

# Commerce 7100

*This subject may be taken at both the May/June and January examinations.*

## **Introduction**

Candidates who successfully follow this syllabus will have a good understanding of Commerce. The course also lays a secure foundation for those who will continue with their studies in this or related subjects.

## **Key features**

- Provides a basis for progression to GCE AS or Advanced Level in Business Studies and Economics.
- Offers a course for candidates of various ages and from diverse backgrounds in terms of general education and lifelong learning.
- Provides performance criteria for grades A, C and E, based on the assessment objectives.
- Offers a Teacher's Guide to O Level Commerce.

The syllabus and specimen papers are available online at [www.edexcel-international.org](http://www.edexcel-international.org) and are also available from Edexcel International Publications (see later).

## **General Information**

Although the commercial practice to be studied is based on the United Kingdom, students are encouraged to study local examples and to quote from these as appropriate, where questions do not relate specifically to the United Kingdom.

The single examination paper is divided into two sections. Section A will contain several compulsory short-answer questions followed by a series of questions based on two stimulus response passages. In Section B, candidates will be required to answer two structured essay questions from a choice of four. The two sections focus on different types of ability to ensure that all candidates are given opportunities to show what they know, understand and can do from a simple level to a very high standard.

## **Prior level of attainment and recommended prior learning**

No prior level of attainment is necessary for candidates to undertake a course of study based on this syllabus. Candidates should build upon skills already developed in numeracy and written English.

## **Aims**

The aims of the specification are for candidates to:

1. acquire knowledge and understanding of the structure, content and purpose of commercial activity;
2. understand the reasons, concepts and principles which underpin the structure and content of current commercial activity;
3. be aware of the dynamic content and structure of commercial activity, arising from technological, economic, social and political change;
4. understand how commercial activity relates to other forms of production and the interdependence of all forms of production;

5. develop methodical and balanced thought processes with the ability to transmit; such thought in written English, which can be understood, using appropriate commercial terminology;
6. acquire an on-going interest in the commercial world which will assist them in their lives as both producers and consumers.

### **Assessment objectives**

The scheme of assessment will require candidates to:

1. demonstrate knowledge of the specified subject content by recall of facts, principles and procedures, and show understanding of verbal and numerical information as provided (AO1);
2. apply knowledge to particular commercial situations and problems, including simple calculations, and to use commercial terminology (AO2);
3. analyse and interpret simple commercial situations and problems (AO3);
4. evaluate, make recommendations and draw conclusions based on such evaluation (AO4).

### **Weighting of assessment objectives**

<b>Assessment objectives</b>	<b>Weighting of assessment objectives (%)</b>
Knowledge and understanding (AO1)	40%
Application of knowledge (AO2)	30%
Analysis and interpretation (AO3)	20%
Evaluation (AO4)	10%

The assessment objectives are weighted to give an indication of their relative importance. The percentages are not intended to show the precise number of marks allocated to particular assessment objectives.

### **Scheme of assessment**

The scheme of assessment comprises a single examination paper of 2 hours 30 minutes. Questions may be drawn from any part of the syllabus content. Candidates need to understand the integrated nature of the commercial environment, and examination questions may therefore cover more than one content section.

#### *Section A (60 marks)*

This section will consist of several short-answer questions, followed by a series of questions based on two short passages covering examples of typical commercial practice. The passages will be short and in the form of prose, diagram, document, table or graph. Questions in this section will test both knowledge and understanding as well as the application of knowledge and basic analytical ability. All questions are compulsory and candidates are recommended to spend approximately 90 minutes answering the questions in this section.

### *Section B (40 marks)*

This section will consist of structured essay questions. Candidates will be expected to answer two questions from a choice of four. Each question will carry 20 marks. Questions in this section will test knowledge and its application, and more extensively the ability to analyse and interpret, evaluate, draw conclusions and make recommendations. Candidates are recommended to spend approximately 60 minutes answering the two questions from this section.

### **Syllabus content**

Summary of subject content:

1. Production and commercial activity
2. Home trade and international trade
3. Types of business organisation
4. Marketing
5. Methods of payment
6. Financial markets and institutions
7. Communications and transport
8. Commercial documentation and calculations

The syllabus is presented in a two-column format, with topics in the left-hand column being clarified on the right.

