

IGCSE

London Examinations IGCSE

Commerce (4340)

First examination May 2006

July 2004, Issue 1

delivered locally, recognised globally

Specimen Papers and Mark Schemes

London Examinations IGCSE

**Commerce (4340)**

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Authorised by Elizabeth Blount

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Centre No.					
Candidate No.					

Paper Reference					
<b>4</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>/</b>	<b>1 F</b>

Surname	Initial(s)
Signature	

Paper Reference(s)

**4340/1F**

# London Examinations

## IGCSE

### Commerce

Paper 1F

Foundation Tier

Specimen Paper

Time: 1 hour 30 minutes

Examiner's use only

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Team Leader's use only

--	--

Question Number	Leave Blank
1	
2	
3	
Total	

Materials required for examination

None

Items included with question papers

None

#### Instructions to Candidates

In the boxes above, write your centre number and candidate number, your surname, initial(s) and signature.

The paper reference is shown at the top of this page. Check that you have the correct question paper.

Answer **ALL** the questions in the spaces provided in this question paper.

#### Information for Candidates

There are 12 pages in this question paper. All blank pages are indicated.

The total mark for this paper is **80**. The marks for the various parts of questions are shown in round brackets, e.g. (2).

You may use a calculator.

#### Advice to Candidates

You are reminded of the importance of clear English and careful presentation in your answers.

You are advised to spend an equal amount of time, about 30 minutes, on each question.

Specimen

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Turn over  
edexcel   
INTERNATIONAL

**Answer all questions.**

1. Ken Jones owns a small engineering workshop. He obtains the following information about insurance.

**Factory Buildings Insurance**

*Annual premium for every £100 insured*

Insurance Company	Area			
	1	2	3	4
X	£4	£5	£6	£7
Y	£7	£8	£9	£10

The workshop is valued at £50,000, and is located in Area 3.

- (a) For each of the following questions, choose the best answer **A**, **B**, **C** or **D** and write it in the box.

- (i) The most expensive area in which to be insured with Company X is

- A Area 1
- B Area 2
- C Area 3
- D Area 4

Answer:

**(1)**

- (ii) The document completed by Ken when applying for buildings insurance is a

- A Cover note
- B Proposal
- C Policy
- D Claim

Answer:

**(1)**

(iii) The annual cost of insuring with Company Y is

- A £3 000
- B £3 500
- C £4 000
- D £4 500

Answer:

(1)

(iv) Who would Ken approach to obtain alternative premiums for buildings insurance?

- A Advertising agent
- B Broker
- C Stock exchange
- D Wholesaler

Answer:

(1)

(v) An example of a risk that Ken could insure against is

- A Injury to visitors in the workshop
- B Shortage of skilled workers
- C Competition from overseas suppliers
- D A fall in demand for engineering products

Answer:

(1)

**Turn over**

- (b) (i) State the document used by Ken to record all payments into the business current account.

.....

(1)

- (ii)

LINDENS BANK High St. Colchester	A/C Payee Only	1 April, 2003	
Pay <u>Robin's PLC</u>		or Order	
<u>Fifty Pounds.</u>		<u>£50-00</u>	
000661 80 1685		Signed <u>K Jones.</u>	1047627

Study the cheque above and write down the name of

the drawer .....

(1)

the payee .....

(1)

the drawee .....

(1)

- (iii) Explain why the cheque above cannot be cashed at a bank.

.....  
.....

(2)

- (iv) Apart from the use of cheques, what is another advantage to Ken Jones in having a business current account?

.....

(1)

- (v) State **two** ways in which money assists Ken Jones to trade.

.....  
.....

(2)



(c) The assets and liabilities of Ken Jones' business at a particular date are shown as follows:

	£
Capital owned	26 700
Trade creditors	1 000
Cash in bank	3 000
Debtors	2 250
25-year mortgage	18 000
Premises	30 000
Lorry	4 500
Wages due	50
Stock	6 000

Assets are items owned by the business and liabilities are amounts owing.

(i) Identify **one** asset and **one** liability.

Asset: .....  
(1)

Liability: .....  
(1)

(ii) Examine the list of Ken Jones' assets and liabilities and explain the form of ownership of the business.

.....  
.....  
(2)

(iii) Name **two** documents that are produced annually to show the financial state of the business.

1. ....  
2. ....  
(2)

(iv) State the purpose of each of these documents.

1. ....  
2. ....  
(2)

**Turn over**

(d) In Ken Jones' workshop, each job is completed by one employee. Ken has been advised that the introduction of *specialisation* would benefit the business. However, he has decided not to change the organisation of the workshop.

(i) What is meant by *specialisation*?

.....  
.....

(2)

(ii) Explain how the introduction of specialisation might benefit Ken Jones' business.

.....  
.....  
.....

(3)

(iii) Suggest **three** reasons for Ken Jones' decision **not** to introduce specialisation.

1. ....
2. ....
3. ....

(3)

**Total for Question 1: 30 marks**

---

2. Stephanie and Julie are dentists. Each has a small dental practice in a large city. They decide to sell their separate practices, become partners and buy a large practice in another area of the city.

(a) (i) Classify dentistry as an occupation.

.....

(1)

(ii) What is 'capital'?

.....

(1)

The following are features of some business organisations:

- Between 2 and 20 owners
- Unlimited liability
- Shares bought and sold by investors
- Separate legal existence
- Shared responsibility

(iii) From the list, identify **three** features of a partnership.

1. ....

2. ....

3. ....

(3)

(iv) Explain **two** benefits to Stephanie and Julie of being in a partnership.

1. ....

.....

.....

2. ....

.....

.....

(4)

**Turn over**

- (b) Stephanie invested twice as much capital as Julie. The partnership agreement allows profits to be shared in the same proportions as capital invested.

