

Edexcel International
London Examinations
GCE Ordinary Level

Specimen Paper and Mark Scheme

**London Examinations Ordinary Level GCE in
Commerce (7100)**

First Examination May/June 2005

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Centre No.						Paper Reference (complete below)		Surname	Initial(s)
Candidate No.						/		Signature	

Paper Reference(s)

7100

Examiner's use only

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London Examinations GCE

Commerce

Team Leader's use only

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Ordinary Level

Specimen Paper

First Examination May/June 2005

Time: 2 hours 30 minutes

Materials required for examination

Answer Book (AB8)
Tag

Items included with question papers

Nil

Question Number	Leave Blank
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
Total	

Instructions to Candidates

In the boxes above, write your centre number, candidate number, the paper reference (7100), your surname and initials and your signature.

This paper is arranged in two sections, A and B.

In Section A, answer ALL questions in the spaces provided.

In Section B, answer TWO questions in the answer book.

At the end of the examination, tie your answer book to this question book securely with the tag provided.

Information for Candidates

The total mark for this paper is 100.

The marks for parts of questions are shown in round brackets: e.g. (2).

This paper has 14 questions. There are 12 pages in this paper. Pages 10–12 are blank.

Section A carries 60% of the total marks and Section B carries 40%.

Advice to Candidates

Write your answers neatly and in good English.

In Section B organise your material and present your ideas in a clear and logical form.

Calculators may be used.

Printer's Log. No.

MP66106A



Turn over

SECTION A

Leave blank

You must attempt all ten questions in this section.

You are advised to spend approximately 90 minutes answering the questions in this section.

Write your answers in the spaces provided.

1. Complete the following sentences by inserting only **one** word in each.

- (a) The are the owners of a company.
- (b) A bank account in debit is said to be
- (c) The coins and of the realm are referred to as legal tender.
- (d) International trade involves both importing and

Q1

(4)

2. Match **each one** of the three following occupations with the correct branch of production:

bank clerk, forestry worker, carpenter.

Branch of production

Occupation

- Primary
- Secondary
- Tertiary

Q2

(3)

3. From the following features, select the **two** which relate to a sole proprietor business:

unlimited liability, separate legal existence, shared profits, one owner.

- 1.
- 2.

Q3

(2)

4. Give **two** methods of payment which are provided by a bank current account.

- 1.
- 2.

Q4

(2)

Leave blank

5. Name the Act of Parliament which protects consumers from goods being falsely described in advertisements.

Q5

.....
(2)

6. Money has to be portable if it is to be suitable for use as money. Identify **two** other features which money should have.

Q6

1.
2.
(2)

7. Give **two** examples of **invisible** imports/exports.

Q7

1.
2.
(2)

8. Explain the purpose of **bonded warehouses**.

.....
.....
.....
.....
.....
.....
.....

Q8

.....
(3)

9. If you are going to visit another country, you can order travellers' cheques, foreign currency and travel insurance by phone by using your credit card, and have them sent by Special Delivery post to your home.

Leave blank

You will be charged 1% commission (with a minimum charge of £5.50) plus £3.50 for postage and packing. Your travellers' cheques and currency will be charged at the exchange rate applying on the date when the order is made up.

Below is a copy of a travellers' cheque.



- (a) What is a travellers' cheque?

.....

(3)

- (b) Identify **one** risk which is normally covered by travel insurance.

.....

(1)

- (c) Identify **one** piece of information on a credit card which you will be required to give when you order by phone.

.....

(1)

- (d) Why is Special Delivery post used to send the travellers' cheques and currency?

.....

(2)

(e) How will movements in foreign exchange rates affect the amount of your home currency which you will have to pay for your foreign currency and travellers' cheques?

Leave blank

.....
.....
.....
.....

(3)

(f) You have decided that you will take both travellers' cheques and foreign currency when you travel. Explain why.

.....
.....
.....
.....
.....
.....

(6)

(g) If you lived in the United Kingdom and made an order by telephone for the delivery by post of £300 worth of travellers' cheques and £50 of foreign currency, what would be the total amount charged, including commission, postage and packing?

(You are advised to show all your workings.)

.....
.....
.....
.....

(4)

(Total 20 marks)

Q9	

10. Below is a copy of an invoice which has been sent by a company to another business to which it has supplied goods, for the first time, on credit.

