

# Mark Scheme January 2007

GCE

## GCE O Level Commerce (7100)

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## COMMERCE 7100 JANUARY 2007, MARK SCHEME

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### Section A

1. (a) Retail (1)
- (b) Desk (or secondary) (1)
- (c) Stock Brokers (or a broker) (1)
- (d) Net (1)
2. Consumer goods are those sold to and used by consumers for their satisfaction or goods bought by consumers.  
- e.g. food, drink, clothing (or any specific example of these)
- Producer goods are those which are used in the production process to help make other goods - e.g. raw materials, power, machinery, semi-finished goods (or any specific example of these) (4)
- 1 mark for each definition, plus 1 mark for an example of each.*
3. Balance of payments position  
Interest rate change  
Change of government  
Natural disaster  
Conflicts  
Speculation / investment  
Government intervention  
Inflation  
Demand / Supply of currency
- 1 mark for each of 2 reasons.* (2)
4. Owned by members  
No market in shares  
Limited shareholding  
Only one vote per share  
Interest (not dividend) on shares / stamps exchanged for goods  
Dividends based on contribution  
Open membership  
Controlled by a management committee
- 1 mark for each of 2 features.* (2)
5. Cheques received paid into bank account, sent to bank head office/clearing house, sent to drawer's bank, debited to drawer's account, credited to payee's account.
- 1 mark for each of 3 steps stated.* (3)
6. Annual Percentage Rate
- 1 mark for 2 correct words, 2 marks for 3 correct words.* (2)

7. Insurer - business taking the risk of loss/compensation  
 Insured - business/person receiving compensation following any covered loss / person receiving insurance cover
- 1 mark for each of 2 definitions.* (2)
8. Proof of transaction taking place  
 Record for future query  
 Evidence to support tax position  
 Information for preparing accounts  
 Evidence for claiming payment/having paid  
 Government statistics
- 1 mark for one reason.* (1)
9. (a) A large sea-going vessel, which can carry many standard-sized containers, which can be clamped together and which are weather-tight
- 1 mark for each of 3 points of description.* (3)
- (b) Computers, clothing, light machinery, technical instruments, food, furniture, household appliances, any other appropriate type of good (but **not** bulk minerals, oil, gas, vehicles, live animals, etc.)
- 1 mark for each of 3 appropriate examples.* (3)
- (c)
- (i) Car, lorry  
 Coal, iron ore  
 Oil, gas  
 Live animals  
 One chair  
 Diamonds
- 1 mark for each of 2 examples or 2 types* (2)
- (ii) Little point in putting single large items in containers  
 Goods are in very large, loose quantities  
 Goods need sealed surround  
 Frequent access needed  
 Very small quantities are being transferred  
 Small expensive goods are being transported  
 Perishables  
 Fragile goods
- 1 mark for each of 2 reasons* (2)

- (d) Special cranes - for lifting up containers  
Road/rail access - for trucks designed to carry containers  
Deep water harbour - allowing access for large ships  
Good quays/wharfs - allowing ships to dock easily  
Large outside storage areas - for containers to stand pending collection  
Repair yard - e.g. dry docks  
Wider channel - pilots, bouys  
Ro-Ro facilities  
Skilled labour

*Maximum 3 marks for identifying facilities plus 1 mark for any description* (4)

- (e) Very efficient method of transport - low costs  
Goods quickly transferable to other transport units - no individual loading of goods  
Less labour needed to transfer goods - lower wage costs  
Goods more secure from theft - in sealed/locked units  
Goods protected from damage - from bad weather, bad handling  
Also, very large increase in volume of international trade - more goods moving between countries

*1 mark per point plus 1 mark for development of each.* (6)

Total 20 marks

10. (a) To request another business to provide specific quantities/types of goods/services  
*1 mark for each of 2 points made explaining purpose.* (2)
- (b) Order number given so that deliveries can be checked against order - and can be used to clear invoice, which also contains order number  
 For distinguishing / easier identification  
 To compete with other firms  
*1 mark for each of 3 points of explanation.* (3)
- (c) Sufficient profit can be made on larger orders - to cover delivery costs/encourages buyers to spend £30 or more/more profit again  
*1 mark for main point plus 2 marks for application* (3)
- (d)  $(10 \times £3.00) = £30 + (20 \times 10p) = £2.00 = £32.00$  (2 marks)  
 VAT is  $17.5\% \times £32.00 = £5.60$  (2 marks)  
 $£32.00 + £ 5.60$  (1 mark) = £37.60  
*6 marks for correct answer; maximum 5 marks for correct workings only. OFR applies.* (6)
- (e) (Credit card) - supplier paid within few days - debtor/buyer pays in future - interest paid and bill not paid in full - credit limit.  
 (Debit card) - drawn from debtor's bank account - by electronic means- no interest paid - immediate payment - money in the a/c  
*1 mark per point plus 1 mark for development (for each method). Max 4 marks for any one.* (6)

Total 20 marks

## Section B

11. (a) Postal - physical delivery of letters/documents/packages door to door

Telecommunications - electronic delivery of letters/documents/spoken word from one machine to another, using wires/radio links  
Faster than postal

*1 mark for 1 point of distinction for each, plus 1 mark for a further point distinguishing between the two.* (3)