Calculate:

- (i) how much each partner receives if the practice makes a profit of £150,000.

Stephanie .....  
(1)

Julie .....  
(1)

- (ii) how much profit each partner would have received if there had been no partnership agreement.

Stephanie .....  
(1)

Julie .....  
(1)

- (c) Stephanie and Julie are considering an expansion of their dental practice.

State **three** ways in which a commercial bank might help them with their plans for expansion.

1. ....  
.....
2. ....  
.....
3. ....  
.....
- .....

(3)

- (d) Stephanie and Julie decide to buy new dental equipment for the new practice. Two methods of financing the new equipment are **hire purchase** and **leasing**.

Analyse these **two** methods of financing new dental equipment.

Hire purchase .....

.....  
.....  
.....  
.....

Leasing .....

.....  
.....  
.....  
.....

(5)

- (e) Explain why a partnership might change to a limited company.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

(4)

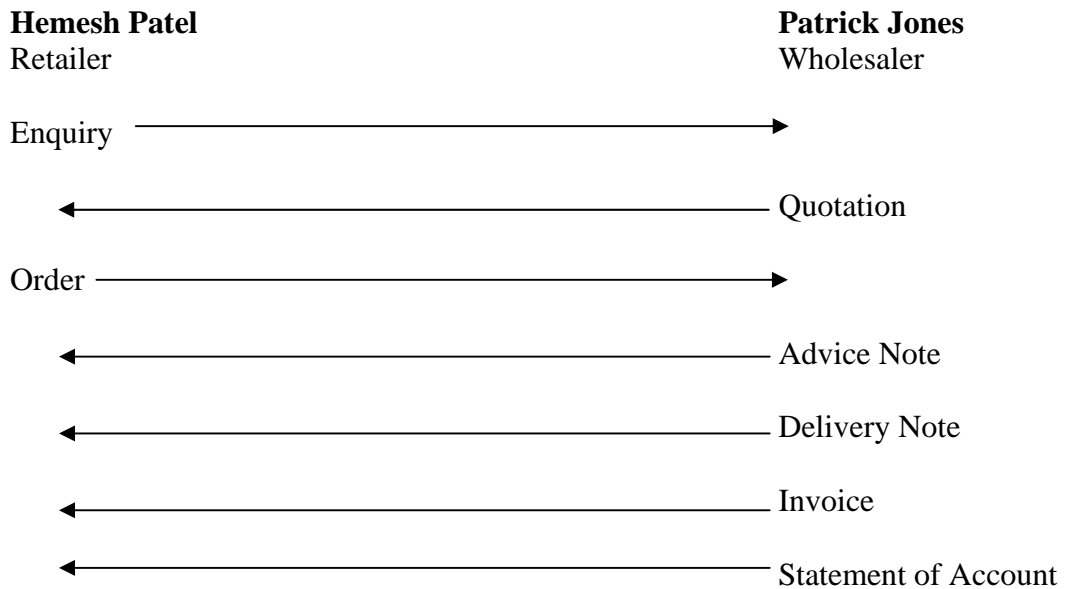
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**Total for Question 2: 25 marks**

*Turn over*

3. Study the diagram below and then answer the questions which follow.

**Documents used in a commercial transaction between Hemesh Patel, retailer and Patrick Jones, wholesaler.**



(a) (i) Why would Hemesh Patel ask for a quotation?

.....  
.....  
.....  
.....  
.....

**(3)**

Hemesh Patel wishes to place an order on credit terms.

(ii) What does 'an order on credit terms' mean?

.....

**(1)**

(iii) Why does Hemesh Patel want credit?

.....  
(1)

If this is the first order from Hemesh Patel, the wholesaler will check on Hemesh Patel's ability to pay.

(iv) State how this may be checked by the wholesaler.

.....  
(1)

(v) If Hemesh Patel's ability to pay was in doubt, how might he still obtain stock from the wholesaler?

.....  
.....  
(2)

(b) (i) State the document which provides Hemesh Patel with a bill.

.....  
(1)

(ii) Name the document which will be sent by the wholesaler if it becomes necessary to reduce the amount on a bill to Hemesh Patel.

.....  
(1)

(iii) Describe **two** occasions when such a reduction might be necessary.

1. ....  
.....

2. ....  
.....

.....  
.....  
(4)

***Turn over***

(c) (i) Which document is sent out by Patrick Jones each month to request payment?

.....  
(1)

(ii) Analyse why a customer might make prompt payment upon receipt of this document.

.....  
.....  
.....  
.....  
(2)

(iii) Name **one** other document that Hemesh Patel would check before making payment to the wholesaler.

.....  
(1)

(d) Assess the importance of documents in business transactions.

.....  
.....  
.....  
.....  
.....  
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.....  
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.....  
.....  
(7)

**Total for Question 3: 25 marks**

**TOTAL FOR PAPER: 80 MARKS**

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**END**



Centre No.					
Candidate No.					

Paper Reference						
<b>4</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>/</b>	<b>2</b>	<b>H</b>

Surname	Initial(s)
Signature	

Paper Reference(s)

**4340/2H**

# London Examinations IGCSE

Commerce

Paper 2H

Higher Tier

Specimen Paper

Time: 2 hours

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
Total	

**Materials required for examination**

None

**Items included with question papers**

None

### Instructions to Candidates

In the boxes above, write your centre number and candidate number, your surname, initial(s) and signature.

The paper reference is shown at the top of this page. Check that you have the correct question paper.

Answer **ALL** the questions in the spaces provided in this question paper.

### Information for Candidates

There are 12 pages in this question paper. All blank pages are indicated.

The total mark for this paper is **100**. The marks for the various parts of questions are shown in round brackets, e.g. (2).

