

Examiners' Report/
Principal Examiner Feedback

Summer 2017

Pearson Edexcel International GCSE
in Commerce (4CM0) Paper 1

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General Comments

This was the seventh June IGCSE Commerce examination under the updated IGCSE Commerce specification. The overall standard for this examination continues to be encouraging. However, with the ever changing nature of the subject it is important that centres are up-to-date with modern commercial developments.

Candidates continue to cope well with the use of the question paper as answer book. There were very few occasions where candidates used space in addition to the answer lines in order to complete their answers. There was no evidence of any candidates not completing their answers within the examination time period of two hours. The standard of written communication was generally very good. Some candidates continue not to always answer at the appropriate level of skill. In this connection, the command words on the examination paper and the mark scheme are particularly relevant to centres. Each question indicates the level at which it is based:

AO1 Demonstrate - this assessment objective tests candidates on their ability to demonstrate their knowledge and understanding of the commercial term, idea or concept mentioned in the question. For example, Question 12 asked candidates to 'state two reasons why companies sponsor charity events.' Command words such as 'State', 'Name', 'Describe', 'Give' and 'List' confirm that the question is at this level.

AO2 Apply – this assessment objective tests candidates' ability to relate their answer to the context. In this series, the context to question 14 was about a companies' accounts. For example, question 14 (a) (b) required candidates to 'calculate the amount of money available to pay out in ordinary share dividends'. Command words such as 'Which', 'Why', 'Calculate', 'Give an example in context' and 'What was' confirm the question is at this level.

AO3 Analyse – this assessment objective requires candidates to select, interpret or otherwise analyse some point presented in the question. For example, question 15 (d) asked candidates to 'analyse why a devaluation of the country's currency might benefit the country'. Command words such as 'Analyse', 'Compare' and 'Select' confirm the question is at this level.

AO4 Evaluate – this is the most demanding assessment objective which tests candidates' ability to formulate some judgements. For example, question 17 (c) expected candidates to 'justify which option Seaway Ltd should choose between using retained profits or a bank loan.' Command words such as 'Evaluate', 'Justify', 'Explain why', 'Judge' and 'Consider' confirm the question is at this level.

The published online mark schemes continue to be an invaluable resource to centres for a number of purposes. Possible answers are provided as indicators of what is expected but the answers provided are not meant to be exhaustive. The possible answers are structured using dashes and obliques. It remains the practice to use a dash in order to separate points that are worth additional marks, and an oblique to indicate an alternative way of making the same point.

Question 1

The four parts of this question were generally well answered, with many candidates gaining 2 or 3 marks out of the four marks available. Part (c) was the best answered and part (d) the least well answered.

Question 2

Candidates generally were able to define the terms but found difficulty in giving appropriate examples to the terms 'primary production' to part (a) and 'secondary production' to part (b). In some instances, primary production was defined as simply being the first part of production, and secondary production as simply making goods. Also, sometimes candidates did not provide examples at all or got confused by giving examples the wrong way round. Overall, the teaching topic of defining key commercial terms, as set out in the syllabus, needs attention by all centres.

Question 3

This question required candidates to calculate the amount of a credit note after the return of some chairs to a wholesaler. It was not well answered by many candidates. Some candidates incorrectly multiplied the number of returned chairs from the total cost without deducting the trade discount. The correct answer was £192.

Question 4

Many candidates scored at least one mark to this question by mentioning the disadvantage of 'the workers being bored by carrying out a repetitive task'. However, many candidates found difficulty in mentioning any, or other, disadvantages as stated in the published mark scheme. Answers that looked at the disadvantages to the factory owner, such as having to pay higher wages to workers and decreasing output were not given any marks as this was not the focus of the question.

Question 5

Valid answers cited in the published mark scheme, include points such as 'means of payment in international trade', 'used to pay an exporter', and 'the exporter is guaranteed payment' were some valid answers scored by candidates. Some candidates lost marks by giving general features relating to home means of payment such as cheques are crossed.

Question 6

It was pleasing to see that there was a range of relevant examples of costs given by candidates to this question. Such answers included the costs of running the internet and that of delivering the goods. Some candidates included general costs that a company would have to pay such as staff wages and taxes; such answers did not score marks.

Question 7

The majority of candidates scored at least two marks to this question on matching types of retailer with either being small or large.

Question 8

This question produced many correct answers of cash and carry. Some candidates lost marks by giving incorrect answers such as bonded or wholesaler.

Question 9

The vast majority of candidates were able to provide two valid ways that chocolate might be advertised in a magazine with valid answers including the use of a celebrity and colour. Weaker general answers were limited to points such as giving more information.

Question 10

This question on the topic of hire purchase was concerned with features, that is, the actual processes and stages involved rather than the advantages and the disadvantages of this type of credit facility. Unfortunately, too many candidates gave the latter as their answers. Good answers normally included the features that payments are made in instalments and that the seller can repossess the goods if the hirer falls behind with their instalments.

Question 11

This question was generally either very well answered or poorly answered. The best answers correctly identified questionnaires, interviews and observation as methods of field market research. Weaker answers gave general imprecise methods, such as collecting information that could equally apply to secondary market research. Overall, a topic that differentiated well between candidates, as marks were evenly spread across all mark bands from 0 to 3 marks.

Question 12

There were a variety of answers, but mainly poor ones, to this question. Some answers focussed on irrelevant reasons such as wanting to give money to charity. Examiners were looking for answers such as the enabling the company to gain a better reputation or to raise their brand/product awareness.

