

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

MARK SCHEME for the November 2004 question paper

7100/01

7100/01 Commerce, Paper 1 , maximum raw mark 40

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2004 question papers for most IGCSE and GCE Advanced Level syllabuses.

November 2004

GCE O LEVEL

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 7100/01

COMMERCE



Page 1	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

1 (a) Any five points x 1 mark each and +1 for a well developed point such as -

- allow advertising
- needs to keep in touch with all its markets/expand markets
- needs to be able to take up opportunities
- needs to be able to communicate quickly and respond to change
- needs to keep in touch with employees around the world
- needs to keep in touch with branches around the world
- needs to be able to fulfill orders and meet delivery dates
- needs to keep up with its competitors
- need for adventure - creating image
- need to save time
- need to cut costs
- any other relevant point

5 max

(b) Any three means of communication x 1 mark each such as -

e-mail	fax	telephone	tele/videoconferencing
letter	memo	network (intranet)	cellphone/mobile phone
internet/website	letters/mail	telex	face to face

+2 marks each for the circumstances in which they might be used -

e.g. telephone - to hold an important discussion
 - to reach decisions requiring immediate action

9 max

(c) Any two reasons x 3 marks/three reasons x 2 marks or six points x 1 mark each such as -

- distance –
makes communication more difficult, transport is more expensive and transactions take longer
- different currencies –
need to change them, exchange rates
- difficulty of obtaining payment -
means of payment through banks, electronic transfer, risk of non-payment
- different customs/laws -
may affect what can be sold, may have to make for a particular market
- customs barriers -
make goods more expensive, have to comply with many regulations
- more competitive -
operating on large scale e.g. need more capital
- any other relevant reason

6 max

Total Mark 20

Page 2	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

2 (a) (i) Any three reasons x 1 mark each such as -

- amounts in words and figures differ
- cheque is stale
- cheque is post dated
- cheque is torn/dirty/mutilated
- signature differs from specimen in the bank
- insufficient funds in the account
- unsigned alterations on the cheque
- account is closed/drawer is insolvent/bankrupt
- drawer is dead/insane
- cheque has been stopped
- any other relevant point

3 max

(ii) Any three points x 1 mark each (up to 2 marks for a well developed point) such as -

- check cheques before accepting them
- keep careful records of customers who have caused problems
- ask for cash payment
- insist on the use of a cheque guarantee card
- do not accept cheques beyond the limit of the card
- take the person to court
- any other relevant point

3 max

(b) (i) fidelity bond/guarantee

1 max

(ii) Any six points x 1 mark each such as -

- contact insurance company/broker
- complete proposal form giving all relevant information with utmost good faith
- insurance company will assess the risk and calculate the premium
- if accepted a policy will be issued which is the contract of insurance and premiums will be paid for the cover
- any other relevant point

6 max

(c) (i) Any three points x 1 mark (up to 2 marks for a well developed point) such as -

- his income may be falling because of competition
- so his sales are falling attracting his customers
- the chain is offering a wider choice
- at a more competitive price
- as the chain can take advantage of economies of scale and possibly offer other services to attract consumers
- any other relevant point

3 max

Page 3	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(ii) Any two actions x 2 marks each such as -

- offer a wider range of goods and also offer services which the multiple chain does not offer
- offer better services + e.g.
- stock different goods from the chain store
- advertise more widely
- try to cut costs e.g. staff
- if the worst happens close his shop
- any other relevant point

4 max

Total Mark 20

3 Award up to 5 marks per section. Allow marks for description as well as ways in which the exporter would use the following:

(a) agents

- people who work on behalf of the exporter
- looking for buyers
- saves cost of advertising/organising sales/transport/insurance/documentation/storage/customs clearance (allow any of these) as the agent may undertake these tasks e.g. forwarding agent, broker, factor (1 max)
- works on commission
- has specialist knowledge of market/local knowledge
- any other relevant point

5 max

(b) air waybills

- because the exporter is likely to use air transport to export the computers
- this document accompanies the goods sent by air
- it gives details of the goods, the journey, the consignor and consignee
- it may give the value of the goods for customs purposes
- it acts as a receipt for the transport of the goods
- not document of title
- evidence of a contract
- any other relevant point

