

Mark Scheme (Results)

November 2010

IGCSE

IGCSE Commerce (4340/2H)

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, ie if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1a (i)	£420 - £300 (1) = £120 (1) Note: 2 marks for correct answer by itself	(2)

Question Number	Answer	Mark
1a (ii)	Valid points could include Example: the goods are taken home for 21 days – if not satisfied you can return the goods – without charge	(2)

Question Number	Answer	Mark
1b	Valid points could include Example: to increase sales – as people may not be able to pay outright for expensive goods – many people prefer to pay by credit cards because competitors accept credit cards – could lose out on potential business – to competitors the firm are guaranteed payment by the credit card company – resulting in less bad debts – and no cash on business premises	(3)

Question Number	Answer	Mark
1c	Valid points could include Example: the firm receives immediate payment – making the transaction instant – without any delays that can be caused by large numbers of credit card transactions – as there is no need to check for stolen credit cards – and credit limits of customers there is no commission to pay – which is a cost to the business – as well as less records to keep.	(4)

Question Number	Answer	Mark
1d (i)	Valid points could include Example: postal orders are usually for small payments – up to £10 – whereas cheques can be for any amount – including large amounts commission – known as poundage is charged for the use of postal orders – whereas cheques are subject to bank charges – if bank account is overdrawn postal orders are not negotiable – but may be passed on and cashed through a bank anyone can purchase a postal order at a post office – but cheques need a current account	(4)

Question Number	Answer	Mark
1d (ii)	<p>Valid points could include</p> <p>Example: does want to receive money quickly – in order to buy more stock – there may be delays in clearing cheques if any cheques bounce – this leaves the firm with the task of recovering the debt – which could be expensive there will be no need to go to the bank to pay in cheques – thereby wasting time/money – and reducing clerical work</p>	(3)

Question Number	Answer	Mark
1e	<p>Valid points could include</p> <p>Example: Advantages</p> <p>enables the customer to use the goods before paying for them – so allowing them to buy better quality goods that they could not initially afford - they become less concerned with low priced goods – leading to greater choice - thereby increasing their standard of living the customer is able to budget for expensive purchases – as payments are usually over a year – they can then use their cash for other things – such as emergencies - assisting their cash flow</p> <p>Example: Disadvantages</p> <p>there is the danger of over-commitment by buying too many goods – leading to difficulties in keeping up with the repayments – especially if the buyer becomes ill or unemployed – and goods can then be repossessed hire purchase is expensive – interest rates tend to be high – buyer ends up paying much more than the cash price – at the end of the hire purchase period the goods may not be worth much or may need replacing</p>	(7)

Question Number	Answer	Mark
2a (i)	<p>Valid points could include</p> <p>Example: known as equities – entitles shareholders to part ownership of a company – issued by companies in return for investment each share has a nominal value –</p>	(2)

	for example £1 ordinary shares are risk-bearing – amount paid varies with profits allowed voting rights - and the right to attend AGM.	
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Question Number	Answer	Mark
2a (ii)	Valid points could include Example: the rate of profits – if profits are low, the dividends will be low the board of directors will also take into consideration how much they want to keep within the business – as retained profits	(3)

Question Number	Answer	Mark
2b (i)	Valid points could include Example: to establish ownership of company – through the issue of share certificates to spread the ownership of the company – money could be used to fund a takeover – raise public image to raise finance – for expansion – such as machinery no requirement to pay interest or dividends – cheaper than other forms of borrowing	(4)

Question Number	Answer	Mark
2b (ii)	Valid points could include Example: loan creditors fixed rate of interest no voting rights first call to liquidation first paid on dividends	(3)

Question Number	Answer	Mark
2c	Valid points could include Example: advertisement in newspaper – such as <i>Financial Times</i> – advertisement summaries prospectus – provides application form – there is a full prospectus – available as a booklet – sale usually arranged by an issuing house – such as a merchant bank – investors apply – pay for quantities of shares – share certificates issued – price of shares may be fixed – or open to bid	(5)