Question 13

There were many disappointing answers to this containerisation question. Many answers focussed on the advantages of using containers rather than on how containerisation has changed the way that goods are handled at ports. An example of a good answer is shown below.

'There are less dock workers at ports as containers are now moved by machines such as cranes. In the past there were many workers moving pallets by hand but this has now ended with mechanisation. This has made the procedure much more efficient as the turnaround of containers, on and off ships, is much quicker.'

High scoring answers normally included two valid points together with explanation of each point.

Question 14

This question required candidates to study the resource material of information relating to aspects of a companies' financial situation. Although the majority of candidates had understood that ordinary shares was the correct answer to part (a) (i), some candidates lost marks by giving simply shares or preference shares as their answer. In part (ii), many candidates correctly calculated the answer of 2,000,000 but found more difficulty in calculating the answer to part (iii). There was a range of answers to part (b). The best candidates appreciated that it was necessary to deduct outgoings, namely, the preference share dividend, debentures, production costs and income tax from the sales revenue to arrive at the correct answer. Overall, many candidates had applied their knowledge well to the context of question 14.

Question 15

This question focussed on international trade and elicited some of the best answers out of the three questions 15, 16 and 17.

Answers to part (a) revealed mixed results. Although there were many fully correct calculated answers to parts (a) (i) there were many incorrect answers to part (a) (ii). Some candidates lost marks to part (a) (ii) by simply deducting invisible imports from invisible exports. Moreover, to parts (a) (i) and (ii) there were some many answers which did not use the minus sign or identify their final total as a deficit.

With reference to part (b) many candidates gained two out of the four full marks by describing a valid advantage of international trade but then had difficulty in identifying a second advantage. Some weaker candidates commented on the data for visible and invisible trade and thereby did not gain any marks to this question part.

Part (c) was generally well attempted. The best answers to part (i) explained that the effect will lead to less food imports, dearer imported food leading to less demand. The best answers to part (ii) explained that there be an increased demand for home-produced food as it is cheaper, leading to increased production of domestic food production.

One such answer to part (c) (i) is shown below:

'The likely effects on a tariff on food on domestic food industries is that it will act as a tax, causing the price of imported goods to rise. This will result in less competition from imported food, leading to increased demand and cheaper home-produced food. More employees will be needed in the home country to produce the food as sales will increase as the domestic food industries expand.'

Part (d) was generally poorly attempted. The best answers explained that a devaluation resulted in cheaper exports, increasing the sales of exports; and dearer imports, decreasing the sales for imports. One such answer is shown below:

'The possible effects on trade of a devaluation of its currency in relation to other currencies are that prices of local/countries exported products become cheaper and so more desirable to other countries. This will increase export demand and sales. However, the countries products for imports become more expensive and less desirable to home consumers, thereby leading to the effect of less imported goods traded, meaning less money for importers.'

Question 16

Answers to parts (a) (i/ii/iii) revealed mixed results. Part (a) (i) required candidates to name one other electronic communication that was not shown in the source material. It was therefore surprising to find many candidates naming one that was displayed. For example, telephone was frequently stated as an incorrect example. Many candidates knew that there was immediate feedback with a telephone to part (a) (ii) but did not receive any marks to part (a) (ii) for saying that an email provides more information than a telephone call, as this is not necessarily correct.

The answer to part (b) was generally not well known. Some candidates gave differences between buying insurance from insurance companies and from Lloyd's in terms of location and services provided which were not valid answers. Centres should review the published mark scheme for the outlined differences. There were many reasonable answers to part (c) with the best answers focusing on the need to find the best/cheapest premium and best cover by comparing the various quotations before purchasing insurance. Weaker answers did not explain 'why' people should do this.

Answers to part (d) provided a wide spread of marks. Good answers identified that there was a need for the proposal form to include information about the person being insured and what they wanted to insure. These answers further pointed out that that the proposal form needed the principle of utmost good faith so that all relevant information was provided so that the insurance company could assess the risk and calculate a premium. Some candidates also mentioned that if the insured did not tell the truth on the proposal form the contract could not be accepted. Weaker answers mentioned the need for information and truth, but then not develop their answers with relevant points. Many candidates, to part (e) appreciated that insurance companies make a profit from collecting premiums into a pool where usually less money will be compensated so that a profit is obtained. However, only a minority of candidates pointed out that the money collected will be invested in property or the stock market by the insurance companies.

Question 17

Part (a), concerning the benefits of using ferries to transport freight was not well answered. Many candidates simply looked at speed or confused ferries with cargo ships.

In parts (b) (i) and (ii) candidates were required to explain two terms relating to a private limited company, namely 'private' to part (i) and 'limited' to part (ii).

The majority of candidates had some knowledge of these terms but very few scored the maximum four marks to both question parts.

Part (c) tested assessment objective A04 and proved challenging for many candidates, particularly to score marks in the 6-8 marks category. Better answers demonstrated good knowledge and understanding of one of the options and then discussed why they had rejected the other option. Weaker answers often lacked sufficient and accurate detail on both options of finance.

The best answers to part (d) recognised that an overdraft, being often used as a short-term method of finance and for paying bills would not be suitable for capital projects such as buying a new ferry. One good answer said:

'Overdrafts are usually used to pay for bills when there is insufficient income in the business. They should not be used to pay for long-term expenses, such as buying an expensive new ship, as they are classed as current liabilities.

Secondly, they normally attract high interest rates and the bank has the right to call in payment for the overdraft at any time. In consequence, a new ferry would be best financed by a long-term source of finance such as a loan.'

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