

Edexcel International
London Examinations
GCE Ordinary Level

Mark Scheme with Examiner's Report

**London Examinations Ordinary Level GCE in
Commerce (7100)**

May/June 2001

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Mark Scheme and Chief Examiner's Report
May/June 2001

COMMERCE 7100

Mark Scheme

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Grade Boundaries

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COMMERCE 7100, MARK SCHEME

Question 1

- (a) (i) **Consumers**
Provision of goods required – possible range of goods.
Variety available – provides consumer choice.
Ordering goods not in stock – special requirements.
Small quantities available – no need to bulk buy.
Information on goods, e.g. technical goods.
Accessible location available, e.g. transport, parking.
Credit provided, especially more expensive goods.
Installation following purchase, e.g. carpets.
Delivery for larger goods, e.g. furniture.
After-sales services, e.g. T.V. repairs.
1 mark per point plus 1 mark for development of each **8**
- (ii) **Producers**
Information on changing customer demands.
Buying in bulk rather than small quantities.
Reduced handling costs for producers, e.g. transport.
Making goods available nationally – more custom.
Carrying out display work/promotion work – window, shop floor.
Dealing with complaints, exchanges, etc.
1 mark per point plus 1 mark for development of each **6**
- (b) **Small-scale retailers via wholesalers**
Need to buy in much smaller quantities – producers may refuse.
Can obtain variety of goods from one source.
Can obtain variety of brands from one source.
Goods available locally – quicker delivery.
Can obtain credit terms – better cash flow.
Benefit from wholesaler's knowledge of markets.
1 mark per point plus 1 mark for development of each **6**

Total 20 marks

Question 2

- (a) **Division of labour**
Specialisation in work – indirect production.
Work divided into occupations and processes.
Occupation, e.g. doctor; process, e.g. machine operator.
1 mark per point plus 1 mark for development of each **6**
- (b) **Benefit to quantity/quality of output**
Repetition of tasks increases accuracy.
Greater skill speeds up output.
Less effort needed and more work possible.
People can be trained more quickly in narrow skills.
Tasks more easily mechanised – more output.
Equipment needed can be more fully utilised.
1 mark per point plus 1 mark for development of each **8**

- (c) **Division of labour = exchange economy**
Direct production – all goods produced for own use.
Division of labour means that one does not produce all one's needs.
Goods produced may be in surplus and need to be exchanged for goods needed but not produced.
The greater the division of labour, the more exchange is needed.
Increased number of occupations/tasks to help increasingly complex exchange to take place.
Trade and ancillary services have developed as specialisms in turn.
1 mark per point plus 1 mark for development of each **6**

Total 20 marks

Question 3

- (a) **Turnover, Gross Profit, Net Profit**
Turnover – value of sales (goods sold).
Gross profit - profit after deducting cost of goods from sales.
Net Profit – profit after deducting operating expenses.
2 marks for good definition of each; 1 mark for partial **6**
- (b) **Net profit**
£ - 15, 000 (£25, 000 – £10, 000)
2 marks for correct answer; 1 mark for correct working only **2**
- (c) **Reasons for net profit change**
Turnover has fallen; but cost price of goods has risen; causing fall in gross profit
(3 marks) operating expenses have risen from £15, 000 to £20, 000, further reducing net profit **(3 marks)**. **6**
- (d) **Two possible actions**
e.g. – increased sales promotion/advertising to boost sales.
e.g. – reduced buying-in prices – by different suppliers, bulk-buying.
e.g. – cutting unnecessary operating expenses – staff, transport.
Credit 1 mark for identifying each of two actions plus 2 marks for explanation of each **6**

Total 20 marks

Question 4

- (a) **Categories of insurance**
Accident – damage to property/persons caused by accidents.
Fire – damage caused to “property” by fire.
Life – payment made on death of insured person.
Marine – covering all sea/air risks, e.g. loss of ship/cargo.
2 marks for good definition; 1 mark for partial – of each **8**
- (b) (i) **Brokers**
Specially approved to deal with Lloyd’s underwriters.
Represent those wishing to be insured.
Job to obtain cover from underwriters at best price.
Receive commission from underwriters for business done.
1 mark per point plus 1 mark for development of each **4**
- (ii) **Underwriters**
Determine whether risks should be insured.
Agree on value of cover provided.
Determine premiums to be charged.
Work as individuals and in syndicates.
Work on behalf of the “Names”.
1 mark per point plus 1 mark for development of each **4**
- (iii) **Names**
Rich individuals who agree to take loss liability.
Have unlimited liability to cover losses arising.
Insurance provided through the underwriters.
Rewarded by profits from surplus income after losses/costs.
1 mark per point plus 1 mark for development of each **4**