5 max

(c) container lorries

- enables goods to be transported safely (1) preventing damage/theft (1)
- the exporter may be sending the computers across land borders so they can be packed in a container and sent by road
- the exporter may be sending the computers to the docks/airport for export by air or ship
- can send a large number of computers in one consignment which should reduce damage as the container can be packed at the factory and not unpacked until it reaches its destination
- storage provision
- any other relevant point

5 max

Page 4	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(d) packaging

- computers are fragile machines so good packaging is necessary to protect them against damage/theft
- the packaging may be in various forms - boxes, polystyrene etc
- it assists handling of the computers
- it enables other items to be packed with the computers
- it enables information about the computers to be printed on the packaging
- it may reduce transport costs as there will be less claims for damage
- it makes computers look attractive
- it aids storage
- any other relevant point

5 max

Total Mark 20

4 (a) (i) Any six points x 1 mark each and up to 2 marks for a well developed point such as -

- enables payments to be made without cash and purchases to be made on credit in hotels/for transport/for goods any one
- enables large payments to be made
- saves carrying cash and so is much safer
- saves obtaining foreign currency/travellers cheques acceptable worldwide
- may obtain a better rate of exchange
- can be cancelled if lost/stolen
- can be used to obtain cash using an ATM
- useful to postpone payment when on an expense account
- may give discount/voucher/loyalty points
- any other relevant point

6 max

(ii) Any four points x 1 mark each such as -

- enables messages to be sent/received when travelling
- enables the traveller to keep in touch with office
- enables traveller to receive messages across time zones
- messages stored until the traveller has time to access them
- can send text messages
- can leave messages for people
- saves funding a landline
- calls are prepaid
- any other relevant point

4 max

(b) Any four points x 1 mark each such as -

- provides a rapid form of transport with access to most cities around the world
- enables the business traveller to undertake business wherever required
- has led to international salesmen who undertake business face to face; travel long distances
- enables businessman to work/relax on plane
- any other relevant point

4 max

Page 5	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(c) (i) Any three circumstances x 1 mark each (+1 for well developed point) such as -

- when the bill is for a small amount/example
- when there is plenty of cash available
- when a cheque or other means of payment is not accepted
- when discount is offered for cash

3 max

(ii) Any three circumstances x 1 mark each (+1 for well developed point) such as -

- when dealing with a regular supplier
- when making payments of irregular amounts frequently (instalments)
- when wishing to save on clerical work/time/paperwork
- when the payee demands that a debt is paid by direct debit
- when the payee offers an incentive to use direct debit
- any other relevant circumstance

3 max

Total Mark 20

5 (a) (i) Any two examples x 1 mark each such as -

- offers and bargains in all departments changing each day
- free gifts
- special offers
- come quickly while stocks last
- free car parking

2 max

(ii) Any two examples x 1 mark each such as -

- opening of new superstore
- name of store
- location of store in Greendale
- time of opening
- name of the opener
- date of opening
- extended opening hours in all branches
- types of goods listed

2 max

(b) Any six points x 1 mark each or three well developed points x 2 marks each such as -

- cheaper prices
- more promotions + example
- additional services + example
- better customer service
- better quality products
- wider range of goods
- wider choice
- more information to consumers
- ability to bargain
- any other relevant point

6 max

Page 6	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(c) Any two benefits explained x 2 marks each such as -

- fairly competitive rates compared with other forms of advertising
- can repeat the advertisements
- can give a lot of information in a small space
- can reach the target group required as many people read newspapers
- use of colour
- cheap (1)
- cheaper than(2)
- any other relevant reason

4 max

(d) (i) Any two x 2 marks each such as -

- advertising undertaken by a group of producers or a trade association on behalf of producers to advertise the product itself
- sharing costs and so increase overall sales of the product perhaps at the expense of another product e.g. beef versus lamb
- does not seek to promote the product of an individual producer
- may also be used to promote a place e.g. a holiday place
- any other relevant point

4 max

(ii) relevant example e.g. drink more milk

2 max

Total Mark 20

6 (a) Any one document x 1 mark such as enquiry/quotation and 1 mark for its purpose
OFR allowed