Question Number	Answer	Mark

2d	<p>Valid points could include</p> <p>Example: new share issue may not be well received – share value may fall – leading to capital loss on buying the shares – possibly resulting in possibly no dividends – if there are no or low profits company could become insolvent – ordinary shareholders last in distribution of assets – shares then become worthless – and Lizzie would have lost all her investment money</p> <p>if the company is making profits – can lead to high dividends – example such as 7% on 1000 shares held and a higher share price – increasing the value of Lizzie’s shareholdings – she could sell easily and make a quick profit</p> <p>shareholders have voting rights – have a say in how the company is managed – for example, can elect the board of directors – and, hence, company policy</p>	(8)
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Question Number	Answer	Mark
3a (i)	<p>Valid points could include</p> <p>Example: membership card often required to gain access – goods displayed on shelves – self-service layout – there is a variety of stock – in small bulk – cheap prices displayed – use of trolleys – payment in cash – no credit facilities allowed – no transport provided – has car parking</p>	(4)

Question Number	Answer	Mark
3a (ii)	<p>Valid points could include</p> <p>Example: the ability to buy at cut prices – as wholesalers buy in bulk – and therefore sell at competitive prices – and compete with large-scale retailers</p> <p>they act as a cost-free warehousing facility – as retailers use them as the base for their supplies – they can collect as much or as little as possible – not needing to be concerned about their own storage space</p>	(3)

Question Number	Answer	Mark
3b	<p>Valid points could include</p> <p>Example: to provide compensation – in case the warehouse catches fire – fire insurance will cover buildings – and contents – will then be able to rebuild or restock – and start trading again</p> <p>to give financial protection – and confidence to conduct business - enables the spreading of risk – so that a large financial investment is not lost</p>	(6)

Question Number	Answer	Mark
3c	<p>Valid points could include</p> <p>Example: the proposal form used to apply for insurance – all material facts have to be stated – examples of any item of information such as value of stock – in order to assess the risk – to decide whether or not to accept the risk - and fix the premium</p> <p>there is a need to establish utmost good faith – that is, whether the information is true – if it is not true and complete, the contract may be declared void – and the wholesaler will not receive any compensation – only the premiums paid in</p>	(6)

Question Number	Answer	Mark
3d	<p>Valid points could include</p> <p>Example: £200 000 is over-insurance – the wholesaler will receive £90 000 – as this is the amount of property damaged - £30 000 each from each insurance company – according to the principle of contribution – where no one is able to insure the same risk with two or more insurance companies in order to make a profit under the principle of indemnity – you are not allowed to make a profit from a loss – only allowed to be restored to your previous position</p>	(6)

Question Number	Answer	Mark
4a (i)	2007	(1)

Question Number	Answer	Mark
4a (ii)	2008-2009	(1)

Question Number	Answer	Mark
4a (iii)	<p>Valid points could include</p> <p>-£300m +£100m (1) = -£200m (1)</p> <p>Note: 2 marks for correct answer by itself</p>	(2)

Question	Answer	Mark
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Number		
4b	<p>Valid points could include</p> <p>Example: visible: value – export of goods – compared with the value of imports of goods one example such as cars invisible: value of exports of services (sold) – compared with the value of imports of services (bought) one example such as banking</p>	(6)

Question Number	Answer	Mark
4c	<p>Valid points could include</p> <p>Example: price of imports to other countries is higher – more foreign currency to be paid – fewer exports bought – therefore lower income for the country - price of imports cheaper for the country – less foreign currency to be paid for foreign currency rate – more imports bought – therefore more paid out to other countries – lower exports/higher imports lead to current account deficit</p>	(5)

Question Number	Answer	Mark
4d (i)	<p>Valid points could include</p> <p>Example: acts like an insurance company insuring those risks not covered by insurance companies – such as non-payment from wars – so this makes banks readier to lend to exporters – and exporters have more confidence in exporting - as they know they will be compensated</p>	(4)

Question Number	Answer	Mark
4d (ii)	<p>Valid points could include</p> <p>Example: by drawing a bill of exchange on the importer, the exporter may obtain a promise of payment – on a certain date – and acts as a means of raising funds in the meantime if the debtor's reputation is good, the exporter may obtain funds at once – by discounting the bill of exchange – or by using it as security for an overdraft/loan. by using this means of payment, the exporter can make certain the customer either accepts or pays the bill – before obtaining possession of the goods – thereby offering some security to the exporter</p>	(4)

Question Number	Answer	Mark
4e	Valid points could include Example: trade fairs Chambers of Commerce trade organisations consular services overseas agents	(2)

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