

# COMMERCE

Paper 7100/01  
Multiple Choice

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>C</b>	21	<b>D</b>
2	<b>B</b>	22	<b>C</b>
3	<b>D</b>	23	<b>D</b>
4	<b>A</b>	24	<b>B</b>
5	<b>C</b>	25	<b>B</b>
6	<b>C</b>	26	<b>D</b>
7	<b>C</b>	27	<b>A</b>
8	<b>A</b>	28	<b>C</b>
9	<b>A</b>	29	<b>C</b>
10	<b>C</b>	30	<b>A</b>
11	<b>B</b>	31	<b>D</b>
12	<b>B</b>	32	<b>D</b>
13	<b>C</b>	33	<b>A</b>
14	<b>A</b>	34	<b>A</b>
15	<b>A</b>	35	<b>B</b>
16	<b>D</b>	36	<b>A</b>
17	<b>D</b>	37	<b>B</b>
18	<b>B</b>	38	<b>D</b>
19	<b>B</b>	39	<b>A</b>
20	<b>B</b>	40	<b>D</b>

This multiple choice paper set consisted of 40 4-option items with some questions involving pictorial or diagrammatic data and some requiring candidates to undertake calculations.

The mean was 22.998 with a standard deviation of 7.047. Over 7000 candidates took this examination paper. No candidate scored below 4 marks and one candidate achieved full marks. The standard of work overall was not quite as good as that achieved last year but there was very little difference.

Candidates found the following questions relatively easy and most candidates answered them correctly – **Questions 3, 5, 20, 21, 27, 32, 33, 34, 36, 37 and 39.**

Some of the items that included pictures, diagrams or data were accurately answered e.g. **Question 3, Question 5, Question 13, Question 28 and Question 39.** In **Question 15** there seemed to be an element of guessing with Option D attracting many responses. Option A was the correct answer. In **Question 19** more candidates chose Option C instead of Option B, the correct answer. Methods of appeal are a difficult concept for candidates to understand. The method of appeal used in Option C is the desire to save money or to obtain a bargain, not prestige or high status. In **Question 31** many candidates chose Option B instead of Option D, the correct answer, failing to appreciate that the account became overdrawn. In **Question 23**



almost as many candidates chose Option C as Option D, the correct answer. Barges are used for carrying bulk cargoes such as coal or sand. They are not usually used to carry machinery

Candidates found some questions particularly difficult. In **Question 1** most candidates chose Option D and to a lesser extent, Option A rather than the correct answer, Option C. This question called for precise knowledge of the meaning of the term 'production'. Many candidates could not define the term. **Question 2** also caused problems. Options A and D were often chosen, instead of Option B, the correct answer. It is important for candidates to realise that commerce is part of the production process. **Question 9** caused problems for candidates. Consumer protection is quite a difficult topic for many candidates and the spread of responses across all the options indicated that the concept of a sale of goods act is not understood. Any sale of goods act requires the seller to supply goods that are fit for purpose (i.e. not broken or damaged) and so Option A was the correct answer.

Although Option B was chosen by the majority of candidates, all options attracted responses, indicating a degree of uncertainty about commercial documents among many candidates. Responses to **Question 16** revealed a popular misconception in the minds of some candidates – that customs authorities fix rates of duty. Fixing rates of duty is undertaken by governments. Customs authorities collect duties or charge duties. Option D was the correct answer. Airport authorities control airports. Port authorities maintain ports. All options in **Question 22** attracted responses indicating some guesswork. Monthly statements are likely to be sent in large quantities so Option C, ( letter post, a relatively cheap postal service), would be the most suitable. More candidates chose registered mail, Option D. This is an expensive service for sending valuable items. Monthly statements are not valuable.

Most candidates failed to identify the correct answer, Option B, in **Question 24**. Most gave Option A as the answer. Consignment notes are used to accompany goods when independent transport firms are employed to carry goods. Although Option B was the correct answer in **Question 25**, there were many responses to all the other three options. This also applied to **Question 26** where all options attracted some responses. Although the majority of candidates chose the correct option, Option B, many candidates chose one of the other options suggesting that the concept of one vote per share is not always known. In **Question 38** there also seemed to be some guessing. Option D was the correct answer. Many candidates still think that no interest is paid on an overdraft, that a formal agreement is made and that collateral security is required. In **Question 40** Options B and C attracted many responses. A business selling goods that are perishable is likely to have the highest rate of turnover, so Option D was the correct answer.