2 max

(b) Any two differences x 2 marks each such as -

- order is sent from the buyer to the seller
- invoice is sent from seller to buyer
- order requests the supply of goods/services
- invoice accompanies goods sold
- order gives details about the order/delivery address
- invoice contains all information related to the order

N.B. Allow differences relating to the data

- any other relevant difference

N.B. to achieve full marks, candidate must have commented on both order and invoice

4 max

(c) Any reason x 1 mark such as -

- shows that it has been approved within the company ordering
- shows a commitment by the buyer to the seller

1 max

Page 7	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

- (d) (i) $\$1120 \times .25$ (1 mark) = $\$280$ (1 mark)
 $\$1120 - \$280 = \$840$ (1 mark)
allow full marks if correct answer is shown
without working OFR applies **3 max**
- (ii) $\$840 \times .02 = \16.80 (1 mark)
 $\$840 - \16.80 (1 mark) = $\$823.20$ (1 mark)
allow full marks if correct answer is shown
without working OFR applies **3 max**
- (iii) Any two points x 1 mark or one well explained point x 2 marks such as -
- when the retailer has insufficient funds
 - when the retailer wishes to use funds elsewhere and can take advantage of larger incentives to pay early **2 max**
- (e) Any five points x 1 mark (up to 2 marks for well developed points) such as -
- cheaper prices because likely to be buying in bulk
 - may obtain better discounts + explanation of discounts
 - may be able to obtain goods more quickly and so put them on sale more quickly so gaining income
 - cuts out the costs of the wholesaler
 - may be less damage to the travel goods
 - retailer receives better information from manufacturer
 - goods may be fresher/more up to date
 - any other relevant point **5 max**

Total Mark 20

- 7 (a) Any two advantages explained x 2 marks each such as -
- have the benefits of capital from each of the partners so more capital available
 - each partner may have specific talents so more labour available
 - the workload can be shared giving each partner time off, holiday time
 - losses can be shared although unlimited liability exists
 - business activities and accounts are kept private
 - any other relevant advantage **4 max**
- (b) (i) $\$120\ 000 - 12$ parts = $\$10\ 000$
- Fabrice has $\$10\ 000 \times 7 = \$70\ 000$ (1 mark)
Charlene has $\$10\ 000 \times 3 = \$30\ 000$ (1 mark)
Joseph has $\$10\ 000 \times 2 = \$20\ 000$ (1 mark) **3 max**

Page 8	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(ii) Any two reasons x 1 mark and up to 2 marks for a well developed reason such as -

- Fabrice may have invested more money than the others
 - Fabrice may be undertaking far more of the work than the others
 - Fabrice may have started the business and the others joined her in the partnership
 - any other relevant reason
- 2 max**

(c) (i) To achieve full marks the candidate must have discussed each option
8 marks max for two options

- sleeping partner -
additional finance, no work input
 - bank loan -
instant large amount of finance, has to be repaid, interest payments
 - private limited company -
shareholders have ownership, protection of limited liability for
shareholders, legal status separate from the owners
 - any other relevant advantage and disadvantage
- 9 max**

(ii) recommendation - 0 marks as there is no correct answer

reasons for the choice made x 1 mark each or one well developed answer x 2
marks such as –

- easy to raise finance
 - does not interfere with the operation of the business (partnership)
 - extends ownership of the company (limited company)
 - any other relevant reason which may be a repeated point from (c) (i)
- 2 max**

Total Mark 20

8 (a) (i) ships which carry goods in very large quantities often low value goods or
refrigerated goods example - grain, fertilisers **3 max**

(ii) ships which carry liquids, usually in bulk in separated tanks
example - oil, water, gas **3 max**

Page 9	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(b) Any three reasons x 2 marks each such as –

- containers can be packed at the factory and not opened again until they reach their destination
- mixed cargo can be carried in one container
- handling time/charges have reduced so costs have decreased handling of containers is mechanised + e.g.
- trans-shipment of containers speeds up transport of goods
- specialised handling depots have been built
- reduction in damage + reason
- speedier delivery of goods
- reduction in theft + reason
- expansion of international trade has meant the development of container ships and container lorries
- can be used as storage
- any other relevant reason

6 max

(c) Any eight points x 1 mark or four points x 2 marks with at least 2 marks scored on advantages/disadvantages such as –

