

**GCE**

**Edexcel GCE O Level**

**Commerce (7100)**

Summer 2006

Mark Scheme with Examiners' Report

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## COMMERCE 7100

### Section A

1. (a) Aids (or ancillaries) (1)
- (b) Credit (1)
- (c) Indemnity or subrogation or contribution (1)
- (d) Free (1)

2. Producer → wholesaler → retailer → consumer (or customer) (2)  
*1 mark for each of two correct insertions*

3. To provide (legal) evidence or proof - in case of query/dispute  
To allow accounts to be produced - to calculate profit  
To allow completion of tax returns - required by IR  
To ensure that errors are less likely - to avoid oversight  
To allow for future reference - in case of disputes  
To avoid misunderstandings - so that errors are not made  
To keep track of goods - so they are not lost/can be chased  
  
*1 mark one reason plus 1 mark for development* (2)

4. People recognise package when seen or eye-catching design  
Packaging allows information to be given or eg contents etc  
Nutritional information or eg calories, fats etc  
Brand can be advertised on packaging or reminds people of adverts  
Goods can be self-serviced/pre-weighted etc or easy to buy/carry  
If goods look clean/hygienic  
  
*1 mark for each of two ways* (2)

5.
 

<i>Features</i>	Ordinary shares	Preference shares
Normally has voting rights	✓	
Receives a fixed percentage dividend		✓
Comes first in the distribution of profits		✓
Comes last in the final distribution of capital	✓	

*1 mark for each share correctly matched.* (4)

6. Goods of different value/price - cannot be exchanged directly  
Goods may be heavy - cannot be transported easily to arrange exchange  
Goods may deteriorate - cannot be kept for later exchange  
Need for double coincidence of wants - seller must want what you have to offer in exchange  
Indivisibility - some goods cannot be split into smaller parts  
  
*1 mark for one disadvantage plus 1 mark for development* (2)

7. The cost of purchasing will fall - leading to a fall in the cost of sales  
(focus is on sales, not purchasing)
- 1 mark for understanding; 1 mark for development* (2)
8. Look at way in which they have operated their current account over last year or past records - not regularly overdrawn  
Ask for evidence of regular income - pay slips etc  
Look at experience from any previous loans given - full repayment  
Ask credit reference agency for general credit history
- 1 mark for one point plus 1 mark for development* (2)
9. (a) At least ten or many stores - owned by public limited company  
Specialist or variety chain stores - explanation of either  
Control by head office - centralised buying or little power of branch manager
- 1 mark for one point; 1 mark for development* (2)
- (b) Large shopping area or at least 4650 square metres  
Very wide range of goods  
Good range of facilities/car park available  
Out-of-town-sites
- 1 mark per point* (2)
- (c) Purchasing in very great bulk - lower costs; or economies of scale - development  
Can negotiate large discounts - market power  
Very large scale of operation - lower expenses as % of turnover  
Lower land prices/rates - out-of-town sites  
Miss out wholesaler - keep the profits of wholesaler
- 1 mark per point plus 1 mark for development of each or 4 x 1* (4)
- (d) Can sell greater variety of brands - more customer choice  
More chance of meeting customer needs from stock - as store is much bigger  
Increase in space for customers to shop - more comfortable to shop in  
More car parking available - much more convenient  
More facilities - cafes, crèche  
Specialised staff - technical assistance  
More check out - speedier exit
- 1 mark per point plus 1 mark for development of each or 4 x 1* (4)
- (e) Easier access for deliveries - good area road links  
Parking a problem in town centres - bigger spaces to park  
Delivery of stock difficult - limited unloading space/time  
Less congestion - saves time
- 1 mark per point plus 1 mark for development of each or 4 x 1* (4)

- (f) Many premises remain empty - eyesore  
 Less income received - higher rates in town centre  
 If variety of goods/shops declines - fewer customers attracted  
 Possible downward spiral of decline - centres could become derelict/bad image  
 Costs of providing good roads out-of-town could increase - already there for town centres  
 Loss of green belt - use of leisure, social cost impact