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Paper 7100/02

Written

## SECTION 2

### General comments

Paper 2 requires candidates to answer four questions from a choice of eight. Many of the questions covered more than one topic from the syllabus. For the second time candidates used answer booklets. It was evident that the way the questions were presented was helpful to many candidates. However, a large number of candidates (over 10% of the entry), answered more than the rubric demanded or all the questions set. The most popular questions were the early ones i.e. **Questions 1, 2, 3, 4 and 5**. The least popular were **Question 6** mostly on insurance and **Question 7** on aspects of international trade.

**After feedback from Centres regarding the use of answer booklets, it has been decided that the 2010 Paper 2 and subsequent question papers will be presented as question papers with separate answer paper rather than as question and answer booklets, i.e. they will follow the pre-November 2009 format.**

The standard of work was variable with some candidates in some Centres producing work of a very high standard. Many candidates showed good commercial knowledge and an ability to develop an answer in context. These candidates presented thoughtful answers and made reasoned judgements. They often achieved full marks across a broad range of questions including some of the Levels of Response questions. The paper seemed to differentiate quite well with stronger candidates who were able to demonstrate their analytical skills while testing the knowledge of the average candidate.

As usual there were many poor quality papers with some of the answers being unintelligible. These candidates did not answer the questions set, omitted parts of questions and presented very brief answers. They often attempted parts of all the questions.

Most questions were accessible to the average candidate. The structured questions contained some easy parts e.g. **1 (c), 2 (a), 3 (b) and (d), 4 (a) and (b), 5 (e), 6 (a)(i), 6 (e), 7(d) and 8 (b)** but there were also subsections in each question that were more testing e.g. **1 (e), 2 (d) and (e), 3 (e), 4 (d), 5 (e), 6 (b) and (c), 7 (c) and 8 (a) and (d)**. Some of these carried a higher mark tariff than the easier questions.

Except for **Question (1)(b)**, candidates paid attention to the command words or key words of the questions. This was helped by the fact only a few lines were given where brief answers were expected. In questions that required extended writing, it was clear that some of the better candidates had insufficient space to present developed answers. They wrote into the margins or wrote below the lines given.

Some parts of some questions were marked according to Levels of Response e.g. **1 (e), 2 (e), 3 (e), 4 (d), 5 (e), 6 (d), 7 (c) and 8 (d)**. Those candidates who wrote developed answers with reasons for their opinions were able to gain higher level marks. Candidates who presented lists for these questions remained in Level 1. It should be remembered that it is not enough to present a list of numbered points, probably memorised from the candidate's notes. It is important to develop these points – to say why something is important or why something is the better choice. If candidates offer some development of their answers, they will then achieve a higher level and so more marks. These questions did, however, differentiate between the good and the poorer candidates. It should also be remembered that where a question requires choices to be made, candidates need to comment on the choices they are rejecting.

Most answers were clearly presented with clear expression. Some candidates started questions and then crossed them out and attempted an alternative. Some candidates with a very poor command of English wrote answers that were meaningless, using words from the questions around the one they were answering.

### SECTION 3

#### Comments on specific questions

##### Question 1

- (a) (i) and (ii) Many candidates answered this question correctly giving the answers primary and tertiary production but some candidates gave examples of production such as manufacturing or mentioned the wholesaler or commercial services.
- (b) Candidates were supposed to use the diagram to produce answers such as shelling and canning. Too many candidates gave worthwhile ways of adding value to peas but they were not taken from the diagram e.g. packaging and branding. Some candidates still confuse 'adding value' with 'added costs incurred'.
- (c) Most candidates were able to relate their answers on banking and finance and on warehousing to the farmer and scored good marks. Some candidates concentrated solely on finance and did not mention bank accounts or methods of payment. Some mentioned warehousing in the context of the food processor instead of the farmer.
- (d) Many candidates found this question quite difficult. It was meant to draw out various channels of distribution but often candidates confined their answers to mentioning a method of transport such as road or a vehicle such as a van or suggested, erroneously, that retailers supplied small shops. Good answers commented on the need for warehousing, wholesalers supplying small retailers who sold to consumers and also the regional distribution Centres of supermarkets.
- (e) Some good discussions of specialisation were seen with both the advantages and the disadvantages of using specialisation when canning peas clearly made. Other candidates confined their answers to the advantages of specialisation within a factory and scored most of the marks. Some candidates interpreted the question as concerning the owner specialising in the sale of canned peas rather than other vegetables or specialisation of this particular firm. They were given some credit for this interpretation. Weaker candidates presented lists of advantages of division of labour rather than an attempt at discussion of the issues.