Total 20 marks

Question 5

- (a) **Production/distribution**
Production – creation of goods (and services).
Adding value to materials - utility.
Distribution – sending out goods to the users.
Use of transport and outlets, e.g. shops, warehouses.
Distribution is part of production – also adds value.
1 mark per point of difference plus 1 mark for explanation of each (=4), plus extra 2 marks for understanding/explaining distribution as part of production. **6**
- (b) **Different home trade channels**
Producers direct to consumers, e.g. farm shops, own outlets.
Producers via retailers to consumers, e.g. multiples, sole traders.
Producers via wholesalers/retailers, e.g. cash/carry warehouses.
Producers via mail order companies, e.g. GUS.
Other variations to be allowed, e.g. markets, door to door selling, street traders.
(Nil marks for types of transport.)
1 mark per point plus 1 mark for explanation/example of each **8**

- (c) **Different channels in foreign trade**
Goods need to cross national borders, e.g. UK/France.
Need for exporters and importers.
Intermediaries may be merchants, brokers, etc.
Special documentation required, e.g. certificate of origin.
Customs controls – need for clearance.
Use of entrepôts and bonded warehouses.
(Nil marks for types of transport.)
1 mark per point plus 1 mark for development of each **6**
- Total 20 marks**
-

Question 6

- (a) **Formation procedures (plc)**
Memorandum of Association – broad content (or detail).
Articles of Association – broad content (or detail).
Sent to Registrar of companies – role.
Issues Certificate of Incorporation – meaning.
Shares issued, e.g. by prospectus, offer for sale.
Certificate of trading issued by Registrar – if sufficient share capital raised.
Statutory Declaration by Directors.
Company can start trading when all completed.
Application to Stock Exchange for listing.
1 mark per point plus 1 mark for development of each **10**
- (b) **Investor protection**
Company must have legal existence – for any actions.
Existence/address properly registered – for access.
Directors known and cleared by Registrar.
Shares made widely available – market established.
Sufficient capital raised – to give success a chance.
Stock Exchange investigates company before quotation.
1 mark per point plus 1 mark for development of each **6**
- (c) **Private companies – less protection**
Shares not sold to general public investors.
Shares only available to ‘mutual acquaintances’.
Scale of investment/operations much smaller.
Shares not available through Stock Exchange.
1 mark per point plus 1 mark for development of each **4**
- Total 20 marks**
-

Question 7

- (a) **Cash = legal tender**
Coins/notes (cash) must be accepted in debt settlement.
Except for quantity limits – example.
Issued by Bank of England – coins/notes of realms.
1 mark per point plus 1 mark for development of each **4**

- (b) **Cheque/credit card preference**
 More security – cheques usually only paid through bank.
 Payment can be traced or stopped if cheque stolen.
 Cover for liability from fraudulent use.
 Less cash needed on premises – reduced theft.
 Easier to handle – single slip for any amount.
 No need for counting notes – time saved.
 Cheques can be sent safely through the post – cheaper.
 Credit card numbers can be used to pay by post/phone/internet.
 Provides a record of payment – no receipt needed.
1 mark for per point plus 1 mark for development of each **8**
- (c) **Continuing use of cash**
 Widely used for small transactions, e.g. bus fare.
 No risk of not being paid – can be used directly.
 Avoids bank charges for cheques or other payment methods.
 Not everyone has a bank account, credit card, e.g. young person.
 Not everyone will accept cheques in payment, especially small.
 Not all shops accept credit cards.
 Avoids possibility of over-spending.
 Avoids detection of income being received – not legal.
1 mark per point plus 1 mark for development of each **8**

Total 20 marks

Question 8

- (a) **Informative/persuasive advertising**
 Informative: provides details about products/services, e.g. size, price, colour, sources – to attract customers/users.
3 marks for 3 defining points, including max. 2 for examples **3**
- Persuasive: uses techniques to make customers/users feel that they need the product/service, e.g. social status, sexual attraction, celebrity use, humour.
2 marks for 3 defining points, including max. 2 for examples **3**
- (b) **Media essential to advertising**
 Advertisements made but need means of getting to public.
 Must be able to reach large numbers at one time to be effective.
 Range of media needed for different types of advertising, e.g. T.V. for moving pictures.
 Large amount of media time needed for scale of advertising.
1 mark per point plus 1 mark for development of each **6**

