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Examiners' Report  
Principal Examiner Feedback

January 2019

Pearson Edexcel International GCSE  
In Commerce (4CM0) Paper 01

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January 2019

Publications Code 4CM0\_01\_1901\_ER

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## **General Comments**

This was the final IGCSE January Commerce examination under the present IGCSE Commerce specification. There will be a two-paper examination beginning in June 2019 based on the new specification. The overall standard for this new examination produced similar results to last year. It is clear that after eight years of the lifetime of this current specification, centres have become familiar with the format and style of the examination paper, and the timing of the examination paper to two hours in length. With regards to the latter point, there was no evidence of any candidates not completing the examination paper due to time pressures. However, candidates should note that an answer to a question may receive some credit compared to not answering a question at all.

Candidates continue to cope well with the use of the question paper as an answer book. There were very few occasions where candidates used space in addition to the answer lines in order to complete their answers. The standard of written communication was generally very good. However, it is important to point out that if candidates do not carefully read the question before starting an answer the key focus of the question will be missed. For example, in answering question 14 (a) some candidates focussed their answers on calculations, using the data, rather than focussing on explanation of the meaning of the banking terms. It is also essential that candidates in carrying out any calculations, as in answering question 3, not only show their working but use the percentage or £ sign in their final answers.

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 5 asked candidates to 'give two reasons why breaking bulk by wholesalers is important to small retailers.' 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 15 was about a company's shares listed on a stock exchange. For example, question 15 (a) (i) required candidates to answer the question 'calculate the dividend paid by the company for preference shares.' Command words such as '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 16 asked candidates to ‘analyse how the principle of utmost good faith affects an insurance claim’. Command words such as ‘Identify’, ‘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 (e) expected candidates to ‘evaluate the difficulties for E19 of exporting its buses to new countries.’ Command words such as ‘Evaluate’, ‘Explain why’, ‘Judge’ and ‘Assess’ 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 brackets for each creditworthy point. 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. However, the answer to part (d) was less well known, with many candidates giving ‘persuasive’ instead of the correct answer of ‘point’. Also, some candidates mistakenly wrote ‘deposit’ instead of the correct answer of current to part (c).

### **Question 2**

Candidates found this question difficult with part (b) generally much better answered than part (a). Marks were lost in part (a) by many candidates giving imprecise definitions or confusing primary research with the primary sector. This is clearly shown in answers to part (b) where some candidates thought secondary research was concerned with being a manufacturer. Good answers to part (b) defined correctly that secondary research was information that had already been collected by someone else and gave a relevant example such as government statistics. Finally, to both question parts, some candidates did not provide any examples but simply defined the terms. By doing so, they could only obtain a maximum of two out of the four marks available.

### **Question 3**

In order to calculate cash discount on this invoice it was necessary to calculate the answer by subtracting the cash discount from the trade discount figure of £4 400. Some candidates incorrectly subtracted the cash discount from the original purchase price of £5 500.

#### **Question 4**

Many candidates scored at least one mark for this question by mentioning either the point that rail transport did not deliver goods door-to-door or was inflexible, as it ran to a fixed timetable. Reference to the high costs of maintenance was not accepted by examiners as a valid answer to the question as it was not focused on carrying goods. Some candidates lost marks by stating disadvantages instead of advantages in their answers.

#### **Question 5**

This question was reasonably answered with generally sound knowledge demonstrated on this topic. The question required candidates to 'give two reasons why breaking bulk by wholesalers is important to small retailers.'

An example of a good answer for two marks is shown below.

- '1. Some small-scale retailers do not need a large amount of stock for sale as they are only reaching a small, limited market.
2. Small-scale retailers do not have the enough warehouse space to stock goods in bulk.'

#### **Question 6**

This question was poorly attempted. The minority of candidates scored only one out of two marks by identifying one way that warehousing can prevent price fluctuations e.g. by storing seasonal goods that can be sent to market throughout the year.

#### **Question 7**

Only a minority of candidates scored maximum marks to this question on matching trade documents to that of either being sent by the buyer or the seller, but the majority of candidates scored two marks or three marks.

