

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge Ordinary Level

## **MARK SCHEME for the October/November 2014 series**

### **7101 COMMERCIAL STUDIES**

**7101/12**

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

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### Section A

- 1 (a) Target audience (1) the number of customers/kind of people the advertiser wishes to reach (1)  
 Cost (1) can the advertiser afford the cost of advertising? (1)  
 Cost-effectiveness (1) are the advertisement's results going to justify the cost? (1)  
 Coverage (1) how many people can be reached? (1)  
 Frequency (1) should it be shown once or repeated? (1)  
 Nature of product/service (1) some products may need to be demonstrated or e.g. (1)  
 Need to develop brand loyalty (1) the need for consumers to be aware of brand names (1)  
 Need to use more than one advertising medium (1) to reinforce the message (1)  
 The competitor's use of media (1) often companies follow what the competitor is doing (1)  
 The impact required (1) different products are better suited to particular media or e.g. (1)  
 Flexibility (1) can the advertising space be changed easily? (1)  
 Laws/regulations of advertising (1) may restrict what can be shown or e.g. (1)  
 Timing (1) best to advertise in advance of season or e.g. (1)  
 Lifespan of advertisement (1) how long will the advertiser wish to use the same advertisement? (1)  
 Cultural issues (1) some advertising might be unsuitable on some media or e.g. (1)  
 Level of distraction for the targeted audience (1) noise levels (1)
- Any 2 × (1 + 1) marks [4]
- (b) Local newspaper (1) relatively cheap (1) can provide information (1) long life-span (1)  
 Leaflets/pamphlets/flyers (1) can be targeted at local audience (1) can be kept for reference (1)  
 Posters/billboards/hoardings (1) use of colour (1) cheap (1)  
 Point of sale/window displays (1) may be changed quickly (1) can introduce new products (1)  
 Internet (1) can provide information (1) display all products (1)  
 Magazine (1) use of colour (1) can target readers (1)
- Any 1 (name) + (1 + 1) marks [3]
- (c) They will inform the applicants that a new part-time job is available by giving details about the job (1) e.g. hours of work (1) pay (1) location (1)  
 They will persuade applicants to apply for the job by influencing applicants to apply (1) e.g. earn extra pay by commission/good chances of promotion (1)  
 (Note: Maximum of 2 marks for either informative or persuasive advertising)
- Any 3 × 1 marks [3]
- (d) (i) Consequential loss – will cover losses as a consequence of another type of risk (1) e.g. fire causing loss of premises (1) it will allow the business to continue (1)
- Any 2 × 1 marks [2]
- Public liability – covers claims made by members of the public (1) e.g. if customer falls and breaks leg in the shop (1) the customer would be awarded damages/compensation (1)
- Any 2 × 1 marks [2]

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- (ii) Employer's liability  
 Fidelity guarantee/bond  
 Cash in transit  
 Goods in transit  
 Fire  
 Theft/burglary  
 Buildings/contents  
 Motor  
 Plate glass  
 Bad debts/credit  
 Accidental damage  
 Flood

Any 2 × 1 marks [2]

- (e) Candice must tell the truth (1) and give all relevant/material facts (1) example of detail such as heart problems (1) on proposal form (1) as this affects the premium paid (1) and whether the insurer will accept the risk (1). If Candice does not tell the truth, the contract will be declared null and void (1) and Candice will not be able to claim/lose compensation (1)

Any 4 × 1 marks [4]

- 2 (a) Transport is a means of making contact between two distant points (1) allowing the movement of goods (1) to be distributed to shops (1) and raw materials (1) to the producer (1) and delivery of goods to the consumer (1).  
 It reduces the need of capital tied up in stock (1) as goods can be obtained quickly (1).  
 It enables people to get to work (1) to help produce goods/services (1).  
 It extends the market for goods/services (1) to the global economy (1).  
 People are not confined to their immediate areas (1) as transport allows trade to take place on a wider scale (1) as goods are of no use unless they reach where they are needed.