You may use a calculator.

### Advice to Candidates

You are reminded of the importance of clear English and careful presentation in your answers.

You are advised to spend an equal amount of time, about 30 minutes, on each question.

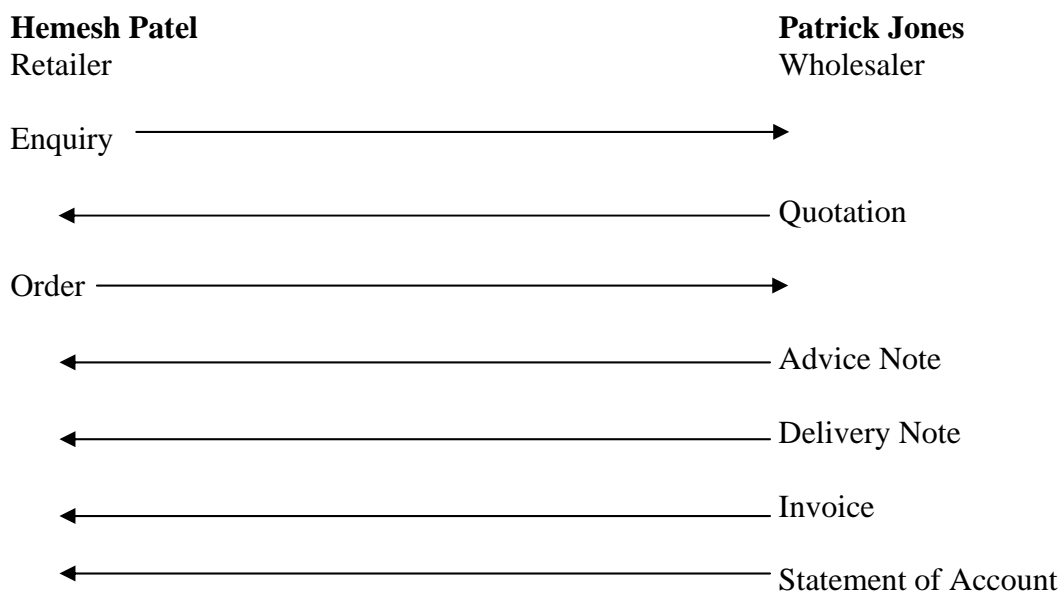
*Turn over*

Specimen

### Answer all questions

1. Study the diagram below and then answer the questions which follow.

#### Documents used in a commercial transaction between Hemesh Patel, retailer and Patrick Jones, wholesaler.



- (a) (i) Why would Hemesh Patel ask for a quotation?

.....

.....

.....

.....

.....

**(3)**

Hemesh Patel wishes to place an order on credit terms.

- (ii) What does 'an order on credit terms' mean?

.....

**(1)**

(iii) Why does Hemesh Patel want credit?

.....

(1)

If this is the first order from Hemesh Patel, the wholesaler will check on Hemesh Patel's ability to pay.

(iv) State how this may be checked by the wholesaler.

.....

(1)

(v) If Hemesh Patel's ability to pay was in doubt, how might he still obtain stock from the wholesaler?

.....

.....

(2)

(b) (i) State the document which provides Hemesh Patel with a bill.

.....

(1)

(ii) Name the document which will be sent by the wholesaler if it becomes necessary to reduce the amount on a bill to Hemesh Patel.

.....

(1)

(iii) Describe **two** occasions when such a reduction might be necessary.

1. ....

.....

.....

2. ....

.....

.....

(4)

**Turn over**

(c) (i) Which document is sent out by Patrick Jones each month to request payment?

.....

**(1)**

(ii) Analyse why a customer might make prompt payment upon receipt of this document.

.....

.....

.....

.....

**(2)**

(iii) Name **one** other document that Hemesh Patel would check before making payment to the wholesaler.

.....

**(1)**

(d) Assess the importance of documents in business transactions.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

**(7)**

**Total for Question 1: 25 marks**

2. The directors of a company which manufactures washing machines wish to expand the company's sales by selling to countries abroad.

You are employed as a consultant to offer advice to the directors on this proposal.

(a) State **two** sources of information which would assist you in giving this advice.

1. ....

2. ....

(2)

(b) Analyse the factors which the directors should consider before a decision is made to export.

.....

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(14)

**Turn over**

*Leave  
blank*

The company employs a sales team to visit wholesalers and retailers. One director wishes to reduce the numbers in the sales team. He claims that their work is less valuable to the company than that of the factory workers who make the washing machines.

(c) To what extent do you agree that these salespeople have non-productive jobs?

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**(9)**

**Total for Question 2: 25 marks**

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3. Tey Industries Ltd supplies office equipment and office stationery.

(a) (i) Give **two** reasons why Tey Industries chooses road transport rather than rail for deliveries.

1. ....  
.....

2. ....  
.....

**(4)**

(ii) Explain **one** benefit to Tey Industries of using air transport for deliveries overseas.

.....  
.....

**(2)**

(b) Select **two** methods of communication and show how each could be used by Tey Industries in dealing with orders from customers.

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.....  
.....  
.....