#### **Question 8**

This question produced a range of responses. The correct answer required was 'teleconferencing'. Many candidates incorrectly gave 'telecommunication' as an incorrect response.

#### **Question 9**

A key phrase in answering this question was the context of luxury cars. Therefore, answers dealing with providing discounts or providing value for money were not accepted by examiners. Valid answers included the suggestions of celebrity endorsement and appealing to the status of owning an expensive luxury car.

**Question 10**

Many candidates knew that public corporations were owned by the state but found difficulty in accessing a second correct feature. Moreover, some candidates incorrectly confused a public corporation with a public sector company.

**Question 11**

Generally, this question differentiated well with a wide spread of marks from 0 to 3 marks. Many candidates supplied two valid answers of television shopping with online shopping but often repeated the latter with another online shopping term such as ecommerce shopping. Some candidates incorrectly gave examples of goods that could be delivered to the home.

**Question 12**

This question required candidates to have good knowledge of international methods of payment. Some candidates lost marks by repeating the same point twice in a different way or by suggesting methods of payment or ways that could apply to home trade but not to international trade.

An example of a good answer for two marks is shown below.

- '1. The importer asking their bank to issue a documentary credit in favour of the exporter.
2. Using a bill of exchange that binds the importer to pay the exporter.'

**Question 13**

Part (d) produced a wide range of answers, with candidates generally finding the question a difficult one, as they had to consider not only advertising but packaging as well. Better answers explained how colourful packaging would attract children to persuade their parents to buy cereals for them. These answers mentioned the use of cartoon characters and free gifts on the cereal packets. Weaker answers often referred to the advantages of advertising without linking their answers to advertising.

### **Question 14**

This question required candidates to study the resource material of an internet bank statement showing several bank transactions and apply their knowledge and understanding. In answering part (a) (i) most candidates understood that an overdraft meant taking out more money but did not go on to mention that it was used when there no funds in the account. There was the usual confusion between the term direct debit with a standing order. A direct debit is a variable payment set up by the creditor. For part (b) the key to answering this question accurately was to state that an electronic transfer was a transfer of money from one account to another through a computer, rather than simply saying it was electronic transfer of money which would be essentially repeating the question. Better creditworthy answers to part (c) focused on the benefits to the bank of internet banking and explained how this reduced costs because fewer staff were needed and bank branches could be closed down. Some candidates lost marks to part (c) by not developing their answers with further points of explanation. Therefore, although many answers were able to identify a relevant reason to part (c) explanations could have often been improved by giving another point of development. Weaker answers commented on the benefits to the customers instead of to the bank.

### **Question 15**

This question focussed on the buying and selling of shares as a source of finance and elicited some of the best answers out of the three questions 15, 16 and 17. However, this topic continues to be a challenging area of the syllabus for many candidates compared to their knowledge and understanding of banking sources of finance. With reference to part (a) (i) many candidates gained full marks by calculating the amount of dividend paid by the company for preference shares. However, part (a) (ii) was poorly attempted with many candidates using the incorrect method. Some weaker candidates simply commented on the data for preference and ordinary shares without carrying out any calculations and thereby did not gain any marks to this question part.

Many candidates did reasonably well in answering Part (b). They explained the differences in how dividends are allocated, as well as the differences in voting rights between ordinary and preference shareholders. Some weaker candidates believed that preference shareholders were paid a dividend when a company loss was made. It should be pointed out to candidates that if the company is suffering losses to the extent that it is forced to omit a preferred dividend, it will be forced to make it up later if they are cumulative preferred shares. However, owning preference shares does not guarantee payment of a dividend.

Part (c), was concerned with understanding why stock exchanges are important to listed companies. This proved more demanding than the previous part question for the majority of candidates. Many answers did gain a valid point for stating that companies sold their share equity on the stock exchange, but it was only the best answers that developed their answers further. These answers pointed out that this provided ready capital in order to acquire long-term assets, such as machinery. Some weaker answers believed that companies sold their stock on the stock exchange.

