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Examiner's Report  
Principal Examiner Feedback

Summer 2018

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Commerce (4CM0) Paper 01

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## **4CM0/01: Written Paper**

### **General Comments**

This is the final June IGCSE Commerce examination before the updated IGCSE Commerce specification and new Commerce examination papers beginning in June 2018. The overall standard for this examination continues to be encouraging with the overall standard of performance slightly better than last year.

Candidates continue to cope well with the structure of short-answer structured questions being first followed by data-response and longer open-ended questions towards the end of the examination paper. 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 to not 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 11 asked candidates to 'list three functions of advertising agencies.' Command words such as 'List', 'Name', 'Describe', 'Give' and 'State' 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 country's employment. For example, question 14 (b) required candidates to 'calculate the actual number of people who were unemployed in 2017.' 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 (a) (iii) asked candidates to 'analyse why Gerry and Jill thought it was important to draw up a Deed of Partnership'. 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 (d) expected candidates to 'evaluate the importance of consumer protection to Sgar.' 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 place marks in brackets to demonstrate points that are worth 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 (a) the least well answered.

### **Question 2**

Candidates generally were able to give appropriate examples but found difficulty in clearly defining the terms 'sales promotion' to part (a) and 'after-sales service' to part (b). In some instances, sales promotion was defined as simply being persuasive advertising, and after-sales service as simply a service to sell goods. Also, sometimes candidates did not provide examples at all which limited the marks they could score to each part to a maximum of one mark. Overall, the teaching topic of defining key commercial terms, as set out in the syllabus, continues to need attention by all centres.

### **Question 3**

This question required candidates to calculate the dividend paid per share to an investor. It was not well answered by many candidates. Some candidates incorrectly divided the 2000 shares into £400 rather than the other way round. Other candidates multiplied the two figures by 100 to give a percentage. The correct answer was £0.20.

### **Question 4**

Many candidates scored at least one mark to this question by mentioning the disadvantage of using video conferencing being the point that 'technical problems may arise'. However, many candidates found difficulty in mentioning any, or other, disadvantages as stated in the published mark scheme. There were a number of candidates who thought incorrectly that video conferencing could not provide a record for future reference.

### **Question 5**

Many candidates appreciated that department stores offer credit cards to increase sales but other valid points such as the increased revenue from late fees and encouraging shoppers to be loyal customers were given by fewer candidates. Some candidates lost marks by giving general features relating to customers rather than the department stores such as credit cards being safer to carry and customers receiving loyalty points on purchases.

### **Question 6**

The question was well done by those candidates who read the full question and recognised that the question not only required the naming of home trade documents but more fundamentally those sent after an invoice. Therefore, documents such as the credit note and receipt were acceptable whereas those documents sent before an invoice, such as quotation and advice note, were not acceptable answer.

### **Question 7**

The majority of candidates scored at least two marks to this question on matching types of industry to examples of occupations.

### **Question 8**

This question produced many correct answers of night safe. Some candidates lost marks by giving incorrect answers such as deposit boxes.

### **Question 9**

It was pleasing a large proportion of candidates being able to suggest two likely effects of the devaluation of a country's currency that is, lowering the price of exports and increasing the price of imports. Unfortunately, some candidates thought it was the other way round and very weak answers did not understand the term devaluation.

### **Question 10**

This question on the topic of standing orders was concerned with features, that is, the actual processes and stages involved rather than the advantages and the disadvantages of this means of payment facility. Unfortunately, too many candidates gave the latter as their answers. Good answers normally included the features that payments are made regularly and that the debtor made an instruction to the bank to carry out the payment. Some candidates confused standing orders with direct debits and lost marks.

### **Question 11**

This question was generally either very well answered or poorly answered. The best answers correctly identified designing the advertisement, placing the advertisement and advising on the best media to use as functions of advertising agencies. Weaker answers listed types of advertising methods or the functions of advertising. 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 giving examples of non-insurable risks. Examiners were looking for answers such as the fact that the risk cannot be mathematically calculated as there are past records.