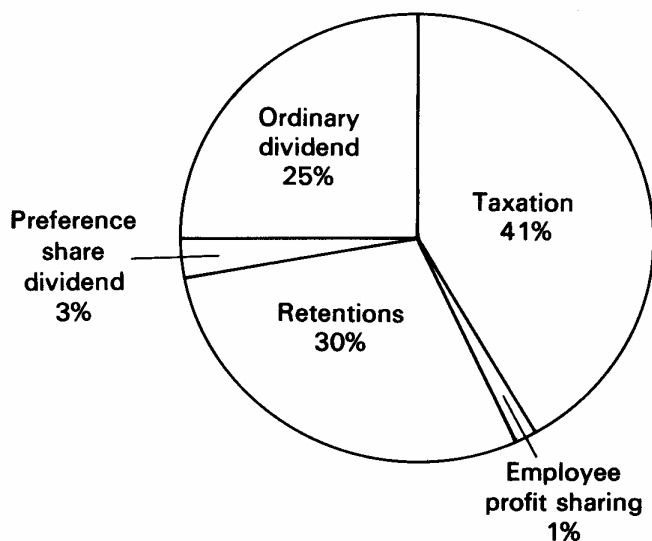
**(5)**

***Turn over***





4. Study the following information and then answer the questions which follow.



Lyon House Industries plc's turnover in 2003 was £8 380 million. Its gross profit was £2 095 million and net profit was £1 800 million. The diagram above shows the percentage taken by the various amounts paid as out dividends, employee profit-sharing, tax, and the amount kept by Lyon House industries for investing in its business to improve service to customers. (Extracted from the Lyon House Industries plc Annual Report 2003)

(a) In 2003, what was the value of

(i) net sales

.....  
.....  
**(1)**

(ii) the gross profit percentage?

.....  
.....  
.....  
**(2)**

Turn over

(b) (i) What do the 'share dividends' represent?

.....  
.....  
.....

**(2)**

(ii) Explain the meaning of 'retentions 30%'.

.....  
.....  
.....  
.....

**(3)**

(c) (i) Describe the main differences between the two types of shares issued by Lyon House Industries plc.

.....  
.....  
.....  
.....  
.....  
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.....  
.....

**(6)**

*Leave  
blank*

The dividend paid on each issued £1 ordinary share is 25p. The shares may be bought on a stock exchange for £5 each.

- (ii) Calculate the yield on a purchase of 1,000 shares.

.....  
.....  
.....  
.....

**(3)**

- (d) What are the advantages and disadvantages of stock exchanges for shareholders in Lyon House Industries plc?

.....  
.....  
.....  
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**(8)**

**Total for Question 4: 25 marks**

**TOTAL FOR PAPER: 100 MARKS**

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**END**

*Turn over*

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Centre No.					
Candidate No.					

Paper Reference					
4	3	4	0	/	03

Surname	Initial(s)
Signature	

Paper Reference(s)

**4340/03**

# London Examinations

## IGCSE

Commerce

Paper 3

Common to both tiers

Specimen Paper

Time: 1 hour, plus reading time of 10 minutes

Examiner's use only

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Team Leader's use only

--	--

Question Number	Leave Blank
1	
2	
3	
4	
Total	

**Materials required for examination**

None

**Items included with question papers**

None

**Instructions to Candidates**

In the boxes above, write your centre number and candidate number, your surname, initial(s) and signature.

The paper reference is shown at the top of this page. Check that you have the correct question paper.

Answer **ALL** the questions in the spaces provided in this question paper.

**Information for Candidates**

There are 8 pages in this question paper. All blank pages are indicated.

The total mark for this paper is **40**. The marks for the various parts of questions are shown in round brackets, e.g. (2).

You may use a calculator.

**Advice to Candidates**

You are reminded of the importance of clear English and careful presentation in your answers.

*Turn over*

Specimen

## **Answer all questions**

Sue Lee wishes to buy a car. She cannot afford to pay the cash price of £10,000 and asks your advice on the best way to finance the purchase.

**Your task is to advise Sue Lee on the best way of paying for a car.**

### **Sue Lee's financial situation**

Sue provides the following information to assist you.

- Sue has a high street bank current account with an average monthly balance of £1 000. This account has a credit interest rate of 0.25% p.a. and an automatic overdraft limit of £500. The bank offers an additional arranged overdraft facility at an interest rate of 15% p.a.
- Sue also has a savings account at another high street bank. The account balance is £2 500 and 4% interest p.a. is paid by the bank.
- Sue lives in a small house in a village some distance away from the city where she works. She is buying the house with the aid of a building society mortgage loan. The house is valued at £40 000 and the outstanding mortgage loan repayable over 12 years is £10 000 on which interest is paid at 6% p.a.
- Sue has a bank credit card with a credit limit of £5 000 and a monthly rate of interest on purchases of 1.5%.

### **Sources of information**

At the end of this examination paper, there are various sources of information on borrowing money. You should study all of them and then use the information, together with your own knowledge and understanding of commerce, to prepare a report advising Sue Lee. The report has been divided into a series of tasks on the following pages.

You should use commercial concepts and terms you have learnt during the course, not just information in the sources you have studied.

*Leave  
blank*

1. My task is to advise Sue Lee about

.....  
.....  
.....

(2)

2. List Sue Lee's financial assets and liabilities.

Assets	Liabilities
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

(4)

*Turn over*

3. There are various methods by which Sue Lee could raise money to buy the car. Choose **three** of these methods, and explain the advantages and disadvantages of these **three** methods in the tables below.

Name of method: .....

Advantages of method	Disadvantages of method
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

(8)

Name of method: .....

Advantages of method	Disadvantages of method
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

(8)



*Leave  
blank*

**Name of method:** .....

<b>Advantages of method</b>	<b>Disadvantages of method</b>
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

**(8)**

***Turn over***



### Source A: Mammoth Motors Ltd hire purchase schemes

	Example A	Example B	Example C
<b>Period of Agreement (Months)</b>	36	36	36
<b>Cash price on road</b>	£10 000	£10 000	£10 000
<b>Deposit</b>	£2 000	£4 500	--
<b>Initial payment</b>			£2 000
<b>Charges for credit</b>	£1 252	Nil	£1 945
<b>Final payment</b>			£3 540
<b>Total payment</b>	£11 252	£10 000	£11 945
<b>APR</b>	10.7%	0%	11.9%
<b>36 monthly payments</b>	£257	£152.78	--
<b>35 monthly payments</b>			£183

### Source B: Personal Loans Guide

The starting point for evaluating a loan is the interest rate, which should be presented as an annual percentage rate (APR). If it is presented as a monthly rate of interest, look for the annual equivalent, which will allow you to compare it with other lenders.