*1 mark per point plus 1 mark for development of each or 4 x 1* (4)

**Total 20 marks**

10. (a) Owned by shareholders  
 Controlled by Board of Directors  
 Separate legal entity  
 Shares available to general public  
 Share can be quoted on stock exchanges  
 Limited liability  
 Accounts must be filed with the Registrar of Companies  
 Uses the letters plc after their name  
 Shares are freely transferable

*1 mark for each of two features* (2)

- (b) Registered base or head office in one country (1), but has operations or sells goods in a number of other countries (1) Example - not HSBC or Lloyds TSB (1)

*1 mark for each valid point* (2)

- (c) More eye-catching than a brand name - noticed by public/recognition  
 Can be used on all literature, leaflets, letters, advertising - customer expectations  
 Distinguishes business from others - clear identification  
 Helps in branding - encourages the customer to use the service

*1 mark per point plus 1 mark for development of each or 4 x 1* (4)

- (d) Cheques, credit transfers, direct debits, standing orders, bank drafts, electronic transfers, travellers' cheques, credit cards, debit cards, bills of exchange, letter of credits, (not ATMs)

*1 mark for identifying payment method, plus 3 marks for each of the three points of description* (4)

(e) **Loans**

- fixed sum
- interest on full sum
- agreed repayment schedule
- loan account opened
- not linked to current account
- use of collateral security
- customer completes application form

**Overdrafts**

- variable sum
- amount by which current account overdrawn
- interest calculated daily
- usually renewable annually
- no fixed repayment date
- customer has a current account

*1 mark for each of two contrasting features for each method  
Maximum of 2 marks for any one method*

**(4)**

(f) **Commercial banks**

- private/business customers
- service to general public
- aim to make profit

**Central bank**

- working for state (Government's bank)
- monitoring other banks
- operating monetary policies
- exchange rate policy
- acts as the clearing house for banks' cheques
- controls issue of notes and coins
- lender of last resort
- manages government's debt

*(focus on role)  
3 + 1 or 2 +2*

**(4)**

**Total 20 marks**

## Section B

11. (a) Sending out 'message' or communicating/informing (1) to consumers through various media (1) in order to sell goods/services/increase profits (1)

(3)

*1 mark for each of three points of definition*

(b) **Informative**

- providing details/information concerning products
- use
- context
- source
- price in order to give a better knowledge of the product
- Example

**Persuasive**

- using various techniques to make product attractive
- to increase sales
- appealing to emotions
- social status
- image in order to convince consumers that they should buy the product
- Example

*1 mark for each of three points explaining 'informative' and 'persuasive' (maximum of 3 on either side)*

(6)

(c) Possible media:

TV  
Radio  
Newspapers  
Magazines  
Internet  
Posters  
Leaflets

What particular media might be suited/not suited to computers

*No marks for examples of media*

*1 mark for each point identified plus 1 mark for development of each*

*Maximum of 3 marks for any one media*

(5)

(d) Business success - based on consumer demand/increase sales - and producer supply

Consumers and producers are separated by distance - need to communicate - make consumers aware of products

Producers/retailers can contact consumers through advertising through media - reach target markets

Without this, production and consumption could only work where close geographical contact existed

New products - development

*1 mark per point plus 1 mark for development of each (3 x 2, maximum of 5 marks)*

(6)