### **Question 13**

There were many disappointing answers to this retail question. Many answers focussed on the advantages of using self-service rather than on how self-service checkouts can improve the efficiency of the supermarket. An example of a good answer is shown below. 'Self-service checkouts allow shoppers to spend less time waiting in long queues to be served as they carry out the billing themselves making the process much quicker. The supermarkets are able to reduce staff or to reallocate staff that would be cashiers to other tasks such as filling shelves or packing goods for customers. The reduction of staff leads to less costs as less wages are paid. Overall, this all leads to a 'win-win' situation for customers and the supermarket.'

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 a country's employment situation. Although the majority of candidates knew that public sector organisations were owned by the state to part (a), some candidates lost marks by confusing public sector organisations with public limited companies by giving selling shares or being owned by shareholders as their answer. In part (b), many candidates correctly calculated the answer of 2,700,000 but some candidates lost marks by simply working the percentage of unemployed instead of the actual number of unemployed people. There was a range of answers to part (c). The best candidates appreciated that the public sector provided essential services at lower prices. Weaker answers again confused the public sector with the work of public limited companies. Overall, many candidates had applied their knowledge well to the context of question 14.

### **Question 15**

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

Answers to part (a) revealed mixed results. In answers to part (a) (i) some candidates lost marks by misreading the question as they simply repeated two items of information given in the source material of the Deed of Partnership. There were many correct answers to part (a) (ii) where candidates recognised that sleeping partners supplies capital but does not take an active part in its decision making. Part (a) (iii) proved challenging for many candidates. The command word was 'analyse' whereby candidates were expected to show how the Deed of Partnership helped Gerry and Jill in their business arrangements. Candidates often knew that it could be used by the partners as evidence to solve disputes but then found it difficult to sufficiently develop their answers further.

With reference to part (b) the best candidates gained good marks by explaining that large-scale businesses needed to raise greater capital if they were to expand whereas partnerships with a maximum of twenty partners made this difficult to achieve. Some weaker candidates argued that a partnership would reduce profits to owners or lead to slower decision making and thereby did not gain any marks to this question part.

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.

### **Question 16**

Answers to parts (a) revealed mixed results. Part (a) required candidates to explain one advantage for the manufacturer of selling directly to customers in the channel of distribution illustrated. The best answers analysed that this would cut out the middleman thereby saving their costs and increasing profit. Weaker answers thought that would mean that the manufacturer would increase prices instead. An example of a good answer is shown below.

'The manufacturer will now receive direct feedback from customers which will enable them to improve the quality of their goods. This improvement will result in greater demand for their goods leading to more sales.'

Good answers to part (b) explained that leaving retailers out of the channel of distribution would lead to limiting customer choice and less outlets for customers to buy their goods from. Weaker answers believed that prices would rise because retailers sold customers heavily discounted goods.

There were many reasonable answers to part (c) (i) and (ii) developing their reasons why wholesalers continue to have, or have not, an important role in the channel of distribution. Weaker answers did not explain 'why' and tended to simply state wholesaler functions.

Answers to part (d) provided a wide spread of marks. Good answers identified the role that overseas agents perform and analysed how they would save a business time and money. Weaker answers often just described one or two of their duties, without explaining their advantages to a business.

## Question 17

Part (a) (i) question asked for an example of specialisation from the context in the question stem but some candidates gave other examples, thus losing the mark for the example. In answering part (ii) candidates were better versed on the disadvantages of specialisation compared to the advantages. Some candidates also lost marks by looking at specialisation from the viewpoint of the business instead of from that of the production workers as required by the wording of the question.

With reference to part (b) some candidates lost one of the two marks available by duplicating internet shopping and online shopping as two separate ways of home shopping.

Although many candidates knew that branding allows a name to be easily recognised by customers it was only the best answers to part (c) (i) that went on to say that customers would then remember the brand name from the message in the advertisement.

In answering part (c) (ii) many candidates focused on the question and explained the role of packaging in advertising. These candidates explained that recognise and remember the packaging from the advertisements when they were shopping. Weaker answers described packaging in general terms.

Part (d) asked candidates to evaluate the importance of consumer protection to this manufacturer of children's clothes. This question was a challenging one for the majority of candidates. The best answers mentioned the need to abide by particular consumer protection laws and ensure that the customer receives quality so that a good reputation can be built up for the business. On the other hand, some candidates argued that following such protection can lead to changing business operations with possible increasing costs of production, leading to less profit. Others argued that the business could face legal actions, fines and a damaged image if it ignored consumer protection. Weaker answers gave less points and less relevant detail.

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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