Leave blank

<p>OFFICE SUPPLIES LTD 1 Any Street ANYTOWN AN1 1AS</p> <p>Tel. 0123 456789 Fax 0123 456790 Email Offsupp@aol.com</p>	<p>Invoice date: 10 April 2003 Invoice No: 2222 Order No: 1234 Account No: 4321</p>																																											
<p>VAT Reg. 10101010</p>																																												
<p>Invoice address:</p> <p>Office Work Ltd 1 Other Street OTHERTOWN OT1 1OS</p>	<p>Delivery address:</p> <p>As for invoice</p>																																											
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 10%;">Code</th> <th style="width: 30%;">Description</th> <th style="width: 15%;">Quantity</th> <th style="width: 15%;">Unit Price £</th> <th style="width: 30%;">Total £</th> </tr> </thead> <tbody> <tr> <td>123</td> <td>Copier Paper</td> <td>10 reams</td> <td>3.00</td> <td>30.00</td> </tr> <tr> <td>456</td> <td>Ball-point pens</td> <td>20</td> <td>0.10</td> <td>2.00</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td colspan="4" style="text-align: right;">Total</td> <td>32.00</td> </tr> <tr> <td colspan="4" style="text-align: right;">VAT</td> <td><u>5.60</u></td> </tr> <tr> <td colspan="4" style="text-align: right;">Invoice Total</td> <td><u>37.60</u></td> </tr> </tbody> </table>					Code	Description	Quantity	Unit Price £	Total £	123	Copier Paper	10 reams	3.00	30.00	456	Ball-point pens	20	0.10	2.00											Total				32.00	VAT				<u>5.60</u>	Invoice Total				<u>37.60</u>
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Invoice Total				<u>37.60</u>																																								
<p>5% 7 days, 2½% one month E & OE</p>																																												

(a) What is the meaning and importance of the abbreviation 'E & OE' at the bottom of the invoice?

.....

.....

.....

(3)

Leave blank

(b) Value-added tax (VAT) has been charged on the invoiced amount. Why is this tax referred to as 'value-added'?

.....
.....
.....
.....

(4)

(c) Explain why the company is willing to give a discount for early payment within seven days and within one month.

.....
.....
.....

(3)

(d) If payment of the invoice is made on 25 April 2003, calculate how much this payment will be.

(You are advised to show all your workings.)

.....
.....
.....
.....

(4)

(e) Comment on the company's decision to give credit to a business which it has not dealt with before.

.....
.....
.....
.....
.....
.....

(6)

Q10

--	--

(Total 20 marks)

TOTAL FOR SECTION A: 60 MARKS

SECTION B

Answer **TWO** questions only in this section.

You are advised to spend approximately **60 minutes** answering the two questions from this section.

Write your answers in the separate answer book.

11. A car manufacturing business is considering whether to develop a new car and produce it on a large scale. Market research will be used before a decision is made.

(a) (i) What is the meaning of 'market research'? (3)

(ii) Explain the importance of carrying out market research before a decision is made to produce the new car. (6)

(b) Explain why a wide advertising campaign will be essential to the successful launch of the new car if it is produced. (5)

(c) Compare the suitability of television and magazines as different media for advertising the new car if it is produced. (6)

(Total 20 marks)

12. A development company has applied to the local authority (council) to build a new retail shopping centre on the outskirts of a large town.

(a) (i) Identify **three** features of a retail shopping centre that would attract customers. (3)

(ii) Explain the arguments which the company might put forward in support of such a shopping centre being built. (6)

(b) Analyse the possible bad effects which such a shopping centre could have on the existing shops in the town centre. (5)

(c) Consider whether the local authority should or should not agree to the development of the new shopping centre. (6)

(Total 20 marks)

13. A business selling computers has a large export trade with many parts of the world.

(a) (i) What is the meaning of the phrase 'large export trade'? (3)

(ii) Explain the **special** insurable risks which this business will face in the export trade. (6)

(b) With the aid of examples, explain why there are some risks in the export trade which the business is unable to insure. (5)

(c) Assess the importance to the computer export business of having adequate insurance cover. (6)

(Total 20 marks)

14. The United Kingdom trades with many countries on a world-wide basis and is a member of the European Union, a free trade area.

(a) (i) What is a free trade area? (3)

(ii) Outline the benefits which are obtained by the UK from trading with other countries. (6)

(b) Explain why it is necessary for the UK to export as well as import. (5)

(c) A number of other countries have applied to join the European Union. Assess the commercial case for and against a country to join this free trade area. (6)

(Total 20 marks)

TOTAL FOR SECTION B: 40 MARKS

END

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COMMERCE 7100 SPECIMEN PAPER, MARK SCHEME

Introduction

The mark scheme is intended to provide a guide as to the type and number of responses expected. It does not contain all possible responses which might be awarded marks. Such additional responses should not only be correct, but also relevant to the specific question being asked. Also marks will be awarded only up to the number shown in brackets at the end of each question part.

