

Mark Scheme (Results) January 2009

GCE O Level

GCE O Level Commerce (7100) Paper 1B

7100/1B Mark Scheme

Question Number	Answer	Mark
1(a)	Opening stock + purchases (1) - closing stock (1) = cost of sales or turnover - gross profit 1 mark for each part of the formula	(2)

Question Number	Answer	Mark
1(b)	1 mark for any suitable example of expense and 1 mark for explanation, e.g. Rent has fallen - lease renegotiated Advertising costs fallen - in-house advertising materials Change in legislation - reduced business rates	(6)

Question Number	Answer	Mark
1(c)	Up to 2 marks for comment on the changes in the figures, for example 'sales turnover has increased by £20 000' (1) Gross profit margin lower - fallen to 50% - lower mark up - to increase sales/more competitive Net profit margin higher - increased to 25% - due to lower gross profit margin - lower expenses 1 mark per point plus up to 2 marks for development of whether performance has improved or worsened. OFR applies.	(6)

Question Number	Answer	Mark
1(d)	Valid points could include: Increased risk - if order lost then major difficulties Power of buyer - pressure to conform to buyer requests Discount means lower price - but may increase sales revenue/will costs be covered Reduced transport/administration costs - increased profit Check financial position of the company - creditworthy/ability to pay 1 mark per point plus 1 mark for development	(6)

(Total 20 marks)

Question Number	Answer	Mark
2(a)	Imports are goods or services purchased from abroad. Exports are goods or services sold abroad. 1 mark for each definition. (2 x 1)	(2)

Question Number	Answer	Mark
2(b)	Shoes are export of goods (1) - increase in exports (1) - Balance of Trade will improve (1) - Balance of Payments on Current Account will improve. (1) Profits affect balance of trade in invisibles (1) - balance of trade in invisibles will worsen (1) - balance of payments on current account will worsen. (1)	(6)

Question Number	Answer	Mark
2(c)	Valid points could include: No tariffs on their exports - more competitive prices - sell more of their shoes/higher profit Tariffs on imports - more competitive than imports from outside free trade area - sell more shoes/higher profit 1 mark per point plus up to 2 marks for development	(6)

Question Number	Answer	Mark
2(d)	Valid points could include: Customs/cultures different - don't know the market conditions Additional costs of transport - increase their prices/reduce profits Purchaser may not pay - increased difficulties in foreign courts Language barriers - increased costs of packaging/different brand name 1 mark per point plus 1 mark for development	(6)

(Total 20 marks)

Question Number	Answer	Mark
3(a)	<p>Mortgage loans for property purchase Provision of savings accounts Personal loans Other property related services e.g. property insurance</p> <p>1 mark per service</p>	(2)

Question Number	Answer	Mark
3(b)	<p>Valid points could include: Building society account is for savings - whilst current account is to make payments- has a cheque book Savings account will pay interest - current account often doesn't pay interest Savings account cannot be overdrawn - current account can have an overdraft facility Current account can be by telephone or internet banking - building society accounts not usually on internet or accessed by telephone - go into branch in person</p> <p>1 mark per point plus up to 2 marks for development</p>	(6)

Question Number	Answer	Mark
3(c)	<p>Valid points could include: Age - the older she is the higher her premium - the risk of a claim is greater - she is not likely to live as long as a young person Life style - if she smokes she is more likely to die earlier - claim sooner and therefore premium is higher Health/Family medical history - poor health will mean she is more likely to claim sooner - she will need a medical Work/hobbies - more dangerous work or hobbies the higher the risk Gender - average life expectancy of a female is more than for a male</p> <p>1 mark per point plus up to 2 marks for development</p>	(6)

Question Number	Answer	Mark
3(d)	<p>Valid points could include:</p> <p>Buy shares - the value of which can increase or decrease - possibly higher returns - company profitable so increased profits - dividends paid - increased value of her shares - money not accessible - need to get agreement of other shareholders to buy/sell shares</p> <p>Involved in the running of the company - voting rights</p> <p>Save her money - easy access - possible lower risk - lower returns</p> <p>1 mark per point plus up to 2 marks for development</p>	(6)

(Total 20 marks)

Question Number	Answer	Mark
4(a)	<p>Own savings, bank loan, friends/family lending him money, hire purchase, overdraft, government grants.</p> <p>1 mark per point</p>	(2)

Question Number	Answer	Mark
4(b)	<p>Valid points could include:</p> <p>(Advantages)</p> <ul style="list-style-type: none"> Few legal regulations - easy to set up Own boss - make all the decisions - no arguments - complete control Freedom - to choose own holidays, hours of work, etc - e.g. Owner keep all the profits - not have to share profits Secrecy over accounts - competitors don't have access to accounts Contact with customers - greater satisfaction <p>(Disadvantages)</p> <ul style="list-style-type: none"> No one with which to discuss decisions - may make wrong decision Unlimited liability - could lose all personal possessions Capital limited - owners finance Cannot afford specialists - lack of expertise - poor decisions/mistakes made Illness of owner - no one to run business Lose personal possessions - bankruptcy Lack of continuity - business dies with owner <p>1 mark per point plus 1 mark for development</p>	(6)

Question Number	Answer	Mark
4(c)	<p>Valid points could include:</p> <ul style="list-style-type: none"> No limit on the number of shareholders - raise more capital Limited liability - only lose capital invested in business Incorporated - own legal identity - company is liable not the owners Memorandum/Articles - clearly set out how the business is to be run Continuity of business - business doesn't end with the death of owner <p>1 mark for each advantage (up to a maximum of 3 marks) plus 1 mark for development</p>	(6)

Question Number	Answer	Mark
4(d)	<p>Valid points could include:</p> <p>Legal formalities will be required to change to plc - expensive - complicated</p> <p>More regulations and controls for plc - publication of accounts - competitors can see accounts</p> <p>Shares could be sold to public - prospectus expensive to issue - commission charges by banks</p> <p>Shares could be sold to public - danger of loss of control - danger of takeover</p> <p>1 mark per point plus up to 2 marks for development</p>	(6)