Part (d) produced a wide range of answers, with candidates generally finding the question a difficult one. The best answers to part (d) (i) knew that investors bought shares through a stockbroker or a share dealing platform. Unfortunately, many candidates thought that you could simply telephone the company or the stock exchange and buy shares over the phone. There were many disappointing answers to part (d) (ii). A basic answer given was that shareholders received no dividend if the company made a loss. Better answers mentioned that ordinary shares were risky compared to holding preference shares and the risk of share prices falls leading to making the shares worth less than the shareholder paid for them.

One good answer to part (d), for four marks, is shown below:

'If an investor owns ordinary shares in a company, there is a higher risk of having a lower dividend if the company has not performed well. In fact, if there is a loss there will not be any dividend paid out, making a good dividend not guaranteed for the ordinary shareholder. This will make the shareholder lose money that could have been better invested into a deposit account if the share price is falling as well.'

### **Question 16**

This question focussed on insurance. Overall, this aid to trade topic continues to be a difficult area of the syllabus for many candidates compared to the other five aids to trade.

Part (a) required candidates to know the meaning of the term 'employers' liability insurance'. Good candidates knew that employers' liability insurance protected employers from compensation claims made by employees as a result of injury whilst working at the business. Weaker answers gained one of the two marks available for mentioning that the employees were covered for injuries whilst at work. The weakest answers confused the insurance risk with public liability or fidelity guarantee insurance.



In answering part (b) many candidates gave the basic point that business failure was down to the fault of business owners and could not be insured against. It was only the better candidates who developed their answers and explained that business failure was a non-insurable risk because it could not be calculated which meant that a premium could not be set. The question to both parts (c) (i) and (ii) was generally not answered well. Some candidates lost marks to part (c) (i) by multiplying instead of dividing £3m by 750. Some candidates lost marks to part (c) (ii) by giving types of costs instead of examples of costs. The correct answer to part (c) (iii) was profit.

Part (d) proved to be challenging for candidates as they needed to consider the two insurance concepts of pooling of risk and premiums in their answers. Good answers explained that a larger insurance pool would lead to lower premiums from which the unfortunate victims of insurance claims would be compensated. There were many weak answers that did not link the two insurance concepts sufficiently to score marks. A key phrase in the question to part (e) was 'affects an insurance claim'. In consequence, answers that referred to completing the other insurance forms, such as the proposal form, were not credited. Many candidates demonstrated a good understanding of utmost good faith with developed explanations. Good answers to utmost good faith argued that it meant that the claim form needed the principle of utmost good faith so that all relevant information was provided in the first place, enabling the insurance company to assess the risk and calculate an accurate premium. Some candidates also mentioned that if the insured did not tell the truth on the claim form the contract could become null and void without any compensation paid out on the insurance claim made. Weaker answers mentioned the need for truth, but then not develop their answers with relevant points.

### **Question 17**

This question focussed on international trade and elicited some of the best answers out of the three questions 15, 16 and 17. However, this topic continues to be a challenging area of the syllabus for many candidates compared to their knowledge and understanding of home trade.

With reference to part (a) many candidates gained full marks by stating that visible exports are goods that are sold to other countries. Some weaker candidates confused visible exports with invisible exports and thereby did not gain any marks to this question part.

In answering part (b) many candidates understood that containers were secure preventing damage or theft to the many imported bus parts that could be stored there resulting in less packing costs. Weaker answers gave less mark scheme points and less explanation in their answers.

Part (c) produced a wide range of answers, with candidates generally performing well. Better answers explained that the importance of comparative advantage and specialising in what they are best at, with supporting examples. They further explained that consumers would benefit from goods that the country did not produce due to a lack of resources, leading to a higher standard of living. Weaker answers often just simply described the goods that countries specialised in or gave political, rather than commercial, reasons for international trade.

Part (d) was generally very well answered with most candidates knowing that a trading bloc is a group of countries that agree to reduce or eliminate barriers of trade such as tariffs.

Part (e) required answers on the difficulties faced by E19 in exporting its buses to new countries. Most candidates could identify relevant difficulties, such as the imposition of tariffs and fluctuating exchange rates. Good answers developed these difficulties by explaining how it affected their costs. One excellent evaluative point made by some candidates was that E19 might not want to jeopardise its present markets and may not decide to export at this time because the difficulties might be considered too great to overcome. Weaker answers tended to write a list of difficulties without explanation.