Section A

Question 1

- (a) Shareholders (1)
- (b) Overdrawn (1)
- (c) Notes (1)
- (d) Exporting (1)

Question 2

- Primary – forestry worker (1)
- Secondary – carpenter (1)
- Tertiary – bank clerk (1)

Question 3

- 1. Unlimited liability (1)
- 2. One owner (1)

Question 4

- Cheque, direct debit, standing order, credit transfer, debit card
1 mark for each of any two methods (2)

Question 5

- Trade Descriptions Act
2 marks for correct name of Act; 1 mark for either 'trade' or 'descriptions' (2)

Question 6

Divisible, acceptable, stable (in value), recognisable, uniform, durable

1 mark for each of two features

(2)

Question 7

Receipts/payments from/for:

Insurance, banking, transport/travel, interest/profits/dividends, private transfers, government transfers

(no capital items)

1 mark for each of two examples

(2)

Question 8

Buildings for storage, of dutiable goods, on which duty has yet to be paid

Duty paid on release, so that money is not tied up, while goods are being stored

1 mark for each of three distinct points regarding the purpose of bonded warehouses

(3)

Section B

Question 9

- (a) Travellers' cheque is drawn on bank/finance company, paid for by traveller, denominated in home or foreign currency, for exchange into currency of country being visited, being widely acceptable, and insured for loss
1 mark per point of description up to three points (3)
- (b) Death, accident, medical costs, theft of property, theft of money, travel delay/cancellation, third party liability, property damage, loss of income
1 mark for any one risk (1)
- (c) Holder's name, number of card, expiry date
1 mark for any one piece of information (1)
- (d) Provides insurance for loss/theft, up to £250, or more if higher charge paid, ensures rapid delivery, by next day, or compensation paid
1 mark for each of two points regarding reasons for use (2)
- (e) Value of pound can rise or fall, on a daily basis, in relation to other currencies – therefore amount paid can rise or fall accordingly, example
1 mark for each point of explanation up to three points (3)
- (f) Travellers' cheques – accepted worldwide, in many different countries, insured for loss, quickly replaced, difficult to change if stolen
Foreign currency - immediately usable, for small transactions, eg bus fare, newspaper, fully acceptable in country concerned
1 mark for each point of explanation up to six points (6)
- (g) 1 % of £300 = £3, but minimum charge £5.50
- | | |
|------------|-----------------------------|
| Therefore: | £300 in travellers' cheques |
| | £50 in foreign currency |
| | £5.50 in commission |
| | £3.50 in postage/packing |
| Total: | <u>£359.00</u> |
- 4 marks for correct answer, including 1 mark for identifying correct commission figure, 1 mark for including postage/packing and 1 mark for identifying both the £300 and the £50 (4)**

Total 20 marks

Question 10

- (a) E & OE = Errors and Omissions Excepted (**1 mark**)
Meaning that any errors and omissions can be corrected (**1 mark**) after the issue of the invoice (**1 mark**) (3)
- (b) Based on the difference between buying-in (input) price and the selling price (output), which is the "value" added to the product by the seller, and tax is paid (currently 17.5%) on this figure (net of VAT paid on input value)
1 mark for each point of explanation up to four points (4)
- (c) Cash discount encourages buyer to pay earlier, in order to pay less, and seller receives cash earlier, needing less cash to run business (improved cash flow) and interest can be received on surplus held
1 mark for each point of explanation up to three points (3)
- (d) Only 2 ½ % discount received, as paid more than 7 days after invoice date

$$= \frac{97.5}{100} \times \text{£}37.60 \quad \text{or} \quad \text{£}37.60 - \left(\frac{2.5}{100} \times \text{£}37.60 \right) = \text{£}36.66$$

4 marks for correct answer, including 1 mark for identifying 2 ½%, 1 mark for using divisor of 100, 1 mark for using the invoice total of £37.60 (4)

- (e) May take risk of only a small possible debt, on a goodwill basis, to encourage customer to buy again
May have information (references) on customer, from other suppliers, or from bank of customer
In conclusion, (very) little risk being taken
1 mark for each point of relevant comment up to five points; 6th mark available only for conclusion that there is little risk (6)

