allow any suitable word example) (1) to attract customers (1) • Make a comparison with other companies (1) such as the words 'no other company can provide such a good service' (1) attract customers (1) • Give examples of competitive prices/rates (1) e.g. \$300 for any sized container (1) to attract customers (1) • Use humour / colour / emotions / hero worship / slogan (1) to attract customers (1) • Use special offers / deals / discounts (1) to attract customers (1) • Use positive reviews (1) to attract more customers. (1) 	2	

Question	Answer	Marks	Guidance
2(b)	<p>State <u>three</u> services offered by a freight forwarder, other than transport.</p> <ul style="list-style-type: none"> • Insurance • Prepare storage / warehousing / inventory management • Packing / packaging • Arrange / manage customs clearance / calculating tariffs • Prepare / handle documentation / paperwork • Logistics advice / logistics management • Secure payments / manage payments. 	3	
2(c)	<p>A business wants to use air transport to send medical supplies to another country. Security is a factor when transporting goods.</p> <p>Evaluate <u>two</u> other factors that this business needs to consider when using air transport. Which factor is more important? Give reasons for your answer.</p> <p>Air transport is operated by airline companies who can deliver a wide range of goods, including medical supplies which might be needed in a military situation or an emergency such as an explosion resulting in the need for medical assistance.</p> <p>Factors:</p> <ul style="list-style-type: none"> • Speed / Time – air transport can deliver goods much more quickly than other transport methods. There are fewer delays with air freight, so the medical supplies are more likely to reach its destination on time • Cost – air transport is usually more expensive than other transport methods so this would increase costs • Urgency – if the medical supplies are required urgently or there is a natural disaster in a country, air transport would be used so that patients can access the medical treatments that they require quickly • Quantity of goods to be carried / weight – if the medical supplies are lightweight then aircraft can carry more supplies 	6	<p>Up to 2 marks for describing air transport/goods carried</p> <p>Up to a further 2 marks for analysing the two transport factors when carrying medical supplies to another country</p> <p>Up to a final 2 marks for evaluating which factor is more important when carrying medical supplies to another country</p>

Question	Answer	Marks	Guidance
2(c)	<ul style="list-style-type: none"> Distance – it might be too far to use road transport Nature of goods – if the medical supplies require special handling, then air transport is preferred over other transport methods such as rail Convenience – air transport could be convenient to carry medical supplies from an airport Geographical location – if the other country is in a remote or mountainous area then air transport is more suitable for access than other transport methods Reputation / reliability of carrier – the medical supplies, as they are being sent on a regular basis, will need an efficient / reliable carrier to get the medical supplies there on time. <p>Evaluation: The business would normally want to choose the least costly method of transport but if the medical supplies are urgently required then air transport will be used. However, if the medical supplies are bulky, low cost and not urgent the business might decide to use sea transport.</p>		

Question	Answer	Marks	Guidance
3(a)	<p>Calculate the weekly sales revenue. Show your working.</p> <p>Answer = \$7560 (4) Method = $14 \times 200 = 2800$ (1) $45\% \times 2800 = 1260$ seats sold (1) $\times \\$6$ (1) OR = $45\% \times 200 = 90$ (1) $\times 6$ (1) = 540 (1) $\times 14$ OR = $45\% \times 200 = 90$ (1) $\times 14$ (1) = 1260 (1) $\times \\$6$</p>	4	
3(b)	<p>Suggest <u>two</u> sales promotion methods that Wesley might use to increase bookings.</p> <ul style="list-style-type: none"> • Free offers / offers or example such as free tickets on purchasing 4 tickets • Free showings • Discounts or an example such as money-off tickets for students on Tuesday night, lower price on Saturday • Loyalty cards / collect points or example collect points for a free drink • Competition / lucky draw or example such as win six months free cinema membership • Special offers / BOGOF deals or example such as two for one ticket, 2 popcorns get one drink free • Product-bundle/combo or example such as buy drink, chips and a snack at a lower price • Gift or an example such as watch a movie and get a free drink or get a free poster • Coupon or example such as money off popcorn on your next visit • Seasonal promotion or example such as paying less on Halloween • Point of sale • Loss leaders • Early bird offers. 	2	