**Total 20 marks**



12. (a) Storm damage  
Lightning damage  
Flooding  
Frost damage  
Earthquakes  
Boiler explosion  
Consequential loss  
Buildings  
Contents  
Damage caused in putting out of fire
- 1 mark for each of three risks* (3)
- (b) Direct contact with several different insurance companies - using post, telephone, Internet  
Contact with insurance broker - who obtain quotations from several different insurance companies  
Contact Lloyd's underwriting syndicates - through a Lloyd's broker  
Through agents acting for different insurance companies, eg solicitors, accountants, banks
- (focus of process)*  
*1 mark for identifying two different ways, plus 2 marks for two points describing each (3 x 2, 2 x 3)* (6)
- (c) General rise in premiums - because of inflation  
Rise in fire premiums - because of increased claims in general  
Warehouse now contains higher risk goods - eg paint, cleaning fluids, timber  
Warehouse has had one or more claims in previous year  
The area has become a higher risk - more arson occurring  
Less fire precautions taken - example such as less fire sprinklers
- 1 mark per point plus 1 mark for development of each* (5)
- (d) Needs a wide range of insurance cover - other than fire for protection/compensation  
Losses can occur for many reasons - business would have to bear loss if no insurance cover  
Damage could cause loss of business - turnover/profits fall  
Extreme losses could cause insolvency - and closure  
Very important for businesses to guard against as many risks as possible by taking out insurance
- 1 mark per point plus 1 mark for development of each (3 x 2, maximum of 5 marks)* (6)

**Total 20 marks**

13. (a) Making of goods or provision of services - to satisfy needs or wants  
 Primary - extracting raw materials  
 Secondary - converting raw materials into finished goods  
 Tertiary - commerce or direct services
- 1 mark for each valid point* (3)
- (b) Sheep reared by farmer - have to be bred and fed  
 Wool sheared from sheep - transported to warehouse  
 Wool spun into strands by factory - manufacturing process (semi)  
 Wool woven into carpets - put into storage  
 Carpets sold to wholesalers - transported to warehouse  
 Carpets sold to retailer - transported to shops  
 Shops sell carpets to consumers - delivered to homes
- 1 mark per point plus 1 mark for development of each* (6)  
*Only award marks if in context (3 marks maximum of any chain)*
- (c) Wool has no value when on sheep - becomes more useful (has greater value) when sheared  
 Cost of sheep - shearers' wages/equipment has to be paid for  
 When spun into strands of wool becomes even more useful - because it can be used to make woollen goods  
 Costs of spinning factory - labour, machinery etc  
 When woven into carpets, wool has use to consumers  
 Goods transported to consumers - more use than in factory
- 1 mark per point plus 1 mark for development of each* (5)  
*Note: A general answer of increasing costs or profit at each stage is 2 marks maximum*
- (d) Wool could not be transported from farm to factory without transport  
 Wool would have to be used at once if no warehousing - wasted if left on sheep  
 Payments between farmers, manufacturers, retailers, consumers would have to be in cash if no banks  
 All those in chain could suffer loss if no insurance provided - business could close  
 Consumers would not have access to carpets if not made available in shops  
 Transport is needed to get carpets from factories to warehouses to shops - and then to consumers  
 Consumers would not be aware of the carpets available if there was no advertising  
 If there was no communication, retailers would not know where the goods were
- Conclusion**  
 Chain of production could not operate in the modern world if commercial services were not available
- 1 mark per point plus 1 mark for development of each* (6)  
*(Maximum 5 marks if no conclusion drawn)*

**Total 20 marks**

14. (a) Description or type of goods  
Prices  
Pictures  
Address/telephone contact  
Order form  
Methods of payment  
Internet sites  
Catalogue number

*1 mark for each of three items of information* (3)

- (b) Trade Descriptions Act - goods must fit the description given - example criminal offence  
Sale of Goods Act - goods must be fit for purpose intended - example - compensation  
Sellers may offer unconditional refund if goods returned as not wanted in catalogue  
MOPS - newspaper advertisement scheme - newspaper will refund mon goods not received  
Consumer Credit Act - must know the amount of interest - Example  
Consumer Protection Act - misleading price reductions

*1 mark per way identified plus 1 mark for each of two points of explanation x 3)* (6)

- (c) Mail order - fewer premises - cheap sites - lower rates - lower display costs - no need to pay sale assistants OR reverse points relating to shops  
But higher postage - higher packing/delivery charges - catalogues printing costs - agent costs - commission given - bad debts - stolen goods

*1 mark per point plus 1 mark for development of each (Maximum 3 marks for only mail order or shops)* (5)

