

MARK SCHEME for the October/November 2012 series

7101 COMMERCIAL STUDIES

7101/01

Paper 1 (Elements of Commerce), maximum raw mark 100

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

Page 2	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

Section A

1 (a) (i) Consumer or customer (1) [1]

(ii) Consumers are the users of goods/services (1) they buy goods/services (1) so that their needs and wants can be satisfied (1) giving money/income to retailers (1)
Without consumers there would be no need for production (1) to produce any goods for sale (1) so as to gain profit (1)

Any 2 x 1 marks [2]

(b) Providing raw materials (1)
Purchasing in bulk (1)
Clearing production lines (1)
Enabling manufacturer to produce ahead of demand (1)
Knowledge of market/customer tastes (1)
Payment (1)
Storage (1)
Preparing goods for sale or example (1)
Reservoir of goods (1)
Risk bearing (1)
Delivery/distribution (1)
Breaking of bulk (1)
Advertising/marketing (1)

Any 3 x 1 marks [3]

(c) Many small scale retailers cannot buy in bulk (1) as they do not have the capital to buy directly from manufacturers (1) but large scale retailers can afford to buy in bulk (1)
Many small scale retailers only require small quantities of goods (1) their turnover is small (1) they do not want to waste products if they overbuy (1) Manufacturers prefer to deal with large scale retailers in bulk purchases (1)
Small scale retailers do not have the resources to buy a variety of goods (1) from different manufacturers (1) who will not deliver to small scale retailers (1)
Wholesalers are located near to small-scale retailers (1) and can supply their needs quickly (1) as they warehouse the goods (1) giving choice (1) and providing credit (1)
Small scale retailers do not have large warehousing facilities (1)
(Note: Maximum of 4 marks if only dealing with small scale retailer)

Any 6 x 1 marks [6]

Page 3	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- (d) Advice note (1) to inform retailer that goods are on their way (1)
 Invoice (1) acts as a bill (1)
 Delivery note (1) gives details of goods delivered/acts as proof of delivery (1)
 Credit note (1) used when goods have been overcharged/it can also be used when goods are returned/or are not the goods ordered (1)
 Debit note (1) used when goods have been undercharged (1)
 Statement of account (1) shows all the transactions/balance owing/acting as a request for payment (1)
 Cheque (1) payment for goods/acts as proof of payment (1)
 Receipt (1) shows/proof that payment has been made (1)

Any 2 x 1 (1 + 1) [4]

- (e) Brokers bring buyers and sellers together (1) whereas factors sell goods on behalf of their principals (1)
 Brokers are responsible for the delivery of goods (1) whereas factors do not buy goods for their principals (1)
 Brokers do not have possession of the goods (1) whereas factors have possession of the goods and deliver sold goods directly to buyers (1)
 Brokers cannot arrange contracts in their own names (1) whereas factors can only deal with goods as if they were the owners (1) can sell in their own name (1)
 Brokers gain commission for their services (1) but a factor can earn extra commission if acting as a del credere agent (1) or profit (1)
 (Note: Maximum of 2 marks for broker or factor)

Any 4 x 1 marks [4]

- 2 (a) Has head office/quarters in one country (1) and factories/offices in other countries (1) known as host countries (1)
 Among the largest companies in the world (1) usually public limited companies (1)
 Allow valid example such as Sony, Honda, Ford (1)

Any 3 x 1 marks [3]

- (b) (i) Computer/laptop (1)
 Monitor/screen/projector (1)
 Microphone/speaker (1)
 Internet connection/cable (1)
 Web camera (1)

Any 2 x 1 marks [2]

Page 4	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- (ii) Telephone (1)
 Teleconferencing (1)
 Fax (1)
 Email (1)
 Internet (1)
 Intranet (1)
 Telex (1)
 Telegram (1)
 Skype/Messenger service (1)

Any 2 x 1 marks

[2]

- (c) Urgency/speed (1) if information is needed quickly it might be sent electronically (1)
 Nature of the message (1) if information is complex it is likely to be sent in written form (1)
 Number of people to receive the message (1) might use a letter to many shareholders (1)
 Whether message is internal/external (1) use of intranet for internal communications (1)
 Cost (1) cheap to send an email (1)
 Whether discussion is required (1) face-to-face communication is very suitable (1)
 Whether permanent record is required (1) letter is very suitable (1)
 Length of message (1) verbal communication may not be suitable for long messages (1)
 Accuracy of the information (1) emails can be edited to make accurate information (1)
 Convenience (1) it is easy to pick up a telephone (1)
 Availability (1) broadband is not available everywhere (1)
 Distance (1) time differences can be overcome with voicemail (1)
 Confidentiality/privacy (1) for sensitive documents (1)
 Relationship between sender and receiver (1) employees in the same office will use face-to-face (1)

Any 2 × (1 + 1) marks

[4]

- (d) Cheaper for bulky information (1) reports (1) goods (1)
 Necessary for formal contracts (1) where signature is required (1) provides original copy (1)
 Permanent form of communication (1) record can be kept (1) less chance of misunderstanding (1)
 Can provide evidence of delivery (1) recorded delivery (1)
 Can be used for sending valuables (1) special delivery (1)

Any 4 x 1 marks

[4]

- (e) Transfer of timber/raw materials to factory (1) will use road/rail inland (1)
 Buyers travelling to timber merchants (1) by company car (1)
 Transfer of finished goods (1) to warehouse/shops (1) by company lorries (1)
 Use of shipping for imported raw materials (1) exporting furniture in containers (1)
 Sales staff travelling to wholesalers/retailers (1) by road transport (1)