When you are looking at interest rates, it is important to consider any other factors that might be making them cheaper. For instance, a loan secured on your property might have a lower rate of interest but it will represent a much higher risk, because if you default on repayments you could lose your home. Again, loans without payment protection cover against illness, accident, redundancy or unemployment will have lower monthly repayments.

Another key factor in deciding how much you are going to pay is the length of the repayment schedule. Spreading a loan over five years rather than two is going to mean you pay less each month, but overall it will mean a larger amount of money being swallowed up by interest. Consider also a repayment period that is appropriate to the type of purchase that it is covering.

#### Mortgages

Mortgage lenders may be willing to extend existing mortgages to provide cash for a major purchase. Like loans, the repayments are structured to pay off the debt at a fixed time. However, borrowers need to be aware of the risk of losing their homes if the bigger monthly repayments cannot be maintained.

*Source: Channel 4 Money (adapted)*

**Turn over**

### Source C: Overdrafts Guide

An overdraft is an agreed cash-borrowing limit that is arranged with a bank.

Prior to spending money you don't have, it is very important to pre-arrange any overdraft with your bank. If not, you are charged a much higher rate of interest for what is known as 'unauthorised' borrowing. This is usually double the overdraft rate.

This is roughly how much it costs to be £2 000 overdrawn every month throughout the year. With the average high street bank, you will pay £372 a year for the privilege. Switch to the average online bank and you will pay £160. Spend all year overdrawn beyond your agreed limit, and the average costs will be £596 and £438 respectively.

If you go overdrawn above the limit agreed with your bank, you will face higher charges. Bear in mind also that some banks charge a fee for setting up an overdraft; and overdraft facilities can be withdrawn at any time.

*Source: Channel 4 Money (adapted)*

### Source D: Credit card guide

The annual percentage rate (APR) gives you an idea of the cost of credit. The APR takes into account both interest rates and any other charges, such as a yearly card charge or a charge for borrowing cash.

With no annual fee, the APR is simply the monthly rate compounded over 12 months. The word 'compounded' is crucial: you pay interest on your interest. For example, a monthly rate of 1.5 per cent compounded over 12 months gives an APR of 19.5%. It is not, as many wrongly assume, simply the monthly fee multiplied by 12 months.

However, APRs are only a guide to the cost of borrowing money. The cost for individual customers depends on how you decide to pay back the money.

If you pay your balance off in full every month at the appointed time, then you won't pay interest. So if you buy something on your credit card on the first day of a new billing month, you get the whole month before your bill arrives. In addition, you get a further month (or whatever the interest-free period is) to pay for it, making (roughly) two months in total. But if you buy something at the end of the month and it gets on to that month's statement, you will have to pay for it only one month later.

*Source: Channel 4 Money (adapted)*

**Source E: Personal Loan repayments**

Loan amount (£)	12 months		24 months		36 months		60 months	
	Without payment protection	With payment protection	Without payment protection	With payment protection	Without payment protection	With payment protection	Without payment protection	With payment protection
	£	£	£	£	£	£	£	£
1,000	86.30	91.46	44.55	47.96	30.65	33.41	19.57	22.37
3,000	258.89	274.38	133.64	148.89	91.95	100.23	58.70	67.12
5,000	431.49	457.30	222.74	239.81	153.25	167.06	97.84	111.86
7,500	647.25	685.95	334.10	359.72	229.88	250.54	146.75	167.79
10,000	862.98	914.59	445.48	479.63	306.50	334.12	195.67	223.73
15,000	1 294.46	1 371.89	668.21	719.44	459.75	501.17	293.51	35.59

The table shows the approximate values of loans that can be taken out, for various repayment amounts, over different monthly repayment options.

*Turn over*

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**Edexcel International**

**London Examinations**

**IGCSE**

**IGCSE Commerce (4340)**

**Mark Schemes for Specimen Papers**

**Paper 1F (Foundation Tier)**

# Assessment grid

Paper 1F

**Marks for Specification content**

**Sections**

**1 2 3 4 5**

**Marks for Assessment Objectives**

**1 2 3 4 Total**

## Question 1

(a)	(i)					1	
	(ii)					1	
	(iii)					1	
	(iv)					1	
	(v)					1	
(b)	(i)					1	
	(ii)					3	
	(iii)					2	
	(iv)					1	
	(v)					2	
(c)	(i)				2		
	(ii)				2		
	(iii)				2		
	(iv)				2		
(d)	(i)	2					
	(ii)	3					
	(iii)	3					
							<b>30</b>

1							
1							
1							
1							
1							
1							
	3						
1	1						
	1						
2							
			2				
	2						
2							
2							
2							
	3						
					3		
							<b>30</b>

## Question 2

(a)	(i)	1					
	(ii)				1		
	(iii)				3		
	(iv)				4		
(b)					4		
(c)						3	
(d)				5			
(e)					4		
							<b>25</b>

1							
1							
					3		
					2	2	
	4						
3							
2					3		
	4						
							<b>25</b>



**Question 3**

(a)	(i)	3				
	(ii)	1				
	(iii)	1				
	(iv)	1				
	(v)	2				
(b)	(i)	1				
	(ii)	1				
	(iii)	4				
(c)	(i)	1				
	(ii)	2				
	(iii)	1				
(d)		7				
						<b>25</b>

	3			
1				
	1			
1				
	2			
1				
1				
	4			
1				
		2		
1				
			7	
				<b>25</b>

<b>Totals for Paper 1F</b>	<b>9</b>	<b>25</b>	<b>5</b>	<b>24</b>	<b>17</b>	<b>80</b>
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<b>28</b>	<b>28</b>	<b>12</b>	<b>12</b>	<b>80</b>
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## Introduction

A mark scheme is intended to provide a guide to the type and number of responses expected. It does not contain all possible responses which might be awarded marks. Such responses are considered by examiners at a co-ordination meeting before marking begins. Responses which are judged to be correct and relevant to the questions will be added to the mark scheme.