- |  |   |
|--|---|
| <p>(d) <b>FOR</b></p> <ul style="list-style-type: none"> <li>• Can order from home - no need to go out/eg disabled</li> <li>• Can choose goods at leisure - no rush as in shops</li> <li>• No costs of going to shops - no bus/car costs</li> <li>• Saves time going out - can use time in other ways</li> </ul> | <p><b>AGAINST</b></p> <ul style="list-style-type: none"> <li>• Postage or packing costs may have to be paid - goods more expensive</li> <li>• One has to wait for goods - maybe one or two weeks</li> <li>• Cannot see/try on goods before buying - wrong size etc</li> <li>• Perishable goods cannot be bought - goods become stale quickly</li> </ul> |
|--|---|

*1 mark per point plus 1 mark for development of each (Maximum 4 marks for case 'for' or for case 'against')* (6)

**Total 20 marks**

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## 7100 Commerce

### General Comments

The overall outcome of the examination showed a small continuing improvement in performance by candidates as entered to those achieved in May 2005. There was a higher mean mark for the Paper compared with that in May 2005. This was attributable partly to it being slightly less demanding in terms of question difficulty. There were less very poor scripts this year. As a result, the grade boundaries were all lowered, but at the same time the percentage pass rate at all the boundaries was also slightly lower.

It was evident to examiners that many centres had prepared their candidates well by providing wide coverage of the syllabus content with candidates possessing generally good all-round knowledge and understanding of commercial vocabulary.

Reference in this Report is again made to the importance of command words (and other key words) in questions. It is essential that candidates understand what is expected of them by these words, and time needs to be spent in developing this understanding, as well as covering the syllabus content. In particular, candidates are often having trouble in knowing what is required by analytical and evaluative questions. These generally occur in the last one or two parts of the questions in Section B, but occasionally in parts of questions 9 and 10. Examples of this weakness are given in the individual question comments.

In this matter, as noted in the May 2005 examination report, teachers and candidates could usefully look at the syllabus content in terms of the initial word(s) used in relation to each topic. These words include state, outline, describe, calculate, explain, compare, analyse, assess and evaluate. Each of these determines the type of response, on the relevant topic, which can be expected of candidates in a Commerce examination, and also reflects the assessment objectives of the syllabus (see pages 2/3).

A further weakness, as noted in the May 2005 examination report, relates to candidates ignoring the **number** of responses required by some questions, e.g. **two** forms, **one** benefit, **three** differences, **two** changes. It should be emphasised to candidates that including more than the prescribed number does not gain any more marks, and in fact it wastes time which could be used elsewhere in the paper to score marks.

Rubric problems were more in evidence in this examination. A small number of candidates answered all four questions in Section B, instead of choosing two out of the four provided, while in Section A many candidates ignored the instruction in Questions 1 a), b), c) and d) to insert only **one** word. A further problem was that a few candidates wrote all their answers to Section A in the separate answer book and not on the examination paper in the spaces provided. Also, some candidates needed to extend their answers to Section A questions by continuing in the separate answer book. This is not good practice, as it indicates that candidates are unable to focus on the key responses required and are wasting time by going into unnecessary detail or irrelevant comment.

The general standard of English used by candidates was good, considering that it is the second language for most, and it did not prove a barrier to the performance of most candidates. As is normal, candidates were not penalised for weaknesses in grammar, punctuation and spelling, providing that examiners could understand what candidates intended.

In addition to candidates' general weaknesses, the examination outcome showed that the following topic areas of the syllabus content need more attention from candidates:

- How a reduction in purchasing costs helps a business to increase its gross profit (Q.7).
- How a bank can assess the creditworthiness of a customer applying for a bank loan. (Q.8).
- Retail trade developments (Q.9).
- The meaning of 'chain store' [Q.9(a)].
- How the delivery of goods to out-of-town stores is easier than to town centre stores [Q.9(e)].
- The reasons why local councils do not like to see retailers moving out of town centres. [Q.9(f)].
- The reasons for businesses using logos. [Q.10(c)].
- Methods of payments provided by commercial banks [Q.10(d)].
- The differences between loans and overdrafts [Q.10(e)].
- Analysing and evaluating advertising media [Q.11(c), (d)].
- The importance of adequate insurance cover [Q.12(d)].
- The concept of value-added [Q.13(c)].
- Consumer protection in mail order [Q.14(b)].