The division of the subject matter into eight sections does not mean that the volume of each is the same or that they need to be taught in the sequence given.

### **1 Production and commercial activity**

This section covers the nature and importance of commercial activity in the economy and places it within the overall context of production.

#### **Content**

#### **Explanation**

##### **1.1 Production**

Candidates should be able to:

Give a general definition of production and explain its purpose

Distinguish between goods and services and between consumer and producer goods

Identify and define the different branches of production

Describe the trends in the relative importance of these branches in developed and developing economies

##### **1.2 Specialisation and exchange**

Explain the meaning of the division of labour and specialisation (including international)

Analyse and evaluate the results of division of labour and specialisation in terms of quality, range and output of goods and services

Explain the impact of specialisation in terms of the need to

exchange and interdependence

- 1.3 Commercial activity** Give a general definition of commercial activity  
Explain its general importance as part of production  
Identify and define the divisions of commercial activity and explain the broad role of each  
Distinguish between the branches of trade and the aids to trade (ancillary services)
- 1.4 Chain of production (production process)** Describe, in general terms, the chain of production for both consumer and capital goods  
Describe the chain of production for a basic consumer good  
Explain the concept of 'value-added' at each stage within the chain and its basis for charging value-added tax  
Analyse and evaluate the importance of the service sector (commercial and direct) to the chain of production  
Explain the interdependence of the production branches and their integration within organisations

## **2 Home trade and international trade**

This section covers the channels by which trade is carried out, both within the United Kingdom and internationally, the importance of such trade and the protection of consumers.

<b>Content</b>	<b>Explanation</b>
	Candidates should be able to:
<b>2.1 Nature of markets, trade and distribution</b>	Define a market: local, regional, national, international Define trade and distribution Describe the main channels of distribution, including product examples, for both home and international trade
<b>2.2 Retail trade</b>	Explain the general purpose of retail trade Describe the services provided by the retail trade for consumers and producers and explain why these services are given Describe the main features of the different types of retail outlet: shops (including the different types), markets, mail or telephone ordering, doorstep or home selling, the internet Compare and contrast these retail outlets in terms of the advantages and disadvantages of each to consumers and the businesses themselves Describe the various developments which have taken place in retailing, including self-service, own brands, discounting, franchising, shopping centres or arcades, out-of-town centres

Explain the factors which can influence the choice of location of retail outlets, including the work of planning authorities

Describe the changing pattern of location of retail outlets and explain some reasons for these changes

### 2.3 Wholesale trade

Explain the general purpose of the wholesale trade

Describe the main types of wholesale business, including cash and carry

Describe the services provided by the wholesale trade for retailers and for producers

Describe the roles and the operating methods of the main wholesale markets and commodity exchanges in the United Kingdom, distinguishing between the roles of principals, brokers and agents

Explain the importance of warehousing in trade

Describe, in broad terms, the way in which wholesale warehouses are organised

Analyse the reasons why wholesaling has never existed in some trades and why it has been or is declining in others

### 2.4 International trade

Define international (foreign) trade

Define importing and exporting

Explain the meaning of free trade, free trade areas and protectionism

Assess the case for free trade or protectionism and for membership of a free trade area, such as the European Union

Explain the relationship between specialisation and international trade

Describe the benefits of international trade to people and countries

Explain the special difficulties and risks faced in international trading

Identify the various types of intermediary in international trade and describe their roles

Describe the work of other support agencies in international trade, including governments

Explain why a foreign exchange market is needed and

Why exchange rates change

Explain the way in which international trade is recorded in terms of the balance of trade, the invisible balance and the current balance

Carry out simple calculations of the current balance of payments

Describe the main government controls on international trade and the balance of payments and explain the reasons for such controls

Outline the work of the Customs Authority and the nature of bonded warehouses, freeports and entrepôt trade

**2.5 Consumer protection** Explain the general and specific reasons why consumers need protection

Explain how the main current legislation helps to protect consumers

Describe the roles of the government and local authority bodies in protecting consumers

Describe the roles of private sector bodies in protecting consumers

Assess the extent to which consumers have been successfully protected

### **3 Types of business organisation**

This section covers the various methods of organising business activity in both the private and public sectors of the economy.