Question	Answer	Marks	Guidance
3(c)	<p>Wesley accepts payment for tickets by a variety of methods, but no longer accepts cash. Do you think it is a good idea for Wesley to not accept payment by cash for cinema tickets? Give reasons for your answer.</p> <p>Yes – less cash handling (1) lowers administrative costs (1) reduces risk of theft (1) hard to trace / track missing money (1) no need to transport cash to the bank (1) staff would have to count / process cash (1) incorrect counting of money (1) would cause more administration / paperwork (1) saves time / money (1) no need to store cash / have cash on premises (1) better security / lowers security costs (1) debit cards / credit cards allow immediate transfer of money (1) quicker at checkout / ticket office (1) some other payment methods can take longer / be more costly to process (1) e.g. taking a cheque (1) could lead to bad debts (1) sometimes fake notes are presented (1) some businesses do not accept cash / less common to accept cash (1) having a cashless society is the trend. (1)</p> <p>No – Tickets are quite cheap (1) some people prefer cash for a low amount / small payment (1) Wesley does not want to wait for payment/it is immediate (1) compared to offering credit (1) do not want to pay for credit card charges (1) cash helps Wesley's cash flow (1) cash is legal tender (1) can be accepted everywhere / cannot be refused (1) may mean lost business by refusing to accept cash / consumers cannot pay for a ticket (1) from people without credit / debit cards / mobile wallet / online access to pay for tickets (1) e.g. Children / teenagers (1) some people only carry cash / some people / teenagers prefer to pay by cash (1) may not like the idea of paying by card (1) could lead to decreased sales / lose customers. (1)</p>	3	

Question	Answer	Marks	Guidance
3(d)	<p>Evaluate the advantages and disadvantages to the customer of paying for their tickets by credit card.</p> <p>A credit card is a plastic card issued by a bank/credit card company bearing a magnetic stripe containing machine-readable code providing instant credit.</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Convenience / easy to pay / store – using a credit card lets a customer buy now, pay later • Spread out the costs – If a customer needs to make a big purchase, a credit card lets them pay over several monthly instalments. This can help with budgeting and increase their standard of living • Interest-free credit – if full amount paid on credit card statement • Can use it to obtain money from ATM – in an emergency • Can pay online at home – saves money/time going to ticket office • Flexible – can be used in variety of stores anywhere • Purchase protection – Sometimes there could be a problem with a purchase such as it might get lost or damaged, for example, or the company could even go bankrupt. With credit cards, a customer will have buyer protection so they can claim their money back from the card provider if there's an issue with their goods or services • Cashback and rewards – customer could be getting discounts / air miles or similar shopper loyalty points each time they use their card, or cashback on purchases • Accepted worldwide in most outlets so customers can use it in most places • Safer to carry credit card than to carry money so reduces theft. 	6	<p>Up to 2 marks for describing credit cards</p> <p>Up to a further 2 marks for analysing the advantages and disadvantages of paying for tickets and other goods by credit card</p> <p>Up to a final 2 marks for evaluating whether the advantages of paying by credit card outweigh the disadvantages</p>

Question	Answer	Marks	Guidance
3(d)	<p>Disadvantages</p> <ul style="list-style-type: none"> • Getting into debt – If a customer can't pay back what they borrow, their debts can increase • The rate of interest is high – than for other forms of credit such as bank loans so it can be an expensive method of credit if not paid back within due date • Customer may be tempted to impulse buy and spend more than they should, so being unable to pay off the credit card debt at the end of the month • Damaging their credit – missing a payment on their card can damage their credit rating. This can make it harder to get credit in the future • Extra fees – Credit card providers might charge a customer extra for things that are free with a debit card, such as withdrawing cash from an ATM or buying goods or services overseas • Fraud – they can be hacked / stolen and used to pay for goods with credit cardholder liable for losses • Security measures – may have to input a code to make a payment delaying your time <p>Evaluation: A customer needs to maximise the advantages of a credit card and minimise the disadvantages by making sure that they pay off the balance each month and don't miss, or make late, payments so that their credit score is protected and there is no interest to be paid. Otherwise, this can lead to a higher debt and be costly.</p>		