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

- The division of commercial activities [Q.1(a)].
- The differences between ordinary shares and preference shares (Q.5).
- The disadvantages of barter when compared with the use of money in the exchange of goods (Q.6).

- The role of the central bank (Q.10(f)).
- The reasons why consumers use mail order rather than paying from shops (Q.14(b)).

## Section A

### Question 1

The four parts of this question were generally answered well, even by many of the weaker candidates.

### Question 2

Generally well answered. Some candidates lost marks by inserting 'manufacturer' instead of 'wholesaler' into the channel of distribution.

### Question 3

Most candidates gave a valid reason for the need to keep of records of business transactions but found it difficult to explain the reason in order to gain the second mark.

### Question 4

Most candidates scored one mark for this question. Some candidates lost marks by simply repeating the same way in a different form, for example, "eye-catching" and "attracts attention" were responses that were often duplicated.

### Question 5

Generally, most candidates scored well on this question. The main error was incorrectly stating that preference shares came last in the final distribution of profits.

### Question 6

Most candidates could state one disadvantage of barter but their answers often lacked sufficient development and application for the second mark. Some candidates misinterpreted the question by looking at the advantages of money without reference to the disadvantages of barter.

### Question 7

Answers to this questions were weak with many candidates failing to recognise that the formula 'sales - cost of sales' = gross profit' was the key focus here. Many weaker candidates answered simply in terms of higher sales leading to higher profits.

### **Question 8**

Many answers here were also weak. Many candidates could not give any correct explanation, with many answers giving “collateral security” which was not rewarded marks.

### **Question 9**

In part (a), it was surprising to see the large number of candidates who clearly did not know what was meant by a chain store. In fact, very few candidates recognised that chain stores require a minimum of ten stores.

In part (b), many candidates scored the full two marks, but a common fault was to think that a distinguishing factor was that hypermarkets sold all goods cheaply which is simply not true.

In part (c), there was some duplication of answers with the preceding part (b). Most answers centred around the valid idea of bulk buying. Other valid answers on market power and location were less well known.

A disappointing number of candidates went along the inappropriate route of giving the response of ‘lower prices’ for part (d). The question asked about the benefits in terms of ‘expanding the size of the store’ rather than the benefits of consumers shopping at large stores.

In part (e), many candidates lost marks by not considering the problems of town centre deliveries such as the lack of parking, general congestion and limited unloading times. Weaker candidates thought incorrectly that they would be nearer manufacturers if they were delivering out-of-town which is not necessarily the case. Moreover, there were no marks for responses such as “less damage” or “less pollution”.

On the positive side, candidates showed awareness of environmental issues to part (f) with many answers focussing on the pollution that out of town developments would bring. However, many points written by candidates were purely descriptive and were not used to explain why local councils would not like to see the changes made. In particular, the loss of revenue from local rates was only considered relevant by a minority of candidates.

### **Question 10**

Many candidates were able to state two correct features of a public limited company to part (a). However, some candidates confused public limited companies with private limited companies. Weaker candidates described two features of a bank.

In part (b), many candidates obtained one mark for saying that multi-nationals “sell goods in other countries”. However, obtaining the second mark proved more difficult in their definitions.



In part (c), there seemed to be some confusion of a logo with a brand name. Although logos help in branding they are not the same. General answers such “to attract the public” were considered insufficient to gain marks.

In part (d) it was disappointing to see a large minority of candidates unable to correctly identify a banking method of payment. Also, those who did manage to correctly identify a valid method failed to describe it fully. There were wrong answers such as ‘ATMs’ and ‘postal orders’.

In part (e), many simply answered in terms of short term/long term and formal/informal. More precise accurate differences were required. Please look at the mark scheme for the required differences.

In part (f), better candidates focussed on the role of the central and commercial banks rather than describing the services offered.

## **Section B**

### **Question 11**

Question 11 was a very popular choice.