Any 4 × 1 marks [4]

- (b) Cost (1) e.g. air transport is expensive (1)  
 Quantity of goods to be carried (1) e.g. bulky goods can be carried by rail (1)  
 Nature of goods to be carried (1) e.g. are they perishable? (1)  
 Urgency (1) e.g. spare parts can be sent by courier (1)  
 Security needed (1) may require supervision (1)  
 Safety issues (1) may use own transport rather than using another carrier (1)  
 Distance (1) road is often used for short distances (1)  
 Convenience (1) usually the easiest one available (1)  
 Need for transshipment (1) need for integration of the transport (1)  
 Location (1) some countries do not have railways (1)  
 Reputation/reliability of carrier (1) so deadlines are kept/arrive in good condition (1)

Any 3 × 2 (1+1) marks [6]

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- (c) (i) Tankers  
Cargo liners  
Bulk carriers  
OBO ships  
Container ships  
Coastal ships/Coasters  
Fishing boats  
Ferries/Ro-Ro's  
Loggers  
Tramp steamers  
Passenger cruise

Any 2 × 1 marks [2]

- (ii) It is a document of title (1) as whoever has possession of the bill can claim ownership of the goods (1) so it is important to make sure that the importer receives the bill before the goods arrive (1).  
It is a receipt (1) for goods taken on board the ship (1) showing their condition (1) e.g. clean/dirty (1)  
Provides evidence/proof (1) that a contract of carriage has been made (1) between the consignor and the shipping company (1)

Any 3 × 1 marks [3]

- (d) The demand for lightweight goods (1) such as electronics have increased (1).  
The need for high value goods/low bulk goods (1) such as jewellery (1) with direct flights (1) to more possible destinations (1) as there are more airports/air routes (1) and bigger cargo planes (1) to carry more goods (1).  
It is a safer means of transport (1) with greater security at airports (1) and less time in transit for goods to be stolen (1) and containers have been developed for aircraft (1) with specialist facilities for carrying some aircraft (1) including automated handling of goods (1).  
Aircraft design have made planes more fuel efficient (1) and more economic to operate (1) with charges gradually coming down (1)  
The development of freight companies (1) example (1)  
The need for speed (1) of urgently required goods (1) example (1)  
More goods bought online (1) across the world (1)

Any 5 × 1 marks [5]

- 3 (a) (i) Name of partnership  
Objectives of partnership  
Nature of the business  
Duties/role of each partner  
Amount of salary to be paid to each partner  
Conditions for ending the partnership  
Witnesses  
Place of business  
Signatures  
Share of profits  
Interest on capital

Any 2 × 1 marks [2]

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- (ii) It is legally binding on the partners (1) so that they need to act according to the deed of partnership provisions (1) e.g. how profits are shared (1) and to prevent misunderstanding (1) and future disputes (1)

Any 2 × 1 marks [2]

- (b) (i) Two to 20 owners  
Owned by partners  
Controlled by the partners  
Each partner can take an active part  
Sleeping partners do not take an active part  
Capital provided by the partners  
Unlimited liability  
Profits shared among partners  
No legal requirements  
No publication of annual accounts/business affairs private  
Lack of continuity

Any 3 x 1 marks [3]

- (ii) Will provide extra capital (1) to expand the business (1) e.g. for buying another shop (1)  
Can cover for holidays/sickness (1) giving more flexible working hours (1) particularly during busy times of year/e.g. (1)  
Can contribute extra skills to the business (1) e.g. bookkeeping (1) and help in decision-making (1)

Any 3 × 1 marks [3]

- (c) (i) Because they supply particular greeting cards at certain times of the year (1) but which are manufactured all the year round (1) and so they need to be stored in warehouses until consumers require them (1) so that the greeting cards can be supplied throughout the year (1). Acting as a reservoir provides a balance between demand and supply (1) and helps to stabilise prices (1)

Any 3 × 1 marks [3]

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(ii) Advantage:

- Can see image of products (1) so it is easier to compare (1)
- Sellers' prices can be compared (1) on one computer (1)
- No need to travel (1) so costs saved (1)
- Can pay online (1) saving bank charges (1)
- Can order 24/7 (1) no need to be restricted to any shop opening hours (1)
- May be cheaper (1) because seller costs are lower (1)
- Worldwide (1) can buy goods from other countries (1)

Any 1 × 2 (1+1) marks

[2]

Disadvantage:

- Goods not inspected (1) to see if goods meet the need (1)
- Images may be misleading (1) so quality difficult to judge (1)
- Delays in receiving goods (1) if goods need to be returned (1)
- Possibility of fraud (1) if goods not sent (1)
- Technical issues (1) such as reliability of the internet (1)

Any 1 × 2 (1 +1) marks

[2]

- (d) Limited number of partners allowed (1) with limited capital (1) making it difficult to expand (1)  
 Lack of continuity (1) to build up over a long period (1) if business ends (1)  
 Risk too great (1) because of unlimited liability (1) can lose capital invested (1)  
 Funds can be raised by public subscription (1) through selling of shares (1)

Any 3 × 1 marks

[3]

- 4 (a) (i) \$12 000 – \$1800 (1) (15%) = \$10 200 (1)  
 \$10 200 – \$510 (1) (5%) (1) = £9690 (1)

(Note: Allow OFR and allow 4 marks for correct answer without working)

4 × 1 marks

[4]

- (ii) Date = Examination date plus up to 7 days (1)  
 Name of payee = MB Ltd (1)  
 Amount payable = in words and in numbers (1)  
 Name of Tapir Japper in right-hand corner (1)  
 Crossing = Words inside the two lines drawn across the face of cheque (1)

5 × 1 marks

[5]

- (b) (i) Letter post = 1 mark

[1]

- (ii) Credit note (1)  
 Debit note (1)  
 Supplementary or another invoice issued

1 × 1 marks

[2]

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- (iii) Telephone (1) immediate contact can be made/instant feedback can be given (1)  
Email (1) can write details (1)

2 × 1 marks [2]

- (c) (i) To encourage prompt payment (1) so that MB Ltd can buy more goods (1) pay his creditors (1) or take advantage of cash discounts given to him by his suppliers (1) and can clear stocks quickly (1)

Any 2 × 1 marks [2]

- (ii) Gives Tahir a margin of profit (1) not known to the final consumer (1) and Tahir is entitled to the discount even if he does not pay within a given period (1)

Any 2 × 1 marks [2]

- (iii) Tahir may not want to tie-up capital (1) needs the cash for other purposes (1) such as bills to pay (1) or the money could be used to his advantage elsewhere (1)

Any 3 × 1 marks [3]

- 5 (a) (i) Can save time queuing for service (1)  
Goods can be examined at leisure (1)  
Customer does not feel pressurised by shop assistants (1)  
More control over what is bought (1)  
Can calculate cost of goods before paying (1)

Any 2 × 1 marks [2]

- (ii) Bottles/boxes/cartons/cans/bags/jars/packets

Any 2 × 1 marks [2]

- (b) (i) Bar codes give information about the goods (1) such as the price (1). At the checkout, the barcode is read by a scanner (1) with the cash till providing a detailed list of goods bought (1) and better stock control (1)

Any 2 × 1 marks [2]

- (ii) Electronic tills provide customers with itemised bills (1) more accurate than by hand (1) with less queues/faster service at checkouts (1)

Computers are used to automatically re-order stock (1) as stock records are updated automatically (1) with fewer staff needed (1) less wages paid (1)

Computerised software is used (1) to manage the accounts (1) keep sales records (1)

Any 4 × 1 marks [4]

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- (c) To keep goods (1) ahead of demand (1)  
 To obtain goods quickly (1) in order to replace shelves/increase income (1)  
 So that the supermarket does not run out of stock (1) so as not to lose customers (1)  
 especially for quick selling goods (1)  
 To offer special facilities (1) such as cold storage for perishables (1)

Any 4 × 1 marks [4]

- (d) Walters supermarket may find themselves losing trade to the new shopping centre (1) as there is new competition to face (1) prices are likely to be cheaper at the shopping centre (1) and will probably be open longer (1) which will have special opening offers (1) more facilities (1) such as large car park (1) to lure customers away (1) so sales/profits will fall (1) may have to reduce staffing levels (1) or might lose staff to the new shopping centre (1) with only the regular/faithful customers staying loyal (1)  
 The supermarket may have to consider new ways to compete (1) e.g. have new product lines not supplied at the shopping centre (1) increase local advertising (1)  
 There might be no effect (1) because of loyal customers (1) using loyalty cards (1)

Any 6 × 1 marks [6]