Question	Answer	Marks	Guidance
4(a)(i)	Identify the form that Celine completes in Stage 2. Proposal form / proposal	1	
4(a)(ii)	Identify the insured. Celine / Celine's apple farm	1	
4(b)	Explain <u>two</u> reasons why Celine should insure her business. <ul style="list-style-type: none"> • Provide compensation / payment / receive money / financial aid (1) minimise losses / or example such as against fire / theft / damage (1) • Risk reduction / reduce risks (1) taking cover for the risk or example of risk transferring risk to the insurer (1) • Protection (1) from losses / to replace losses / so Celine does not lose out / can continue in business (1) • Confidence in the business (1) to take risks / to want to continue in business / because losses can be recovered / returned to previous position / gives her peace of mind / reduce stress (1) • Laws / legal requirement (1) e.g. public liability insurance (1) • Need to cover employees / employer's liability (1) employees injured / accidents at work (1) • To cover risks of international trading (1) e.g. export credit guarantees (1) 	4	
4(c)(i)	Explain how warehousing might assist Celine to stabilise the price of her apples. <ul style="list-style-type: none"> • By storing / keeping / harvesting large amounts of apples (1) and releasing it gradually over the year (1) to prevent shortages (1) by having constant / controlling supply (1) when price of apples increases (1) Celine can reduce the wider price fluctuations (1) by meeting the demand by supplying apples (1) to charge an equilibrium price. (1) 	2	

Question	Answer	Marks	Guidance
4(c)(ii)	<p>Explain how warehousing might assist Celine to satisfy the seasonal demand for apples.</p> <ul style="list-style-type: none">Apples that can be produced at only certain times of year (1) can be stored / kept (1) and released / supplied throughout the year (1) enabling everyone to have / sold these goods off-season / out of season / when season is over / all seasons (1) when there is no production (1) so there are no shortages. (1)	2	

Question	Answer	Marks	Guidance		
4(d)	<p>Celine is considering two options to sell her apples: Option 1: street market stall Option 2: local supermarket Discuss each of these two options. Which would you recommend? Give reasons for your answer.</p> <p>A street market is a collection of stalls in an open area small-scale retailer / business. A supermarket is a large-scale retailer / business, self-service store selling mainly food and household goods / variety of goods.</p> <p>Street market stall: Street markets bring together many customers in one place / busy area so there are many potential customers. The start-up costs / fixed costs are low e.g. low rent/hire of stall so cheaper than having a physical store. The apples will be sold directly to customers so Celine will have direct contact with them who can give her feedback about their needs and wants. Celine can be paid right away in cash helping her cash flow. Street markets mainly deal in cash so no risk of bad debt. Celine will need a van to transport her apples to the market, adding to her costs. Street markets require a lot of labour time away from the farm for Celine. There can be a lot of competition at the market from other apple stalls. There is a lack of storage for the apples apart from in her vehicle. If Celine does not like talking directly with customers, she will find it more difficult to increase sales. Street markets are very dependent on the weather. On a rainy day, she could find few customers. If her stall is poorly located in the street market, this will impact on the amount of trade she receives. Celine might provide informal credit so increasing customer loyalty.</p> <p>Supermarket: Easier to deal with one large customer rather than a number of smaller</p>	8	Level	Mark	Description
			3	7–8	The candidate is able to offer a thorough evaluation, with a recommendation, of whether Celine should be selling her apples in a street market stall or to a local supermarket.
			2	5–6	Candidate offers a satisfactory analysis of the advantages and/or disadvantages of whether Celine should be selling her apples in a street market stall or to a local supermarket, with or without a recommendation.
			1	1–4	Candidate demonstrates some knowledge and understanding, with application to Celine using a street market stall or local supermarket to sell her apples.
			0	0	No creditable response.