- (c) **Advertising media for cars**
Possible media: TV, magazines, posters, and newspapers.
2 marks for two suitable examples
(Allow any media provided satisfactory justification given.)
e.g. T.V. – direct access to most homes, best timing can be chosen, provides moving images, provides good colour, high impact.
e.g. Magazines – specific audience can be chosen, colour available, detail can be given, return enquiry slips can be included, repeat impact.
e.g. Posters – can be used by roadsides - seen by many motorists, placed in strategic positions, e.g. by traffic lights.
1 mark for each point of justification plus 1 mark for development of each. Max 3 marks for justification of each medium **8**

Total 20 marks

Question 9

- (a) **Postal services (3)**
Examples: 1st class letter, 2nd class letter, registered, recorded delivery, special delivery, business reply, freepost, parcel post, private boxes.
1 mark for identifying each of three types of postal service, plus 2 marks for the description of each service
(3 x 3 = 9)
- (b) **Growth in telecommunication**
Much faster than postal services – especially long distances.
Can be instantly interactive, e.g. telephone.
Can now provide hard copy, e.g. fax.
Charges have fallen over the years – scale economies.
New technology has increased range of services.
Decrease in cost of equipment.
1 mark for each of three points plus 1 mark for development of each **6**
- (c) **Impact of computers**
Have improved telecommunications systems.
Allow the transfer of information digitally.
Internet now available worldwide.
Emails can be sent quickly and cheaply.
Allow access to information through telephone/television.
Post/telephone used less in proportion.
1 mark per point plus 1 mark for development of each **5**

Total 20 marks

COMMERCE 7100, CHIEF EXAMINER'S REPORT

General Comments

The performance of candidates in this examination was similar to that in May 2000. The mean mark was slightly higher for this year's paper which was considered to be marginally more accessible. There was a four per cent increase in the numbers of candidates entering for this examination.

The most encouraging feature of the examination was the ability of many candidates from several Centres to produce high quality answers to all five questions selected. Candidates were able to write in depth and to focus on the precise question being asked. They were clearly very well prepared for the examination in terms of both syllabus coverage and approach.

However, there were many weaker candidates who had difficulty in selecting five questions which they could answer across all parts, and they had difficulty in understanding the precise requirements of the questions. Answers were often brief and lacking in development, or if longer, much of the content was irrelevant or inaccurate.

Overall, the general standard of English was very good, even by native speaker performance. There were many candidates who wrote with almost faultless accuracy in terms of construction and spelling, and there was accurate use of a wide vocabulary.

The following were broad weaknesses across many centres:

1. There continues to be a lack of understanding of the 'key' and 'command' words used in questions. For example, 'describe' is asking for factual details, while 'why' is requiring an explanation of the reasons for a particular arrangement or action. The word 'outline' requires only a brief answer, while 'justify' requires the presentation of arguments in favour of a particular position or action. It is strongly recommended that candidates be given specific guidance on the meaning of these words, accompanied by examples of particular responses.
2. Candidates often fail to adhere to the specific question being asked because of either: a failure to understand the question; careless reading or perhaps the application of rote-learned responses. For example, in question 4 (b), candidates were asked to explain various roles, but only in relation to Lloyd's. Instead, many candidates wrote in the context of insurance companies and lost some marks. Another example was in question 8 (b) regarding the importance of the advertising media and not advertising itself.
3. Many candidates had knowledge, but they were unable to apply it to the particular question asked. They need to understand the importance of application by practice in the selective use of the same material to answer specific questions. Question 7 (b) was a good example of this weakness. Here candidates failed to answer from the perspective of businesses rather than commerce, probably because they had learned the topic only from the consumer's position.

In addition to these general weaknesses, the following specific syllabus topics tended to produce weak answers and therefore need more attention from candidates:

1. The different aspects of the division of labour (question 2 (a)).
2. The link between division of labour and exchange (question 2 (b)).
3. The distinction between turnover and rate of turnover (question 3 (a)).
4. The way in which Lloyd's operates compared with insurance companies (question 4 (b)).
5. An understanding that distribution and other services form part of production (question 5 (a)).
6. The different channels of distribution used in foreign trade (question 5 (c)).
7. How the law on companies helps to protect investors (question 6 (a/b)).
8. The meaning of legal tender and the distinction between cash and money (question 7 (a)).
9. The distinction between informative and persuasive advertising (question 8 (a)).
10. The definition of postal services and the distinction from Post Office services (question 9 (a)).