Marks shown in brackets at the end of each question part are maximum marks.

- Question 1**
- |     |       |  |     |
|-----|-------|--|-----|
| (a) | (i)   | D  |     |
|     | (ii)  | B  |     |
|     | (iii) | D  |     |
|     | (iv)  | B  |     |
|     | (v)   | A  | (5) |
|     |       | (AO1- Demonstrate = 5)   |     |
| (b) | (i)   | Paying-in book   | (1) |
|     |       | (AO1 – Demonstrate = 1)  |     |
|     | (ii)  | drawer – K Jones<br>payee – Robin’s PLC<br>drawee – Lindens Bank               | (3) |
|     |       | (AO2 Apply = 3)  |     |
|     | (iii) | Crossed A/C Payee<br>Must be paid into Robin’s PLC account                     | (2) |
|     |       | (AO1 Demonstrate = 1 AO2 Apply = 1)  |     |
|     | (iv)  | E.g. money withdrawn on demand   | (1) |
|     |       | (AO2 – Apply = 1)  |     |
|     | (v)   | E.g. Buy raw materials<br>Pay wages  | (2) |
|     |       | (AO1 = Demonstrate = 2)  |     |
| (c) | (i)   | Assets: cash in bank<br>debtors<br>premises<br>lorry<br>stock                  | (1) |
|     |       | Liabilities: capital owned<br>trade creditors<br>25-year mortgage<br>wages due | (1) |
|     |       | (AO3 Analyse/Select = 2)   |     |
|     | (ii)  | No share capital/partners’ capitals,<br>therefore sole trader                  | (2) |
|     |       | (AO2 Apply =2)   |     |

- (iii) Trading Account  
Profit and Loss Account  
Balance Sheet  
(AO1 Demonstrate = 2) (2)
    - (iv) TA – gross profit /loss  
P/L – net profit  
B/S – assets & liabilities  
(AO1 Demonstrate = 2) (2)
  - (d)
    - (i) Production divided into large number of operations;  
A worker performs one particular operation.  
(AO1 Demonstrate = 2) (2)
    - (ii) E g increased output,  
simpler tasks shorten training time  
accurate measurement of output  
(AO2 Apply = 3) (3)
    - (iii) Small workshop  
Not enough orders  
Non-standardised products  
Skilled workers might leave to avoid monotonous work  
(AO4 Evaluate = 3) (3)

Total 30 marks

- Question 2**
- (a) (i) Direct service/tertiary (1)  
(ii) Money used in a business (1)  
(AO1 Demonstrate = 2)
- (iii) 2-20 owners  
unlimited liability  
shared responsibility (3)  
(AO3 Analyse/Select = 3)
- (iv) Basic statement  
E.g. business problems shared  
increased range of dental treatments (2)
- Expanded statements  
E.g. discussion, rapid decisions  
increased range improves turnover/profit (2)  
(AO3 Analyse/Select = 2; AO4 Evaluate = 2)
- (b) (i) Stephanie £100 000 (1)  
Julie £50 000 (1)  
(ii) Stephanie £75 000 (1)  
Julie £75 000 (1)  
(AO2 Apply = 4)
- (c) Bank loan  
Overdraft  
Financial advice (3)  
(AO1 Demonstrate = 3)
- (d) **Basic statements**  
Hire purchase: goods hired until payments completed. (1)  
Leasing: use of goods rented for agreed period. (1)  
(AO1 Demonstrate = 2)
- Expanded statements**  
E.g. Both avoid large capital expenditure  
Eventual ownership under hire purchase  
Under leasing, ownership remains with lessor (3)  
(AO3 Analyse = 3)
- (e) **Basic statements**  
E.g. raise more capital  
gain limited liability (2)
- Expanded statements**  
E.g. share issues  
Reduced risk to owners (shareholders) (2)  
(AO2 Apply = 4)

Total 25 marks

<b>Question 3</b>	(a)	(i)	Information about: price payment delivery (AO 2 – Apply = 3)	(3)
		(ii)	E.g. payment for goods deferred (AO1 – Demonstrate =1)	(1)
		(iii)	E.g. gives time to sell at a profit (AO2 –Apply = 1)	(1)
		(iv)	bank reference or trade reference (AO1 Demonstrate = 1)	(1)
		(v)	Wholesaler sends a pro forma invoice Cash with order (AO2 – Apply = 2)	(2)
	(b)	(i)	Invoice	(1)
		(ii)	Credit note/corrected invoice (AO 1 Demonstrate = 2)	(1)
		(iii)	e.g. retailer returns goods damaged/sent in error	(1) (1)
			retailer overcharged error on invoice	(1) (1)
		(AO2 – Apply = 4)	(4)	
	(c)	(i)	Statement of account (AO1 Demonstrate = 1)	(1)
		(ii)	E.g. Earn cash discount Substantial savings on large orders Good payer reputation (AO3 – Select/Analyse = 2)	(2)
			(iii)	E.g. invoices, debit notes, credit notes (AO1 Demonstrate = 1)
	(d)		<b>Basic statement</b> E.g. written/electronic record	(2)
			<b>Expanded statement</b> Proof of purchase Proof against fraud Information for: accounting systems tax calculations official statistics of business activity	(4)
		Conclusion E.g. use will continue in written or electronic form (AO4 – Evaluate = 7)	(1)	