##### Question 2

- (a) A wide range of answers was accepted for this question. Many candidates appreciated the fact that losses in one shop might be covered by the profits of other shops or that advertising could cover all the shops so saving costs. Some candidates mentioned the opportunities for increased sales. Some candidates answered from the point of view of the customer rather than the owner of the shops. Two explained reasons were expected. Many candidates gave more than two reasons but did not develop their answers. The best two reasons were counted.
- (b) Most candidates answered this question in context and were able to see that motorcycles required maintenance after they were sold and so Mrs Singh would be able to gain more revenue as well as goodwill and customer loyalty. An explanation of after sales service was also rewarded.
- (c) Some candidates found this question easy, giving factors such as cost, target audience and nature of the product as factors with appropriate reasons. Many others wrote about individual advertising media rather than factors and gained no marks.
- (d) Some candidates understood the term 'method of appeal' as a technique used within an advertisement to attract potential customers and gave worthwhile examples such as famous people, colour, comedy or manliness as examples. Others either omitted this part question or wrote again about advertising media or consumer protection.
- (e) All three of the options were recommended as being effective. Most chose 5% discount and were able to justify their choice. Candidates choosing the free gift because it applied to every motorcycle sold often failed to take into account the relative value of the free gift and the subsequent cost to both Mrs Singh and the buyer. It was expected that candidates would also discuss why they had not chosen the two alternatives but they often omitted to do this.

### Question 3

- (a) Candidates found this question relatively easy and scored quite good marks. It is important to remember that when a question asks for an explanation, a developed answer is required. It is not acceptable to give more than two reasons and expect more than two marks. The most usual reasons were that not much capital was required and could be raised from personal savings and friends and that small retail businesses were easy to manage because only one or two people were working in them. Answers concentrating on the benefits of being a sole trader were accepted.
- (b) This question was well answered with most candidates giving several reasons why small shops are popular with consumers. Candidates usually mentioned them being located in neighbourhoods and that they often offered additional services such as informal credit and delivery. However, many candidates suggested that they offered a wide variety of low priced goods. These answers gained no credit.
- (c) Most candidates were able to score at least one mark for this question. Good answers attempted a short debate about the effects on consumers of supermarkets competing on price. Many mentioned the buying power of supermarkets, bulk purchasing and their ability to pass on cheaper prices to consumers. Some answers mentioned promotions and better quality goods.
- (d) This question posed few problems for candidates with most suggesting that Mrs Ming should return the cooking oil to the supermarket with the receipt and ask for a refund or a replacement. It was thought unrealistic that Mrs Ming would sue the supermarket, report the supermarket to the government or write a letter of complaint to the manufacturer. These answers gained no credit.
- (e) Candidates were required to select two of the options and give a reasoned answer for their choices. Again they were expected to show why they had rejected the other two options. Many answers were superficial and many answers gave as the reasons for their choices the increase in sales. This was mentioned in the question and so candidates were expected to go beyond this statement and show how their chosen options would increase sales. Loyalty cards were often confused with store cards or credit cards. Some candidates suggested that local produce would be cheaper than foreign imports and this was credited.

### Question 4

- (a) (i) Most candidates were able to explain the invoice. Some confused the invoice with a statement of account. In part (ii) the statement of account and the receipt were the most popular correct choices. Unfortunately, many candidates failed to read the word 'after' in the question so documents such as the delivery note and the order form were not accepted.
- (b) Candidates were able to appreciate the benefits of using a computer to issue invoices and wrote about increased accuracy, better presentation and savings in time and paper.
- (c) Many candidates gained full marks for this calculation and showed their working. Some candidates completed only two of the steps required in the calculation.
- (d) Most candidates were able to explain the advantages of their chosen methods of communication in context and also to show why the other two were not selected. Some weak answers included lists and the intranet was sometimes mistaken for the Internet. Many candidates found it difficult to give reasoned answers and to develop a discussion in answer to this question. Many answers read as lists of advantages of individual methods of communication.