Total 20 marks

Question 11

- (a) (i) Investigation – of what consumers are buying – where they are buying from – at what price – and why they are buying – and what they might buy
1 mark per point (3)
- (ii) Need to find out whether there is customer demand – and level of demand
Need to find out what will attract customers to a new car – design, performance
Need to avoid wasted investment – if product does not sell
Need to obtain good return on capital – higher profits
1 mark per point plus 1 mark for development of each (6)
- (b) To inform consumers about the car – in advance
To provide details of the car – attractive presentation
To develop an interest in the car – attract attention
To reach as many consumers as possible – different media
To persuade consumers to buy – large number of orders
1 mark per point plus 1 mark for development of each (5)
- (c) Television:
Provides both sound and vision
Can provide ‘moving’ images – cars provide mobility
Can repeat advertisements – many times daily
Can reach people directly in their homes – between programmes
Can choose times of advertising – relevant audiences
- Magazines:
Provide a ‘permanent’ advertisement – week/month
Can be more directed – at particular consumer group(s)
Can provide more detail – eg of performance
1 mark per point plus 1 mark for development of each (6)

Total 20 marks

N.B. All points of response, to be awarded marks, must be in the context of the question, ie the possible production on a large scale of a new car.

Question 12

- (a) (i) Large number of shops – close to one another in one location – providing a wide range of goods - often undercover – with car parking facilities – and other facilities e.g. toilets.
1 mark per point (3)
- (ii) Increasing consumer demand – more outlets needed
Town centre already/will become congested – traffic/parking problems
Will attract more customers to area – town will benefit as well
New competition – will help to keep down prices
Will provide greater variety – more consumer choice
1 mark per point plus 1 mark for development of each (6)
- (b) May take existing trade away from town centre- no expansion overall
Could force down prices - and reduce profitability
Could cause some town-centre shops to close – especially small traders
Could cause town centre to go into decline – and possibly become derelict
1 mark per point plus 1 mark for development of each (5)
- (c) Will encourage future development of area – and attract a larger population
Will attract new custom into the area
May bring derelict land into use – improved environment
Will improve council's tax income – provision of more/better services locally
Need to avoid damaging town-centre trade – reduction in tax income
Could cause more congestion - and pollution in area
May increase need for expenditure on roads - and other services
1 mark per point plus 1 mark for development of each (6)

Total 20 marks

Question 13

- (a) (i) Selling of goods and/or services – in large quantities – to buyers/importers – in other countries
1 mark per point (3)
- (ii) Loss of goods in transit – by sea/air
Theft of goods in transit – vehicle/warehouse
Damage in transit – movement/transfer
Non-payment – through importer default
Government/political action – duties/confiscation
Failure to satisfy local regulations – e.g. electrical safety
(N.B. Only risks reasonably specific to exporting to be allowed, e.g. not damage, theft as such)
1 mark per point plus 1 mark for development of each (6)
- (b) Failure of goods to sell – in foreign markets
Loss of profits – arising from poor trade
Goods being sent to risky areas – high chance of loss
Loss resulting from war – damage to/loss of goods
Loss resulting from exposure to nuclear radiation – unknown effect
Loss resulting from terrorism – high/unknown risk
1 mark per point plus 1 mark for development of each (5)
- (c) Exporting has higher risk than home trade – more chance of loss
Potential for high value of loss – computers are expensive
Computers can easily be stolen/sold on
Computers can be easily damaged – fairly fragile
Loss of income could be great – lower sales
Could in extreme lead to company closure/insolvency
Conclusion – very important for business to have adequate insurance cover
1 mark per point plus 1 mark for development of each, including 2 marks for an appropriate conclusion (6)

(N.B. All points of response, to be awarded marks, must reasonably relate to a business exporting computers)

Total 20 marks

Question 14

- (a) (i) Group of countries – which can import from/export to one another – without any trade barriers – such as import duties (tariffs), quotas, exchange control.
1 mark per point (3)
- (ii) Greater variety of goods available to U.K. customers
Variety may be types of goods or different brands
Goods not produced in U.K. – climate/other factors
Imported goods may be cheaper than home-produced – income goes further
Goods may be more efficiently produced in other countries – better resources
U.K. can specialise – in goods where greater comparative advantage
Total quantity of goods available may rise – higher living standards
1 mark per point plus 1 mark for development of each (6)
- (b) Imports have to be paid for – in foreign currency
Exports earn foreign currency – used to pay for imports
Many jobs rely on export business – important to employment
If value of imports is higher than of exports, value of pound could fall – imports cost more
Balance of payments needs to balance – over long term
1 mark per point plus 1 mark for development of each (5)
- (c) No import duties payable – will open wider market
Can compete on level terms with home producers in the other countries
Home industries will expand – higher employment
Countries can specialise more in types of production - where they are more efficient
Total output of area can rise – higher living standards
But a more competitive environment – imports can compete more easily with home industries
Some industries may decline – unemployment caused
Conclusion: free trade should benefit all countries in the area by generally increasing efficiency, output and income
1 mark per point plus 1 mark for development of each, including 2 marks for an appropriate conclusion (6)

Total 20 marks

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