#### **Content**

#### **Explanation**

Candidates should be able to:

**3.1 Private and public sectors**

Distinguish between the two sectors, giving examples

Explain the concept of a mixed economy

**3.2 Sole proprietorships, partnerships, private companies, public companies, co-operative societies, friendly societies.**

Describe the features of each type of organisation in terms of formation, ownership, control, sources of finance, distribution of profits, and liability for loss

Analyse and evaluate the case for and against each type of organisation as a means of carrying out business activity

NB A detailed knowledge and understanding of the various sources of finance available is expected, as set out in Section 6 on Financial Institutions and Markets

**3.3 Public corporations, local authorities.**

Describe the features of public corporations in terms of formation, ownership, control, sources of finance, profit use, and liability for loss

Analyse and evaluate the case for and against these corporations in comparison with private sector ownership and control

Distinguish public corporations from government departments

Outline the features of local authority trading operations in terms of ownership, control, sources of finance and profit use

## 4 Marketing

This section covers the nature and purpose of marketing and the various elements which constitute marketing.

<b>Content</b>	<b>Explanation</b>
	Candidates should be able to:
4.1 Marketing	Give a general definition of marketing and explain its general purpose
4.2 Advertising	Describe its nature and explain its general purpose and specific aims Distinguish between informative and persuasive advertising Describe some main persuasive techniques used Explain the meaning of collective, competitive and defensive advertising Analyse and evaluate the main forms of advertising media Describe the role of advertising agencies and the benefits to advertisers Assess the importance of advertising to business activity Critically analyse the role of advertising in a market economy Identify and explain the ways in which advertising is controlled by government bodies/legislation and by non-government bodies and assess the general effectiveness of such controls
4.3 Sales promotion	Describe its nature and explain its general purpose Explain the nature and role, in sales promotion, of branding, packaging, merchandising and display Describe some other techniques often used
4.4 Market research	Describe its nature and explain its general purpose Distinguish between desk and field research and describe some of the methods used in each category Assess its importance in business activity

## 5 Methods of payment

This section covers the range of methods by which money can be transferred between debtors and creditors within and across national boundaries, including forms of credit.

<b>Content</b>	<b>Explanation</b>
	Candidates should be able to:
5.1 Money	Define money and explain its main functions Explain the characteristics which money requires to carry out its functions effectively

- Distinguish between legal tender and other forms of money
- Explain the concept of a 'cashless society' and whether it could exist
- Define barter and explain its disadvantages compared with other forms of money
- 5.2 Bank methods of payment (home trade)** Describe the key features of the current methods of payment provided by banks in home trade: cheques, credit transfers, direct debits, standing orders, bank drafts, credit cards, debit cards
- Compare and contrast competing methods of payment (including coins and notes) in terms of their advantages and disadvantages for payer and payee
- 5.3 Clearing systems** Explain how bank payment methods are 'cleared' for debiting and crediting: cheque clearing, credit clearing, bankers' automated clearing system (BACS)
- Describe the roles of the Central Clearing House and the central bank in the clearing arrangements
- 5.4 Post Office methods of payment** Describe the key feature of the current methods of payment provided by the post office: postal orders, telegraphic money orders, international money orders
- 5.5 Payment by credit** Describe the nature of credit payment in general
- Distinguish between flat and true (APR) rates of interest
- Carry out simple calculations of interest charges for credit
- Explain the advantages and disadvantages to consumers and businesses of buying or selling on credit compared with immediate payment
- Describe the main features of the different types of credit available: bank overdrafts and loans, hire purchase, credit sales (deferred payments), simple (informal) credit, monthly budget/personal accounts, credit cards, mortgage loans
- Assess the different types of credit according to their suitability for different types of transaction
- Define creditworthiness and describe the various ways in which it can be assessed
- Assess the risks involved in the provision of credit in different circumstances
- 5.6 International methods of payment** Describe the main features of these methods of payment: foreign exchange, bills of exchange, documentary bills, documentary credits, letters of credit, mail transfers, electronic transfers
- Explain the reasons why different methods of payment are needed when compared with home trade
- Explain the effect of exchange rate movements on



international payments

## 6 Financial Markets and Institutions

This section covers the main financial institutions and markets and the protection of investors and the insured in those markets.