Total 25 marks

**Total for paper: 80 marks**

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**IGCSE**

**IGCSE Commerce (4340)**  
**Mark Schemes for Specimen Papers**  
**Paper 2H (Higher Tier)**

# Assessment grid

Paper 2H

## Marks for Specification content

### Sections

1 2 3 4 5

## Marks for Assessment Objectives

1 2 3 4

### Question 1

(a)	(i)		3				
	(ii)		1				
	(iii)		1				
	(iv)		1				
	(v)		2				
(b)	(i)		1				
	(ii)		1				
	(iii)		4				
(c)	(i)		1				
	(ii)		2				
	(iii)		1				
(d)			7				
							<b>25</b>

	3						
1							
	1						
1							
	2						
1							
1							
	4						
1							
1		2					
				7			
							<b>25</b>

### Question 2

(a)			2				
(b)			14				
(c)		9					
							<b>25</b>

2							
		14					
		2	7				
							<b>25</b>

### Question 3

(a)	(i)					4	
	(ii)					2	
(b)						5	
(c)						14	
							<b>25</b>

	2	2					
2							
1		4					
				14			
							<b>25</b>

### Question 4

(a)	(i)				1		
	(ii)				2		
(b)	(i)				2		
	(ii)				3		
(c)	(i)				6		
	(ii)				3		
(d)					8		
							<b>25</b>

	1						
	2						
	2						
	3						
4	2						
	3						
8							
							<b>25</b>

<b>Totals for Paper 2H</b>	<b>9</b>	<b>41</b>	<b>25</b>	<b>25</b>	<b>100</b>		
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<b>23</b>	<b>25</b>	<b>24</b>	<b>28</b>	<b>100</b>			
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### Question 1

- (a) (i) Information about:  
price  
payment  
delivery (3)  
(AO 2 – Apply = 3)
- (ii) E.g. payment for goods deferred (1)  
(AO1 – Demonstrate =1)
- (iii) E.g. gives time to sell at a profit (1)  
(AO2 –Apply = 1)
- (iv) bank reference or trade reference (1)  
(AO1 Demonstrate = 1)
- (v) Wholesaler sends a pro forma invoice  
Cash with order (2)  
(AO2 – Apply = 2)
- (b) (i) Invoice (1)
- (ii) Credit note/corrected invoice (1)  
(AO 1 Demonstrate = 2)
- (iii) e.g. retailer returns goods  
damaged/sent in error  
retailer overcharged  
error on invoice (4)  
(AO2 – Apply = 4)
- (c) (i) Statement of account (1)  
(AO1 Demonstrate = 1)
- (ii) E.g. Earn cash discount  
Substantial savings on large orders  
Good payer reputation (2)  
(AO3 – Select/Analyse = 2)
- (iii) E g invoices, debit notes, credit notes (1)  
(AO1– Demonstrate = 1)
- (d) **Basic statement**  
E.g. written/electronic record (2)
- Expanded statement**  
Proof of purchase  
Proof against fraud  
Information for: accounting systems  
tax calculations  
official statistics of business activity (4)
- Conclusion  
E.g. use will continue in written or electronic form (1)  
(AO4 – Evaluate = 7)

Total 25 marks

## Question 2

- (a) E.g. Government departments e.g. Trade and Industry  
Export Credits Guarantee Department  
Chambers of Commerce  
Trade Associations  
Embassies  
Import/export agencies  
Banks  
Transport firms  
Representatives sent abroad to make special enquiries (2)  
(AO1 – Demonstrate = 2)

- (b) **Basic statements**  
E.g. Market availability  
Importing arrangements/distribution  
Laws and regulations  
Culture  
Additional costs  
Languages  
Currency (7)

### Expanded statements

- E.g. Can consumers afford to buy washing machines?  
Are washing machines subject to duties or quotas?  
Are there regulations as to electrical safety and/or environmental issues?  
Are there restrictions on advertising?  
What would be the level of additional transport and packing costs?  
Will written and verbal communications in foreign languages be additional costs?  
Is there a risk of financial loss through foreign exchange dealing? (7)  
(AO3 – Analyse/Select = 14)

- (c) **Basic statements**  
E.g. production/commerce  
production includes industrial (factory workers), commercial (car salespersons) and direct service producers  
production includes provision of both goods and services (4)

### Expanded statements

- E.g. commercial activity is part of production;  
commerce is concerned with distribution of finished goods to consumer;  
distribution of cars from manufacturer to final buyer is commercial activity;  
salespersons and factory workers have productive jobs. (5)  
(AO3 – Analyse/Select = 2, AO4 – Evaluation = 7)

Total 25 marks

**Question 3**

- (a) (i) **Basic statements**  
E.g. flexibility (1)  
speed (1)
- Expanded statements**  
E.g. door to door (1)  
faster for short journeys (1)  
(AO2 – Apply = 2; AO3 – Analyse/select = 2)
- (ii) **Basic statement**  
E.g. speed (1)
- Expanded statement**  
E.g. shorter transit time reduces insurance costs (1)  
(AO1 – Demonstrate = 2)
- (b) **Basic statements**  
E.g. Telephone  
Fax  
Email  
Letters (2)
- Expanded statements**  
E.g. Telephone – to enquire about component supplies  
to clarify order details  
Fax – documents between offices  
Email – advice of delivery  
acknowledge receipt of order  
Letters – payment problems  
legal problems (3)  
(AO3 – Analyse/Select = 4; AO1 – Demonstrate = 1)
- (c) **Basic statements**  
Advantages  
E.g. door to door  
advertising  
direct control
- Disadvantages  
E.g. cost of buying  
petrol/diesel costs  
garaging (6)