Advantages

- has speeded up the transport of freight with the quick turnaround of ships
- has reduced the cost of transporting goods across short sea channels
- has enabled goods to be sent by lorry without unloading
- has led to the increase in container traffic
- has led to the expansion of ferries specially designed for lorries
- has led to the development of ferry terminals designed to handle lorries
- has enabled a variety of cargo to be exported/imported quickly especially where there are no tariff barriers between countries e.g. EU
- has reduced cargo handling and so reduced pilferage
- increases exports

Disadvantages

- has led to increased imports - balance of trade problems
- has led in some countries to increased traffic in illegal immigrants/drugs/harmful goods.
- has led to unemployment among dock workers
- may be conflict between the requirements of passengers and the carrying of freight
- dangers associated with terrorism
- any other relevant point

8 max

Total Mark 20

9 (a) Any two points x 1 mark each such as –

conversion of a public sector business to a private sector business by selling shares/establishing a plc/selling as a complete business to one private owner

2 max

Page 10	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

(b) Any two features explained x 2 marks each such as -

- shareholders are owners who purchased their shares on the stock exchange
- shareholders have limited liability - liable for losses only to the extent of their holding
- legal entity - can sue and be sued in its own right
- must obtain trading certificate before it can start business
- must have £50 000 nominal capital before it can start trading
- any relevant point which could relate to a limited company

4 max

(c) Any two ways described x 2 marks or 4 points x 1 mark including of sources of finance

- purchase of (ordinary) shares
- sale of debentures - giving ownership, interest payable
- bank loan - fixed interest, long term
- use of retained profits - no repayment, no interest
- increasing prices to customers
- any other relevant method

4 max

(d) (i) Any two points x 1 mark such as -

total sales less returns = 2 marks i.e. net sales
(sales only = 1 mark)
from selling water services

2 max

(ii) (ii) $\$55 \times \frac{100}{100}$ (1 mark) = \$50(bn) (1 mark)

2 max

(iii) Any one example x 1 mark such as -

creditors, overdraft, hire purchase debt, payments for wages/maintenance/repairs/materials

1 max

(iv) Any five points x 1 mark (+1 for a well developed point) such as –

- obtain a loan
- reduce costs e.g. wages
- increase sales
- use reserves
- dispose of any unnecessary stock held (N.B. reducing stock = 0)
- pay off short-term debts/reduce creditors
- review total amount of debtors to obtain payments
- use cash to purchase items on which profits are made
- increase prices to consumers to increase income
- selling fixed assets
- N.B. definition of working capital - CA - CL = 1 mark
- any other relevant point

5 max

Total Mark 20

Page 11	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – NOVEMBER 2004	7100	1

10 (a) Any ten points x 1 mark each such as –

- storage (1) of goods/raw materials/work in progress
- protects (1) against weather/theft/damage/deterioration
- enables goods to be processed/packed/prepared for sale
- enables a variety of goods to be offered in one place
- enables goods to be displayed
- awaiting sale
- awaiting transport
- may be operated as a cash and carry business
- enables manufacturers to clear their production lines and keeps retailers supplied
- enables bulk breaking to be carried out
- guards against price fluctuations and evens out supply
- any other relevant point

10 max

(b) Do not allow the general points given in (a) above. Answers should be in context

(i) Any three points x 1 mark each such as –

- enables him to continue producing all the year round
- and to be able to sell at the appropriate time
- and achieve good prices
- he is able to supply when there is large demand
- example of seasonal product
- any other relevant point

3 max

(ii) Any three points x 1 mark each such as –

- enables the importer to prepare/blend the tea ready for re-export
- saves the importer paying import duty
- by keeping the tea in a bonded warehouse until he is able to export it again
- claim refund of import duty
- any other relevant point

3 max

(c) Any four points x 1 mark each (+1 for well developed point) (0 marks for general points) such as –

- so that goods are easily available
- to maintain sales
- to keep the supermarket well stocked
- to provide storage for perishable items
- allows deliveries after hours when shopping centre is quiet
- may need to prepare some of the goods for sale
- has to store a variety of products
- has large warehouse elsewhere
- any other relevant point

4 max

Total Mark 20