- (b) Can speak to someone immediately - letter next day at earliest  
Less time spent speaking - than time to write a letter  
Interactive/can exchange information/views - return letter needed  
Quick off-peak call cheap - letter may be more expensive  
More personal/confidential - letter puts things in writing

*1 mark per benefit, plus 2 marks for development of each.* (6)

- (c) Businesses need to contact one another - to sell/buy  
Need to know what others have available/need to buy  
Orders have to be placed - invoices issued  
Payments have to be made - physical or electronic transfer  
Trade area can be widened with good communication facilities - to whole world

*1 mark per point plus 1 or 2 marks for development of each.* (5)  
*Allow 2 examples*

- (d) (i) Letter by post, email, fax (**not** telephone,)

*1 mark for any one suitable method.* (1)

- (ii) Information would arrive on same day or next day - information urgent because of one week deadline  
Multiple copies can be sent together - especially email  
Telephone would require much staff time - expensive  
Telephoning might not be possible to contact right person - reliant on message being given  
2<sup>nd</sup> class post could take three days to arrive - little time to respond

*1 mark per point plus 1 mark for development of each (maximum 3 marks if no negative point made regarding alternatives) or comparison made.* (5)

Total 20 marks



12. (a) Buying and selling of goods (and services) between different countries, i.e. exporting and importing (foreign trade)
- 1 mark for each of 3 points of definition. (3)*
- (b) Bills of exchange, documentary bills, documentary credits, letters of credit, mail transfers, electronic transfers
- 1 mark for any one identified. (1)*
- E.g. bills of exchange - drawn up by creditor, sent to debtor, asking for payment on sight, or in future (say 3 months). Debtor signs, returns it to creditor, who waits for payment, or discounts it with a bank, to obtain immediate cash, less a discount
- 1 mark for each of 5 separate points explaining use. (5)*
- (c) Foreign buyers less well known - may not be reliable  
Long distance away - more difficult to contact  
Different legal systems - difficult/expensive to recover debts  
Buyers need to ensure delivery of goods - before paying  
Sellers need to receive payment - before goods are handed over  
Greater chance of bad debts - development
- 1 mark per point plus 1 mark for development of each. (5)*
- (d) Technological improvements - more methods available  
Quicker than other methods - earlier payment (better cash flow)  
Now much more secure - less chance of loss  
Now cheaper - than posting documents  
Records automatically kept - filed electronically  
Internet banking - development
- 1 mark per point plus 1 or 2 marks for development of each. (6)*

Total 20 marks

13. (a) A business with a large number of shops, at different locations, selling goods to consumers  
*1 mark for each point of definition.* (3)
- (b) Orders goods from many suppliers - for delivery to warehouse  
Goods inwards section - checks goods have arrived  
Goods ordered according to level of stocks in warehouse - minimum levels - goods placed in sections  
Goods available for delivery to shops in area - immediately when requested  
Goods outwards section - checks orders have been met  
*1 mark per point plus 1 mark for development of each.* (6)
- (c) Can itself ensure that supplies are available - quickly when needed  
Does not have to rely on others - outside direct control  
Can decide itself which suppliers to use - price/quality/reliability  
Can negotiate good prices - direct with suppliers  
Does not have to pay for wholesaler's profits - reduces costs  
Have enough capital  
*1 mark per point plus 1 mark for development of each.* (5)
- (d) Need for quicker deliveries - to shops in one area  
How far location is from other warehouses - travel time  
Adequate amount of land - cheap price  
Good access - close to good roads/rail depots  
Easy access - for large delivery lorries  
Labour- need for new workers.  
Government grants  
Planning permission  
*1 mark per point plus 1 mark for development of each.* (6)

**Total 20 marks**

14. (a) Shares can be sold to/held by general public  
 Shares can be quoted - on stock exchanges  
 Has separate legal entity - incorporated - certificate of incorporation  
 Owned by shareholders - controlled by elected board  
 Shareholders have limited liability  
 Minimum of 2 or no maximum of shareholders  
 Share capital of £250, 000
- 1 mark for each of 3 features.* (3)
- (b) (i) Holders of shares are the owners, debenture holders are creditors  
 Share normally 'permanent', debentures usually redeemable after x years  
 Shareholders have voting rights, debenture holders do not have voting rights  
 Ordinary shares have variable dividends, debentures have fixed interest rate
- 2 marks for each point of difference explained in full (no 2<sup>nd</sup> mark for 'reverse' point).* (4)
- (ii) 10 million x £1 = £10 000 000 (1)  

$$\frac{£10\,000\,000 \times 5}{100} = \underline{£500\,000} \quad (1)$$
- 2 marks for correct answer; 1 mark for correct working only (or formula).* (2)
- (c) Need to obtain extra finance - e.g. to expand business  
 May want funds to take over another business - to buy its shares  
 May want to repay money borrowed - possibly debentures/bank loan  
 Cheaper way to borrow - no interest/dividend not guaranteed  
 Share finance not repayable - permanently part of business capital
- 1 mark per point plus 1 mark for development of each.* (5)
- (d) Ordinary shares most risky - not guaranteed repayable - no guaranteed % return - last paid if insolvency - but potential for higher dividends - and capital gains if company successful  
 If no profit made - lose all their money  
 Can attend AGM - voting powers
- 1 mark per point plus 1 mark for development of each.* (6)

Total 20 marks

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