<b>Content</b>	<b>Explanation</b>
	Candidates should be able to:
<b>6.1 Banks</b>	<p>Describe the main features of the services provided by the commercial (high street) banks for personal and business customers: money transfer, deposit, financing and other services</p> <p>Outline the main features of the services provided for businesses by the merchant banks: financing, share issuing, and merger or take-over assistance</p> <p>Compare and contrast the work of the commercial banks and the merchant banks</p> <p>Evaluate the importance of banking services in general to commercial activity</p>
<b>6.2 Finance houses and companies</b>	<p>Describe their role in financing consumer or business credit, the provision of leasing facilities and financial factoring</p> <p>Explain the way in which their role differs from that of the commercial banks</p>
<b>6.3 Building societies</b>	<p>Describe the main features of the services provided by building societies: mortgage loans for property purchase, provision of savings accounts, personal loans, other property-related services</p> <p>Explain the way in which their role differs from that of the commercial banks</p> <p>Explain why many building societies have converted to being banks</p> <p>Outline the role of friendly societies in providing for savers</p>
<b>6.4 Central Bank</b>	<p>Describe the main functions of a central bank such as the Bank of England: issuing of notes and coins, bankers' bank, government bank, control of money supply and interest rates, operation of foreign exchange rate policy</p> <p>Compare and contrast the role of a central bank with that of the commercial banks</p>
<b>6.5 Insurance companies and Lloyd's</b>	<p>Explain the statistical basis of insurance in terms of the pooling of risks, forecasting losses, fixing premiums and compensating for loss, including reference to the work of actuaries and assessors</p> <p>Distinguish between the insurers and the insured, and identify the former and their intermediaries</p>

Explain the principles of insurance and their importance to insurance contracts

Identify the four main classes of insurance and describe the main types provided in each class

Describe the procedures and documentation for obtaining insurance cover (for both insurance companies and Lloyd's)

Carry out simple calculations of premiums and explain the factors affecting the level of individual premiums

Explain why some businesses or persons may be refused cover for some risks

Explain why some types of risk are non-insurable, giving examples

Describe the procedures for claiming losses and explain the reasons why claims may not be met in full

Analyse the insurance needs of particular types of business

Outline areas of State involvement in providing insurance, eg Export Credits Guarantee Department (ECGD), National Insurance

Evaluate the importance of insurance to commercial activity and to the economy in general

**6.6** Long-term securities market

Describe the main features of different types of company share, debentures or corporate bonds and government bonds

Compare the relative risks and rewards of investment in shares and debentures or bonds

Carry out simple calculations of dividends and yields

Describe the methods of issuing new shares

Describe the procedures for the exchange of issued shares through the Stock Exchange

Explain the role and the importance of the Stock Exchange to long-term investment in public companies

**6.7** Protection of investors and the insured

Explain how legislation and government bodies, such as the Bank of England, Companies House, the Financial Services Authority and Ombudsmen, help to protect investors and the insured

Explain how investors and the insured are also protected by self-regulation in the financial markets

## 7 Communications and transport

This section covers the various means by which businesses and consumers communicate in terms of the transfer of both information and physical commodities within and outside national boundaries.

<b>Content</b>	<b>Explanation</b>
	Candidates should be able to:
<b>7.1</b> Communication of information	<p>Explain its nature and its importance to trade</p> <p>Explain the impact of technological change on the range of communication methods available</p> <p>Explain how businesses and consumers have benefited from such change</p>
<b>7.2</b> Postal communications	<p>Describe the main features of the currently available postal communication services, including letter post (first and second class), business reply service, freepost, special delivery, recorded delivery, parcels, and international</p> <p>Compare and contrast competing services in terms of their advantages and disadvantages</p> <p>Select particular services according to the specific needs of a business and justify the choice</p> <p>Assess the importance of these services to business in general, including reference to telecommunication services</p>
<b>7.3</b> Tele-communications	<p>Describe the main features of the currently available telecommunications services, including telephone, fax, telex, video conferencing, computer networks, radio, television, teletext, the internet and email</p> <p>Compare and contrast competing services in terms of their advantages and disadvantages</p> <p>Select particular services according to the specific needs of a business and justify the choice</p> <p>Explain the impact which the development of telecommunications services has had upon business communications</p> <p>Compare and contrast with competing postal services in terms of their advantages and disadvantages</p>
<b>7.4</b> Transportation of freight	<p>Explain its general importance to trade</p> <p>Describe the main features of road, rail, sea, air, inland waterway and pipeline transport</p> <p>Describe the important ways in which each transport method has been developed over the past 50 years</p> <p>Compare and contrast competing methods of freight transport in terms of their advantages and disadvantages</p>