Question	Answer	Marks	Guidance
4(d)	<p>independent customers. Increase in sales with access to a larger customer base. Increase in brand awareness of her apples with possible nationwide coverage. It may be easier to access financial assistance as banks may be more willing to lend to a business if they have a supplier contract with a well-known supermarket. Supermarkets have a lot of experience in selling different products and may be able to offer Celine advice that will help increase her sales, e.g. through packaging design. The price Celine might receive for her apples will be much less than if you sell direct to customers at a street market. Celine could become vulnerable to a drop in demand, price decreases or a squeeze on profit margins from the supermarket. Supermarkets can only store small quantities, so more deliveries are required increasing her costs. Celine will face competition from other brands which might affect her sales. Celine will be under pressure to keep up with demand if her apples sell well. She may have to invest in new equipment or expand her premises to produce more apples. Her apples may only be given a trial period on the supermarket shelf. Some supermarkets may insist on being the only exclusive seller of her apples or may insist on Celine selling elsewhere at a higher price. Some supermarkets may audit their supplier to ensure certain criteria are met or insist on a business achieving certain food safety accreditations before being considered as a supplier which will take time to sell the apples.</p> <p>Evaluation: Celine will have to weigh up the advantages of selling directly to customers at a street market where she can increase her profit margin compared to an impersonal service at a local supermarket where she can maximise her sales but at a reduced profit margin. As has no experience selling apples, so it might be a good idea to talk to the local supermarket about the possibility of selling her apples there and then if that fails, rent a street market stall.</p>		

Question	Answer	Marks	Guidance
5(a)(i)	What do the letters Ltd mean in a company name? <ul style="list-style-type: none"> Limited / limited company / private / public limited company / private/public limited / limited liability 	1	
5(a)(ii)	Explain <u>one</u> difference between cash discount and trade discount. <ul style="list-style-type: none"> Cash discount is a deduction from the invoice price (1) trade discount is a reduction on the catalogue / list price (1) Cash discount is given to encourage people to pay within a period / for early payment / quick payment / or example 5%, 30 days (1) trade discount is given to encourage repeat orders / bulk buying / quantity buying / encourage sales from retailers / other traders (1) Cash discount may assist the buyer's cash flow / working capital (1) trade discount enables the retailer to make a profit to traders (1) Cash discount is usually low, or e.g. 2 – 5% (1) trade discount is usually higher or e.g. 20–40% (1) Cash discount as a separate accounting entry as an expense (1) trade discount are calculated on the final invoice / not a separate entry. (1) 	2	

Question	Answer	Marks	Guidance									
5(b)	<p>Do you think an online payment by debit card is the best way for TT Wholesalers Ltd to make the payment? Give reasons for your answer.</p> <p>Yes – Convenient / easy (1) can transfer funds immediately / instant payment / fast / direct (1) no chance of debt (1) no interest to pay / interest-free (1) can be used to pay large amounts (1) will save the TT Wholesalers time / money (1) less cash handling (1) compared to posting cheques / visiting Shoooo (1) payment is guaranteed / secure / safe / no theft (1) will have proof / record / evidence of payment (1) if there are any disagreements (1) no need for credit (1) no fees / charges than using a credit card (1) no need to visit the bank (1) saves transport costs (1) no need to carry cash around (1) cash can be stolen / risky to carry. (1)</p> <p>No – Cannot be used if there is no money in the account (1) large amount of money to be paid (1) may affect cash flow (1) increase overdraft fees (1) may be subject to fraud (1) by hacking (1) lose money (1) may prefer to use credit (1) pay back over a period of time / buy now, pay later (1) other competitors may offer a wider range of payment methods, which would be more suitable to buy boots (1) less protection of fraud (1) than credit cards. (1)</p>	3										
5(c)	<p>Which of these statements about banking services are TRUE and which are FALSE?</p> <p>TRUE FALSE</p> <table><tr><td>Mobile banking is accessed through an app.</td><td>✓</td><td></td></tr><tr><td>ATM's can be used at any time.</td><td>✓</td><td></td></tr><tr><td>Savings accounts allow customers to have an overdraft limit.</td><td></td><td>✓</td></tr></table>	Mobile banking is accessed through an app.	✓		ATM's can be used at any time.	✓		Savings accounts allow customers to have an overdraft limit.		✓	3	
Mobile banking is accessed through an app.	✓											
ATM's can be used at any time.	✓											
Savings accounts allow customers to have an overdraft limit.		✓										