However, candidates tended to perform well on the following topics:

1. The services provided by large-scale retailers for consumers and producers (question 1 (a)).
2. The importance of wholesalers to small-scale retailers (question 1 (b)).
3. How the division of labour increases the quality and quantity of output (question 2 (b)).
4. The procedures for setting up a public limited company (question 6 (a)).
5. The reasons for the continuing use of cash in transactions (question 7 (c)).
6. The relevant merits of different advertising media for particular products (question 8 (c)).

Question 1

This was a popular first choice for candidates, and it was generally answered well with a significant proportion of candidates scoring more than 15 marks out of 20.

- (a) (i) The most frequent services quoted were variety/choice, small quantities, advice, credit, free delivery of larger items and after-sales services. Opening hours and size were not counted as services to consumers.
- (ii) Candidates were often slightly less sure of their ground in this part on services to producers, and some weaker candidates wrote about the sale of raw materials to producers and/or about large-scale retailers selling to small-scale retailers.
- (b) The importance of wholesalers was generally well understood, although no marks were given for wholesalers advertising to consumers and packaging which are now mainly the work of producers themselves.
-

Question 2

Parts (a) and (b) of this question were, on average, quite well answered. Part (c) caused difficulty for many candidates.

- (a) Few candidates were able to score the full 6 marks because they focussed only on **process** division of labour and made no reference to occupational divisions. International division of labour was also awarded up to 2 marks.
 - (b) Most candidates understood the distinction between quantity and quality on the benefits of the division of labour, and there were many excellent answers. However, a common weakness was for candidates not to make the point fully and therefore to lose potential development marks. For example, many candidates referred to division of labour saving time, but they then failed to state precisely why.
 - (c) Only a small proportion of candidates was able to make the link between division of labour, specialisation and the need to exchange, both domestically and internationally. Further, the need for specialist commercial services in a complex exchange economy was rarely mentioned.
-

Question 3

- (a) Candidates were generally able to define correctly both 'gross profit' and 'net profit', but 'turnover' caused a problem for many. In particular, it was often defined wrongly as the number of times stock was 'turned over' in a period, i.e. rate of turnover or stockturn. One mark was also often lost by candidates failing to state turnover as a **value** rather than a quantity. Simply, 'value of sales' would have gained the two marks available.
 - (b) Net profit change was mostly calculated correctly as £15,000, but a mark was often lost for failing to show it as a minus or a fall.
 - (c) A large proportion of candidates was able to analyse and draw sound conclusions from the figures provided in explaining why net profit had fallen. However, the question did not ask candidates to identify possible causes of the changes in the figures and no marks were given for this.
 - (d) A common weakness in this part of the question was for answers to state that net profit could be increased by higher sales or lower cost prices without stating how. For example, by advertising or by accessing alternative suppliers. Marks were not scored until specific actions were stated.
-

Question 4

- (a) While many candidates started around the definitions of the four categories of insurance, they often failed to state precisely what they covered other than the name itself. For example, stating 'accident insurance covers accidents' was not sufficient for a mark. Reference to 'damage' and/or 'injury' caused was needed. Candidates also appeared to be generally unaware that each category covers a wide range of insurances, for example, 'accident' includes theft and employers' liability and 'fire' includes wind and flooding damage.

- (b) All three sections were concerned with aspects of Lloyd's, but some candidates forgot this or failed to read the question carefully and they lost marks by referring to insurance companies. The work of brokers was well understood, but candidates were more unsure about the role of underwriters and very rarely knew about the 'Names' who take on general unlimited liability when covering insurance risks.
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Question 5

- (a) Weaker candidates could do little more than repeat the words to be defined, i.e. production means to produce goods and distribution means to distribute goods. No marks were awarded in these cases. Only a minority of candidates wrote about production as a process in which goods (and services) are created, generating added value and utility. Production and distribution were often seen as distinct elements and very few answers identified distribution as a part of production for the full six marks.
- (b) Channels of distribution in the home trade were broadly understood, but many candidates scored only four marks from the eight available because they failed to give any detail on the general structure. For example, selling directly from producers to consumers can be via farm shops, mail order and manufacturers own shops.
- (c) This was very poorly answered. Answers from many candidates suggested that they did not understand the question. The starting point was to understand the need for imports and exports and a variety of agents to deal with the specific problems of foreign trade. For example, customs, documentation and distance which all affect the channels used.
-

Question 6

- (a) There were some excellent answers to this part of the question, with many candidates gaining the full ten marks available. However, performance differed markedly between Centres, and some weaker candidates confused public companies with public corporations.