Select and analyse the factors affecting the choice of freight transport used by businesses according to their particular needs

Compare and contrast the use of 'own fleet' road transport and the use of public freight carriers

Describe the main features of freight terminal and container facilities

Describe the role and procedures of the Baltic Exchange in the provision of sea and air freight transport facilities

Explain how the different transport services are owned and controlled

## 8 Commercial documentation and calculations

This section covers the various documents which are used in commercial transactions in home and international trade, and the key commercial calculations which are needed to measure/improve business performance and operate commercial business effectively.

Content	Explanation
	Candidates should be able to:
8.1 Documentation	Explain the importance of documenting business activity Explain how computers and related technological developments have impacted upon documentary preparation and storage
8.2 Main documents (home trade)	Describe the essential content and explain the purpose and importance of the main documents used in home trade: letters of enquiry, catalogues, price lists, quotations, orders, invoices (including pro forma), advice notes, consignment notes, delivery notes, packing notes, credit and debit notes, statements, receipts
8.3 Main documents (international trade)	Explain the purpose and importance ( <b>not</b> content) of each of the different documents used in international trade: indents, bills of lading, consular invoices, certificates of origin, Customs specifications, Customs drawbacks, freight notes, export and import licences, health certificates, Customs entries Explain why, in general terms, there are different documents used in international trade compared with home trade
8.4 Commercial calculations	Calculate the gross profit margin and mark-up of a trading business Carry out simple calculations of gross profit based on purchases, net sales (net turnover), opening/closing stock and cost price of sales Carry out simple calculations of net profit based on gross profit and the main types of operating expense for a trading business Calculate average stock and stockturn (rate of turnover) Identify in broad terms the stockturn figures as relating to different areas of trading business Explain the various costs involved in holding stock

	Calculate trade or bulk discounts and cash discounts and explain the purpose of each
<b>8.5</b> Measuring business performance	Carry out some key calculations for measuring business performance: % gross profit on turnover, % net profit on turnover, expenses as % of turnover, net profit as % of capital used (return on capital) (a knowledge of balance sheets is <b>not</b> required)  Assess the success of businesses, based on the above measures, as between different periods for the same business and between different businesses
<b>8.6</b> Improving business performance	Recommend actions which could be taken by a business to improve its performance by changes in turnover, purchasing costs, mark-up and profit margins, expenses, stockturn and fixed assets

### **Grade Descriptions**

Grades A, B, C, D or E may be awarded to successful candidates. The following grade descriptions describe the level of attainment characteristic of grades A, C and E at GCE Ordinary Level. The descriptions are general and should be interpreted in relation to the content in the syllabus; they are not designed to define that content. The grade awarded will depend in practice on the extent to which the candidate has met the assessment objectives overall. Shortcomings in some aspects of the examination may be balanced by better performance in others.

#### **Grade A**

Candidates will be able to:

- demonstrate in-depth knowledge and understanding of the syllabus content;
- apply this knowledge and understanding effectively to address a wide range of situations and problems, including numerical; understand fully the stimulus material provided in the examination and show considerable fluency in the use of relevant specialist terminology;
- analyse and interpret effectively situations and problems with a high degree of accuracy;
- evaluate evidence effectively, make reasoned recommendations and present conclusions accurately and appropriately.

#### **Grade C**

Candidates will be able to:

- demonstrate sound knowledge and understanding of the syllabus content;
- apply this knowledge and understanding to address situations and problems, including numerical; understand generally the stimulus material provided in the examination and show reasonable ability to use relevant specialist terminology;
- analyse and interpret situations and problems with some accuracy;
- evaluate evidence, make reasoned recommendations and present conclusions.