6 (a) (i) \$480–\$650 (1) = –\$170m or \$170 loss/deficit (1) [2]

(ii) \$460–\$270 (1) = \$190m (1) [2]

- (b) Visible: value of goods (1)  
 One example such as cars (1)  
 Invisible: value of services (1)  
 One example such as banking (1)

Any 2 × (1 + 1 example) marks [4]

- (c) Provides foreign currency (1) to pay for imports (1)  
 Creates jobs (1) to cut unemployment figures (1)  
 Increases standard of living (1) wider choice of goods (1)  
 Friendship/political reasons (1) example (1)  
 Maintains balance of payments (1) avoids deficit (1)  
 Increases government revenue (1) through customs duties (1)  
 National income will increase (1) the economy will grow (1)  
 Enables them to dispose of surpluses (1) to obtain goods they need (1)  
 Provides goods not produced in country (1) e.g. tea (1)  
 Comparative advantage (1) a country may specialise/produce a good better in a country (1)  
 Can provide cheaper goods (1) example (1)  
 Can provide better quality goods (1) example (1)

Any 6 × 1 marks [6]



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- (d) (i) Keeping statistics (1) of imports/exports (1)  
Collecting duties/tariffs (1) on imported goods (1)  
Preventing smuggling (1) such as cigarettes (1)  
Inspecting cargoes/documents (1) such as air waybills (1)  
Enforcing embargoes (1) such as bans on firearms (1)  
Enforcing quotas (1) such as the amount of TVs imported (1)  
Enforce immigration regulations (1) controlling entry to a country (1)  
Enforcing quarantine regulations (1) relating to animals (1)  
Enforcing health regulations (1) preventing some foods being imported (1)  
Controls bonded warehouses (1) for dutiable goods (1)

Any 2 × (1 + 1) marks [4]

- (ii) Acts as an advice note (1) showing all the information of the goods carried or e.g. (1)  
Shows proof/evidence (1) of a contract of carriage (1)  
Used as a receipt (1) to be signed when goods are delivered (1)  
May be used by customs (1) such as assessing import duty (1)

Any 1 (1 + 1) marks [2]

7 (a) (i) Finance Director = 1 mark [1]

(ii) Three = 1 mark [1]

(iii) Accounts Operations Manager = 1 mark [1]

(iv) 18 = 1 mark [1]

- (v) Human Resources/Personnel (1) recruitment etc. (1)  
Sales/Marketing (1) advertising, etc. (1)  
Distribution (1) transport of goods, etc. (1)  
Administration (1) keeping records, etc. (1)  
Purchasing (1) buying supplies, etc. (1)  
Computing/IT (1) programming (1)  
Legal (1) contracts, etc. (1)  
Production/Operations (1) manufacturing of goods, etc. (1)  
Research and Development (1) designing new products, etc. (1)

Any 2 × 2 (1 + 1) marks [4]

- (b) They clearly show visitors employees' roles (1) and their job title within the business (1)  
They show visitors where staff fit in (1) and the overall structure of the business (1)  
They show the size of the organisation (1) how many managers there are (1)  
They can show which department they need to go too (1) if they have a problem (1) and who is responsible for whom (1)

Any 2 × 1 marks [2]

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- (c) Minutes of meeting are what happened during a meeting (1) whereas an agenda is a list of items to be discussed during a meeting (1)  
Minutes of meeting are circulated after the meeting (1) whereas an agenda is circulated before a meeting (1)  
Minutes of meeting are written in continuous prose (1) whereas an agenda is set of headings (1)

(Note: Maximum of 2 marks for either minutes of meeting or agenda)

Any 4 × 1 marks

[4]

- (d) They are a powerful influence on the global economy (1) as they generate vast amounts of revenue in countries (1) move capital around the world (1) pay taxes (1) and affect the balance of trade of countries where they locate (1) improving a country's economy (1)  
They can have a major impact on government policies (1) example (1)  
As standard of living increases, world demand grows (1) and multinationals are important because they provide a wide range of goods/services (1) example (1) and able to offer goods at cheaper prices (1) as they benefit from economies of scale (1)  
They provide jobs (1) cutting unemployment in countries (1) and help in improving infrastructure (1) such as building roads/bridges/improving water supplies (1)

Any 6 × 1 marks

[6]