Parts (b) and (c) produced poorer answers.

- (b) This part of the question asked about the protection which the setting up procedures gave to investors, for example the need to register all documents required and to obtain a minimum capital subscription before starting to trade. Answers giving operational protection were not awarded marks, for example the actual filing of accounts and limited liability for losses.
- (c) Answers were often sketchy, but a minority of candidates was aware of the fact that private companies cannot raise finance from the general public and cannot have their shares quoted on the Stock Exchange, thus necessitating less protection of investors.
-

Question 7

- (a) The term legal tender was only correctly understood by a small percentage of candidates. Legal tender is cash in the form of coins and notes which must be accepted in settlement of a debt.
 - (b) This part asked for an explanation of why the use of cheques/credit cards, rather than cash was generally preferred by business. There were some excellent answers, but many candidates simply wrote about the advantages of cheques/credit cards from the consumer's position rather than that of a business. Some points such as less chance of theft and the provision of a record of payments were still accepted as valid responses. Others such as use for impulse buying and the provision of instant credit were not, unless they were linked in some way to a business example.
 - (c) There were some excellent answers to this part of the question, with some candidates gaining the full eight marks. However, weaker candidates found it difficult to find more to mention than that cash was used for 'small' everyday payments such as bus fares. This was followed by incorrect or irrelevant answers such as cash being usable worldwide, having no expiry date or always having 'safe' value.
-

Question 8

- (a) There was considerable confusion among many candidates regarding the distinction between informative and persuasive advertising. Simply stating 'informing' and 'persuading' was not sufficient to gain the marks. Answers attempting to distinguish by reference to state advertising (informative) and commercial advertising (persuasive) were unhelpful as both sectors carry out both types of advertising. The key to answering this part lay in reference to the provision of factual detail compared with the use of manipulative techniques, although they are blended in many advertisements.
 - (b) This was misread by many candidates who wrote about the importance of the advertising industry to business, rather than the importance of the media to the advertising industry. The media is needed as a channel or vehicle for conveying the advertisement to the general public.
 - (c) Candidates generally understood the nature of the media, as evidenced by many excellent answers to this part on the most suitable media for the sale of cars and the reasons for their suitability. TV was the most commonly chosen medium and there were frequent references to high visual impact, wide access to homes and the selection of timing/audiences.
-

Question 9

- (a) This part asked about postal services rather than the work of the Post Office, so that references for example, to savings accounts and the payment of state benefits were not relevant and gained no marks. In addition, some candidates referred to telephone and telex services, referring back to the pre-British Telecom days. There were many possible services from which candidates could choose from for example, first and second class letters, registered mail, recorded delivery, freepost and parcel post.
 - (b) Answers to this part tended to focus on the specific advantages of telecommunications accounting for their growth and often ignored the impact of new technologies, scale economies and reduced charges.
 - (c) Candidates showed some insights into the impact of computers on communications and there were frequent references to the internet and e-mail. However, many answers focussed on the benefits arising from the application of computers rather than how computers have changed the methods used for example, on the speed of transfer rather than use of computers to send e-mail and faxes.
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Concluding Remarks

1. Candidates continue to lose marks because of a lack of understanding of the 'key' or 'command' words used in the questions.
 2. Candidates need to study carefully the wording in questions before attempting them and also to remind themselves of the precise question when writing their response.
 3. Candidates need greater proficiency in the application of their knowledge to particular questions asked.
 4. There is a need for many candidates to study the syllabus more widely if they are to be able to answer five questions satisfactorily.
 5. The high standard of English suggested that language was not a barrier to performance among the majority of candidates.
 6. The increasing entry for the subject suggests that candidates are continuing to gain relevant value from their studies in both general educational and vocational terms.
-

COMMERCE 7100, GRADE BOUNDARIES

| Grade | A | B | C | D | E |
|--------------------------------|----|----|----|----|----|
| Lowest mark for award of grade | 64 | 53 | 43 | 38 | 31 |

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.

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