

Mark Scheme (Results) Summer 2007

GCE O Level

GCE O Level Commerce (7100) Paper 1B

1. (a) Define the term wholesaler.
(AO1 - Demonstrate = 2 marks)

Acts as a middleman or intermediary (1) between producer and retailer (1). Buys in large quantities (1) and breaks them down into smaller quantities (1)

1 mark for each valid point of definition

(2)

- (b) Explain the importance of warehousing for Aston Fashion.
(AO2 - Apply = 6 marks)

Protect goods - against damage/weather/theft
Ensure continuous supplies - even when no production taking place
Enables production ahead of demand - allows goods to be available
Allows customers to inspect goods - before they are sold
Stores seasonal fashions - so that they are ready for the next season
Regional warehouses make distribution easier - supply to a wide area/less transport costs

1 mark per point plus 1 mark for development of each

(6)

- (c) Discuss the ways in which wholesale warehouses are organised.
(AO3 - Analyse = 6 marks)

Organisation will vary - will depend upon factors such as the type and range of goods/ requires different departments - examples
Firm stock control - so that goods can be found easily
Protection of goods so that will not decay - use of cold storage
Efficient distribution - ensuring correct goods are delivered
Accounts section - to deal with payments/ensure credit limits not exceeded

1 mark per point plus 1 mark for development of each

(6)

- (d) Why do many manufacturers sell directly to retailers?
(AO4 - Evaluate = 6 marks)

Expensive/perishable goods or example - which are difficult/costly to store
Branded goods or example - where the manufacturer wants to control the marketing
Mail order - sell their own branded products
Large-scale retailers can afford - to bulk buy - and receive greater discounts - have their own warehouses
Technical goods or example such as Dell Computers - where manufacturers are carrying out the wholesaler functions

1 mark per point plus 1 mark for development of each

(6)

Total 20 marks

2. (a) Name two different types of water transport, other than used on canals.

(AO1 - Demonstrate = 2 marks)

Cargo liners
Tramps
Bulk carriers
Container ships
Ferries/Hovercraft
Coastal vessels

1 mark for each correct type

(2)

- (b) What would be the advantages and disadvantages of transporting freight by canal (an inland waterway)?

(AO2 - Apply = 6 marks)

Advantages:

Cheap - low levels of power required
Smooth passage for fragile goods - example such as china
Suitable for bulk cargoes - example such as coal

Disadvantages:

Slow - passage impeded and slowness of vessel
Only certain parts can be reached by canal - restricted by canal networks
Other forms of transport needed - for transshipment
Water freezes in winter - causing delays

1 mark per point plus 1 mark for development of each up to a maximum of 4 marks for advantages or disadvantages

(6)

- (c) Analyse the reasons for the continued growth of air transport for goods.

(AO3 - Analyse = 6 marks)

Need for speed - especially for perishables/valuable goods
Growth of global economy - increased demand for foreign goods
Increased number of airports - more air routes available
Safer than sea/rail transport - less packaging required
Transport long distances - reach inaccessible places
Increase in number of low bulk/high value goods - can absorb air costs
Air transport now relatively cheaper - increased demand

1 mark per point plus 1 mark for development of each

(6)

(d) Discuss the factors affecting the choice of freight transport to be used by businesses.

(AO4 - Evaluate = 6 marks)

Nature of goods - are they bulky/heavy/expensive/perishable or liquid

Urgency of goods - medical supplies may need to be delivered quickly

Cost of transport - air is usually more expensive - will they make a profit?

Quantity of goods - a whole ship may have to be hired

Which forms of transport can best reach the destination - example

Distance involved - it would be sensible to use road transport for short distances

Reliability of carrier - essential that goods arrive on time/good condition to ensure continuing custom

1 mark per point plus 1 mark for development of each

(6)

(Total 20 marks)

3. (a) Define the term barter.
(AO1 - Demonstrate = 2 marks)

Goods are exchanged (1) - for other goods (1) - without the use of money (1)

1 mark for each correct part of definition

(2)

- (b) What would be the disadvantages of barter compared with money?
(AO2 - Apply = 6 marks)

Double coincidence of wants - has to find person who wants your goods

Problem of valuing goods - no price system operates/difficult to fix an exchange rate

Indivisibility of goods - some goods cannot be easily split

Storage of goods - perishables cannot be stored for later use

Difficult to transport - eg a cow for 3 sheep compared to money

1 mark per point plus 1 mark for development of each

(6)

- (c) Explain the features of two international methods of payment.
(AO3 - Analyse = 6 marks)

Bill of exchange - once accepted by importer it will be returned to exporter - who will have to wait for payment

Letter of credit - bank guarantees payment for goods exported - revocable or irrevocable or confirmed

Bank drafts - cheques drawn on banks - creditor has more confidence

Cable/Telegraphic transfer - involves the transfer of funds electronically between banks - useful for urgent payments

1 mark per point plus 2 marks for development of each

(6)

- (d) Predict the effects of exchange rate movements on UK exporters.

(AO4 - Evaluate = 6 marks)

Price of currency depends on demand and supply - if demand is high - then price of currency will increase - UK exports become dearer - so less will be sold

If demand is low - the price of currency will decrease - UK exports are cheaper - UK businesses should sell more - imports become more expensive

1 mark per point plus 2 marks for development of each

(6)

(Total 20 marks)

4. (a) **What is meant by ordinary shares?**
(AO1 - Demonstrate = 2 marks)

Certificates (1) - showing ownership of a company (1)
Last to be paid dividend (1) - which is linked to profits (1) - carry greatest risk (1) - 1 share = 1 vote (1) - price can vary (1)

1 mark for each point of definition

(2)

- (b) **Show how a limited company differs from a partnership.**
(AO2 - Apply = 6 marks)

Partnership:

Limited Company:

Maximum 20

No limit

Partners

Shareholders

Unlimited liability

Limited Liability

No separate legal existence

Incorporated

Partnership deed

Memorandum/Articles

No continuity

Continuity on death

Accounts kept private

Public access to accounts

Pay income tax

Pay corporation tax

1 mark for each point of difference up to a maximum of 4 for any one organisation

(6)

- (c) **Identify the process that Frank would go through in order to sell his shares.**
(AO3 - Analyse = 6 marks)

Use an agent such a bank - they would contact stock exchange brokers

Brokers give advice - on share values

Brokers obtain the best deal - available on the market at that time

Market makers hold quantities of shares - which they sell when offered bid price

Brokers handle share transfer - settlement of debt

1 mark per point plus 1 mark for development of each

(6)

- (d) **Using the information above, justify Frank's decision to sell his shares.**
(AO4 - Evaluate = 6 marks)

Falling profits - no dividend, so might be better putting money in another investment

Even a poor dividend may not compensate - for loss of interest

If company performs badly - share price will fall

If company goes into liquidation - shares become worthless

1 mark per point plus 1 mark for development of each

(6)

Total 20 marks