**Expanded statements**

Advantages

E.g. flexible operation  
safety of goods  
“returns” brought back

Disadvantages

E.g. capital costs  
running costs  
costs of under-use (6)

Conclusion

E.g. directors considered advantages and disadvantages  
directors assessed advantages outweighed  
the disadvantages (2)  
(AO 4 – Evaluate = 14)

(25 marks)

**Question 4**

- (a) (i) £8 380m (1)
- (ii)  $\frac{£2\ 095\text{m}}{£8\ 380\ \text{m}} \times 100 = 25\%$  (2)
- (b) (i) Company's net profit (1) distributed to shareholders (1) (2)
- (ii) **Basic statement**  
Profit retained by company (1)
- Expanded statements**  
For buying assets (1)  
For building a cash reserve (1)
- (c) (i) **Basic statements**  
Ordinary: riskier than preference shares (1)  
Preference: fixed dividend (1)
- Expanded statements**  
Ordinary: superior voting rights (1)  
rank last for dividends (1)  
Preference: fewer votes  
dividends may be cumulative  
prior claim for dividends and in  
liquidation  
2 x 1 (2)
- (ii)  $\frac{£250}{£5,000} \times 100 = 5\%$  (3)
- (d) **Benefits**  
**Basic statements**  
Market for purchase and sale of shares (1)
- Expanded statements**  
Safeguards investors' interests through quotation  
and control of membership  
Market valuation of securities for probate and  
capital gains tax.  
3 x 1 (3)
- Drawbacks**  
**Basic statements**  
Share prices may rise and fall (1)
- Expanded statements**  
Identification of demand and supply influences  
Dangers of speculation  
Dealing costs  
3 x 1 (3)

(25 marks)

**Total for Paper 2H: 100 marks**

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**IGCSE Commerce (4340)**

**Mark Schemes for Specimen Papers**

**Paper 3 (Common to both tiers)**

## Assessment grid

### Paper 3

#### Marks for Assessment Objectives

		1	2	3	4	
1		2				
2		4				
3	(i)		2	4	2	
	(ii)		2	4	2	
	(iii)		2	4	2	
4				2	8	
						<b>40</b>
<b>Totals for paper 3</b>		<b>6</b>	<b>6</b>	<b>14</b>	<b>14</b>	<b>40</b>



## Introduction

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Marks shown in brackets at the end of each question part are maximum marks.

## Paper 3 (Common to both tiers)

### Introduction

Purpose:	paying for a car	1
	by the best method for Sue Lee	1
	(AO1 – Demonstrate = 2)	

### Sue Lee's assets and liabilities

<b>Assets</b>	current account	£1 000	1
	savings account	£2 500	1
	house	£40 000	1
<b>Liabilities</b>	mortgage loan	£10 000	1
	(AO1 – Demonstrate = 4)		

1	<b>Method 1</b> e.g. hire purchase	
	Advantages:	
	car obtained when needed most instead of waiting until cash price saved;	1
	higher price/better quality item may be obtained than if full cash price had to be found immediately;	1
	payments out of income;	1
	by time cash price saved, price of item may have risen	1
	Disadvantages:	
	item not owned until final payment made;	1
	item cannot be sold until final payment made;	1
	relatively high interest rates;	1
	failure to keep up repayments may result in loss of item; plus loss of repayments for hiring it;	1

<b>Method 2</b> e.g. personal loan		
Advantages:	relatively cheap interest rates;	1
	payment into borrower's current account	
	gives control over use of money;	1
	interest rate fixed for term of loan;	1
	loans available without security;	1
Disadvantages:	cheaper secured loans put home/property at risk;	1
	payment protection requires higher monthly repayments;	1
	longer repayment schedules cut monthly payments but result in higher total interest charges;	1
	longer repayment schedules may result in payments continuing beyond the life of the item bought;	1
<b>Method 3</b> e.g. overdraft		
Advantages:	no interest paid until money owed to the bank;	1
	interest charges stop when account returns to credit;	1
	useful when amount to be borrowed is uncertain;	1
	useful when period of borrowing is uncertain;	1
Disadvantages:	facility can be reduced/withdrawn at any time;	1
	overdrawing before a limit agreed results in charges;	1
	overdrawing above the agreed limit results in charges;	1
	security may be required;	1

(AO2 – Apply, and AO3 – Analyse = 24 marks)

## Conclusion

Recommended method: e.g. personal loan for full purchase price repayable over 2 or 3 years.

Reasons:	<b>basic statements</b>	
	availability of cash might result in a discount from dealers;	
	no deposit because full amount of purchase price could be borrowed;	
	lower interest rate than hire purchase or overdraft;	
	Sue could afford the monthly repayments;	
	fixed interest rate helps Sue to budget	
		5

(AO4 – Evaluate = 5 marks)

### expanded statements

cash settlement permits Sue to approach dealers to negotiate the best price. A discount, for example, of 10% would reduce her borrowing to £9 000;

no deposit permits personal savings to be kept to meet emergencies or finance other purchases;

interest rate on personal loans is 8.6% p.a. (or 9.1% p.a.) compared to hire purchase rate of 10.7% or 11.9% and an overdraft rate of 15%;

monthly repayments of £306.50 (or £334.12) for a 3-year loan (or £445.48/£479.63 for a 2-year loan) are covered by the average monthly current account balance of £1 000. These repayments would be reduced further if the car price was discounted to £9 000 (e.g. £275.85 or £300.69 over 3 years);

budgeting would be more difficult with some other forms of borrowing, e.g. mortgage, overdraft, credit card, because interest rates are variable;

(AO4 – Evaluate = 5)

5

**Total for Paper 3: 40 marks**

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