Question	Answer	Marks	Guidance		
5(d)	<p>Shoeee Ltd is looking to expand production to meet the demand for a new boot by buying more machinery. It is considering two options to finance these machines.</p> <p>Option 1: hire purchase Option 2: retained earnings (retained profits)</p> <p>Discuss each of these two options. Which would you recommend? Give reasons for your answer.</p> <p>Hire purchase is an arrangement / agreement which involves a third party in the purchase of goods. The third party can be banks or finance houses Retained profits is profit kept back for use in the company and not paid as dividend to shareholders.</p> <p>Hire purchase:</p> <ul style="list-style-type: none"> Using hire purchase – Shoeee will pay a deposit / down-payment to purchase the machines and then make regular monthly instalments / repayments, usually over a one to five-year period, until the total is paid. The cost of repayments is fixed. This will help with its cash flow / budgeting as it means that the cost of buying the machines is spread. It also reduces the initial outlay Shoeee can buy the machines which might otherwise been unaffordable Shoeee can use the machines, but the machinery will not belong to / be owned by Shoeee until the final / last instalment is paid The machines will be repossessed if they do not make the regular repayments The machines cannot be sold until the payments have been completed but the buyer has right to end the contract if over 50% of payments have been made Interest will be added to the selling price of the machines to cover the length of time Shoeee will take to pay the total amount. So, hire purchase is more expensive than paying in cash. By using the machines, it will allow Shoeee to cater for the increased 	8	Level	Marks	Description
			3	7–8	The candidate is able to offer a thorough evaluation, with a recommendation, of whether Shoeee should be using hire purchase or retained earnings to buy machines.
			2	5–6	Candidate offers a satisfactory analysis of the advantages and / or disadvantages of using hire purchase and / or retained earnings to buy machines, with or without a recommendation.
			1	1–4	Candidate demonstrates some knowledge and understanding, with application to using hire purchase and / or retained earnings to buy machines.
			0	0	No creditable response.

Question	Answer	Marks	Guidance
5(d)	<p>demand whilst making regular monthly payments.</p> <p>Retained earnings (retained profit):</p> <ul style="list-style-type: none"> • Do not have to find a financial institution to provide finance so time / cost is saved • Using retained profit gives Shoeee Ltd immediate finance to buy the new machines and can use the machines straightaway • There are no repayments and there is no interest to be paid so cheap form of finance • The retained profit would allow Shoeee to increase its output immediately • The retained profits may be insufficient to pay for the machines • There is the opportunity cost that the retained earnings cannot be used for something else • If unexpected costs occur, such as the machines break down, it could leave Shoeee without the finance to correct such problems • If retained profit has been used to purchase new machines shareholders may not get the dividends they expected and be unhappy with the management / reluctant to invest more money. <p>Evaluation:</p> <p>It depends whether Shoeee has enough retained profits to pay for the machines outright immediately, if so Shoeee should buy it because it becomes an asset of the business. If not, Shoeee will have to use hire purchase or some form of leasing or borrowing. Shoeee may not like the fact that it does not own the machines but at least it can increase output to meet increased demand with potential of increased profits.</p>		