## Grade E

Candidates will be able to:

- demonstrate some knowledge and understanding of the syllabus content;
- apply this knowledge and understanding to address some situations and problems, including numerical; understand the stimulus material provided in the examination and show occasional use of relevant specialist terminology;
- show some ability to analyse and interpret situations and problems;
- make some attempt at evaluating evidence, make simple recommendations and present simple conclusions.

### Textbooks and other resources

#### Introduction

Commerce is a dynamic area of study where there is a constant need to keep up-to-date. For this reason, textbooks alone cannot be relied upon to provide current information, and there is a need to supplement them wherever possible with contemporary sources, such as newspapers, the internet and government publications (see below).

#### Textbooks

The following textbooks will be of use to students who are studying the O Level Commerce syllabus, but the list is not intended to be exclusive. Some of these books are out of print at the present time, so library copies may need to be used if they have not already been purchased.

Author	Title/ ISBN	Publisher
R. Barrett and M. Gow	Commerce Skills 0 85950 129 9	Nelson Thornes
W. Jones	Revise Commerce 0 85097 777 0	Letts
A. Whitcomb	Comprehensive Commerce 0 17438 177 8	Nelson Thornes
H. Hughes and J. Loveridge	Textbook of Commerce 0 40650 128 9	Butterworth Heinemann
G. Whitehead	Commerce 0 75060 817 X	Butterworth Heinemann
D. Lobley	Success in Commerce 0 71955 157 9	John Murray

In addition, there are a large number of Business Studies books which cover some aspects of Commerce, often in greater or lesser depth, such as marketing, banking, specialisation, the balance of payments and business accounts.

<b>Author</b>	<b>Title/ ISBN</b>	<b>Publisher</b>
A. Anderton	GCSE Business Studies 1 87392 984 6	Causeway Press
A. Whitcomb	Comprehensive Business Studies 0 27360 477 5	Pitman
Chambers, Hall and Squires	Business Studies (GCSE) 0 58224 483 8	Longman

### **Other Resources**

Contemporary sources of information include:

1. Articles from newspapers and magazines, eg Financial Times, The Economist.
2. Leaflets/brochures from banks, insurance companies, etc.
3. Documentation from commercial organisations, such as wholesalers, finance houses, banks and insurance companies.
4. Advertising material from newspapers, magazines, television, etc.
5. Commercial information published by government and other public bodies, eg The Department of Trade and Industry, The Office of Fair Trading and Companies House.
6. Commercial information from general private sector bodies, such as the Advertising Standards Authority (ASA), the Stock Exchange and the British Standards Institution (BSI).
7. Visits to local commercial operations, eg shops, warehouses, banks and docks.
8. Talks by commercial representatives, eg bank manager, shop manager, insurance broker, advertising agent.

*NB The internet contains a rapidly growing amount of information from a wide range of sources, which can be often accessed and downloaded free. Government bodies tend to go under .gov.uk, businesses under .com or .co.uk and general commercial bodies under .org.uk. For example, the ASA is accessed by [www.asa.org.uk](http://www.asa.org.uk) and the Financial Times by [www.ft.com](http://www.ft.com).*

### **Chief Examiner's comments**

The mark scheme with examiners' report including the Chief Examiner's comments, is issued to centres after each examination session and can also be found on the Edexcel International website [www.edexcel-international.org](http://www.edexcel-international.org). It is also available from Edexcel International Publications.

## **Edexcel publications**

Copies of the syllabus for O Level Commerce in booklet form, the specimen paper, mark schemes with examiners' reports and copies of past examination papers can be obtained from:

Edexcel International Publications  
Adamsway  
Mansfield  
Notts  
NG18 4FN,  
UK

Telephone: + 44 1623 450 781  
Fax: + 44 1623 450 481  
E-mail: [intpublications@linneydirect.com](mailto:intpublications@linneydirect.com)

## **How to contact Edexcel International**

For further information and for all general enquiries, please contact:

Edexcel International  
190 High Holborn  
London  
WC1V 7BH  
UK

Telephone: +44 (0) 190 884 7750  
Fax: +44 (0) 207 190 6700  
E-mail: [www.edexcel.org.uk/ask](http://www.edexcel.org.uk/ask)

**Teachers are encouraged to check the Edexcel International website on a regular basis for any updates in information and advice, or to contact the International Customer Services with any queries.**