Many candidates were very vague about the meaning of commercial advertising in part (a). Some weaker candidates simply interpreted commercial advertising as television advertising which is only partly correct.

In part (b), candidates could have improved their answers with greater precision in their definitions and by utilising better examples to illustrate the differences between informative and persuasive advertising.

In part (c), there was considerable misreading and misinterpretation of the question with a sizeable minority of candidates writing about computers as the media to advertise computers without any mention of the internet. However, many candidates realised that a mass media such as television was needed to advertise computers.

In part (d), there were many answers that simply described rather than connected with the command word ‘discuss’ which requires some evaluation in the answers.

### **Question 12**

The most unpopular choice of all the Section B questions, with only a small percentage of candidates attempting this question on the topic of insurance.

In part (a), a surprising number of candidates were unable to identify three risks which are covered under the general category of fire insurance.

Again, there was difficulty in naming correctly one or two different sources from where fire insurance quotations could be obtained.

This question differentiated between those candidates who could analyse the reasons why premiums might be higher and those candidates who gave generalised and superficial answers such as “the building is older” (for nil marks). The focus needed to be on the higher risks of the business in terms of the contents or the location. Suitable examples would have improved answers further.

In part (d), weaker candidates simply repeated the advantages of insurance rather than assessing the importance of insurance to the future success of the business, for example, for protection, for compensation, to guard against many risks and possible damage leading to possible closure.

### **Question 13**

This was the second most popular choice made by candidates.

In part (a), the vast majority of candidates knew the meaning of ‘production’, which is fundamental to their understanding of commerce.

In part (b), weaker candidates made the common error of not referring to the context of woollen carpets. Also, there were some strange origins of wool, with trees being a popular idea. Despite this, there were many contextualised and developed answers outlining each of the stages of woollen carpet production.

In part (c), many answers suffered from a lack of detail showing how the value of a good increases at each stage of production. It is simply not enough to say how more useful the product becomes without referring to the actual specifics of utility.

As in other Section B questions, the evaluative part (d) tended to produce only a repeat of the commercial services features, rather than an assessment of how important these are in the chain of production.

### **Question 14**

Candidates were generally able, in part (a), to identify two or more important items of information found in a mail order catalogue.

However, the part (b) question demonstrated limited knowledge of consumer protection laws or agencies in connection with mail order. In consequence, many marks were lost.

Part (c) was answered much better, and points regarding higher postage, catalogue printing costs, agent costs and stolen goods were frequently mentioned as distinct costs of running a mail order business. Candidates were less knowledgeable on the shop costs.

In part (d), as in other evaluative questions, candidates tended to repeat facts about mail order, rather than using these facts to assess the case for a customer to buy goods through mail order as opposed to shops. However, there were some very sound answers, with most candidates able to score marks on both sides of the argument.

### **Summary Comments**

1. The performance of candidates in this third examination under the new syllabus was not as satisfactory as expected, arising from a weaker cohort and a paper more

accessible than that the last two examinations. As a result, the pass rate at each of the grade boundaries fell slightly.

2. Some of the candidates' weakness arose not only from difficulties with the application of knowledge and with analysis/evaluation, but also from a lack of fundamental knowledge itself.

3. The outcome of this examination shows that candidates need to:

- study the syllabus content more widely in order to minimise the number of gaps in their knowledge, which is specially important in relation to the compulsory Section A questions.
- understand more clearly what is required of them by the command words and other key words in questions, in particular those relating to assessment objective 4.
- absorb the context of a question and to keep reminding themselves of this context when answering the question parts.
- keep their answers in Section A to the number of lines provided, which is an indicator of the length of response expected.
- read and follow all the rubrics carefully.

On a final point, please note that the allocation for marks on Section B will be changed from May 2007 examination papers to two marks for part (a) questions, instead of the present three marks. All of the remaining three parts, (b), (c) and (d) will be allocated six marks to the rest of the Section B questions .

## 7100 Statistics

Grade	A	B	C	D	E
Lowest mark for award of grade	70	58	47	42	30

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