### Question 5

- (a) Many candidates scored full marks for this question mentioning increased sales and the need to offer credit for expensive furniture. Some candidates answered from the customer's point of view usually commenting about not carrying cash and gained no marks.
- (b) The advantages of payment using cash were clearly shown by many candidates. Most answers concentrated on better cash flow, the ability to buy more stock and the avoidance of bad debts.
- (c) Some interesting reasoning was shown in answer to this question. Candidates appreciated the dangers of fraud and bounced cheques and the problems of banking cheques.
- (d) If a question requires candidates to explain the difference between two terms it is important that distinct statements are shown for both. It is insufficient to say that on a credit card you pay interest and on a debit card you do not. Many candidates gave accurate information on both methods of payment. Some candidates thought that a debit card was used with a savings account. Others thought that the question was about debit and credit notes.
- (e) Many candidates presented a good discussion of the arguments for and against Masengo continuing to offer hire purchase. Most candidates thought that he should because it would mean increased sales. Answers assuming that Masengo would finance hire purchase rather than use a finance house were also accepted. Some candidates argued that Masengo should not offer hire purchase because of bad debts and damaged furniture. Weaker candidates mentioned only a few points relating to hire purchase often taken from the question e.g. selling expensive furniture and also concentrated on benefits to the consumer such as delaying payments.
- (f) Some thoughtful answers in context were seen to this question. Several candidates appreciated that Masengo would not have to pay for a retail outlet. Some even suggested that storage was needed for repossessed furniture.

### Question 6

This question was not popular, probably because candidates were unfamiliar with the idea of no claims relating to personal risks.

- (a) (i) (ii) and (iii) The term premium was usually understood. The questions about no claims bonus were not so well answered with some candidates thinking that the insurance company paid Abdul Khan the bonus. No claims bonus is a deduction from the premium for not making a claim. It steadily increased because Abdul had not made any claims during that time.
- (b) Although some candidates realised that Abdul would pay 60% of the total premium of \$1200 i.e. \$720 because he was entitled to 40% no claims bonus, many worked the calculation using 40% and so gained only one mark.
- (c) Many candidates had no understanding of this question. Answers that gained credit included the impact of inflation, Abdul's van was older so there was more risk of a claim, there might also be less people contributing to the pool of insurance or government tax on insurance premiums had increased.
- (d) Insurance principles were well understood by many candidates but some answers related these principles to taking out insurance rather than making a claim. Many candidates decided that indemnity was the most important and gave a reasoned answer to support this.
- (e) (i) and (ii) The features of a public limited company were well understood. Limited liability was allowed and general points about limited companies were accepted. Some candidates, however, related their answers to organisations in the public sector rather than the private sector. Some well reasoned answers were seen to support Abdul's use of Ready Auto Services. Most related to cost, convenience and quality of the service.





### Question 7

This question was not always well answered. Candidates found many parts of the question quite demanding. Some candidates may have chosen this question without really considering the content of the questions.

- (a) This straightforward question about the functions of a wholesaler proved to be quite testing for some candidates who failed to develop their answers. They tended to write about functions to help a retailer rather than services offered to manufacturers. Answers that talked about reporting trends, offering storage and providing transport all gained credit.
- (b) The names of intermediaries in international trade were either known or not known. Acceptable answers ranged from agents and factors to freight forwarders, bankers and shipping brokers.
- (c) Some well reasoned discussions were seen but some candidates confined themselves to listing the difficulties of trading with other countries. Most considered that intermediaries were needed more in international trade than in home trade. Some candidates omitted comment on home trade.
- (d) Many accurate answers were seen to this question. Most candidates concentrated on cost, quality, and availability. Others mentioned the importance of brands and the status symbols of some international brands.
- (e) Unfortunately, some candidates abandoned the context of the whole question when answering this part question. They did not relate their answers to Louis as an importer. Candidates who considered bonded warehouses, import duties and quotas and mentioned the costs to Louis usually gained full marks.

### Question 8

Again this question was not always well answered. There was a mixed response with many candidates giving superficial answers to the parts with high mark tariffs.

- (a) Some candidates answered this question quite well but many repeated the information given in the main stem of the question about distance, people and freight and so gained few marks. Answers that gained marks considered types of goods carried by air, the fact that air transport is much faster than land transport and that different kinds of passengers need to make use of air transport to travel across a large country.
- (b) Most candidates could suggest an alternative method for carrying heavy freight but they often failed to justify their choice of transport sufficiently or to answer in the context of the question overall to gain all the marks allocated.
- (c) (i) and (ii) A wide range of answers was accepted for this question. Passenger services ranged from customer services, food outlets and shops to baggage handling, trolleys and security. Services for handling freight ranged from customs and transport to containers and conveyor belts. Some candidates confused freight with luggage.
- (d) Although most candidates tackled this part question with enthusiasm, suggestions were not always thought out e.g. raising prices, finding more routes would involve more costs. Too many candidates concentrated on lists of suggestions rather than considering one or two in depth. Too often they used the problems mentioned in the stem of the question and suggested rather superficial solutions. Answers that gained higher level marks concentrated on the benefits of merging the two airlines the benefits of reducing air fares and the problems of replacing very expensive aircraft. One candidate suggested that the two airlines should look at the third airline and consider why it was successful and they were not – a very valid point.