Any 5 x 1 marks

[5]

Page 5	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- 3 (a) Mode/channel (1) the places where the advertisement is placed (1) through which organisations can reach/spread information to consumers (1) example such as TV (1)

Any 2 x 1 marks [2]

(b) Informative:

Lets public know of product (1) provides details of goods (1) indicates where good can be obtained (1) informs potential customer about price (1) of new products (1)
E.g. Car dealer advertises car for sale in local newspaper (1)

Any 1 x (1 + 1 example) marks [2]

Persuasive:

Tries to influence people to buy goods (1) use of advertising techniques (1) developing particular images (1) associating the product with human feelings (1)
E.g. 'If read the Journal, you will become successful' (1)

Any 1 x (1 + 1 example) marks [2]

- (c)** Advertising expenditure can attract a larger number of customers (1) and increase sales (1) and profits (1) and growth of the business (1)

It can put the business in the public eye (1) and establish the business more widely (1)

Allows the business to become a brand name (1) and establish brand loyalty (1)

Helps to counter competition from other businesses (1) and increase market share (1)

To maintain interest in their goods/service (1) remind the public that their goods are still available (1)

However, if advertising adds to the price of goods (1) and goods might not sell (1). Also, the money spent on advertising could be spent elsewhere (1) particularly if there are few producers (1) therefore, advertising could be a waste of money (1)

Any 4 x 1 marks [4]

- (d) (i)** Allows name to be used in advertisement (1) helps customers to identify a product (1)
Name/logo may persuade customers to buy (1) instead of other brands (1) creating a brand image (1) Customers will remember the brand from the memorable advertisement (1) which will advertise the quality of the brand (1) leading to brand loyalty (1) being brand conscious (1)

Allow example (1)

Any 3 x 1 marks [3]

- (ii)** Will give a distinctive/attractive package (1) being used in advertisements based on colour/shape/pictures (1) Recognised by consumers (1) when choosing in shop from memorable advertisement (1) Packaging can change product image (1) to make people want to buy (1) adding value to the product (1)

Special offers used in advertisement (1) can be attached on packaging (1) to reinforce message (1) Allow example (1)

Any 3 x 1 marks [3]

Page 6	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- (e) Goes directly into people's homes (1) where there are vast audiences (1)
 Suitable for people who cannot read (1) and reaches people when they are relaxing (1)
 Advertisements are repeated (1) and can be suitable for all products (1)
 Has impact of colour (1) with sound/vision/pictures to attract attention (1)
 Advertisements can be creative (1) showing movement/imagery (1)
 Can target specific groups (1) type of programme/time of day (1) example (1)
 Can make use of demonstration (1) to show the uses of a product (1)
 Illustrates goods from other countries (1) example (1)

Any 4 x 1 marks

[4]

- 4 (a) Current account has a cheque book (1) whereas deposit account has a passbook (1)
 Current account can withdraw on demand (1) whereas deposit account might give notice (1)
 Current account often has no or little interest payable (1) whereas interest paid is usually higher (1)
 Current account subject to bank charges (1) whereas this does not apply to deposit account (1)
 Current account offers other services or examples (1) whereas the deposit account is only a savings account (1) can be specifically saved for a period of time (1)
 Recommendation needed for a current account (1) but no recommendation for a deposit account (1)
 (Note: Maximum of 2 marks for either deposit or current account)

Any 4 x 1 marks

[4]

- (b) Danny needs to keep/store his meat (1) in refrigerated/cold conditions (1). Meat needs to mature (1) have storage for a long time (1). Without goods controlled at the right temperature they would perish/go rotten (1) and be ruined by frost/damp (1) Meat is a perishable good (1) and needs to be kept fresh/in good condition (1) It would be difficult to export or send over long distances (1) Seasonal production (1) means that the meat be released throughout the year (1) and helps to stabilise prices (1) and no shortages (1)

Any 3 x 1 marks

[3]

Page 7	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

(c) (i) Advantages:

- As all transactions are electronic (1) this reduces the need for paperwork (1)
- Orders can be processed more quickly (1) thus promoting better customer service (1)
- Almost unlimited audience for goods (1) on a global basis (1)
- Helps to keep operation costs down (1) compete better with larger retailers on price (1)
- As the number of hits can be monitored (1) Danny can see interest in the website/goods (1)
- Information on website can be easily changed (1) e.g. prices updated (1)
- Use of sound/vision/colour (1) makes products visually attractive (1)
- Website can be seen 24/7 (1) no need for limited shop hours (1)
- Can be used for advertising (1) and to email customers (1)

Disadvantages:

- The website is limited to people being able to access computers (1) some areas have limited access (1)
- Cannot be assured about the freshness of meat (1) as it cannot be seen close up (1)
- Some people are wary of using the internet (1) particularly in the light of credit card fraud (1) by people hacking into the account (1)
- Set-up costs are high (1) with the need for IT support (1)
- With millions of websites there is much competition (1) difficult to promote own website (1)
- (Note: Maximum of 4 marks for advantages or disadvantages)

Any 6 x 1 marks [6]

- (ii)** Credit card (1) allows for credit purchases (1) without paying cash (1) up to agreed limit (1)
- Debit card (1) allows for immediate/instant payment (1) from current account (1) without writing cheques (1)

Any 1 x 3 (1 + 2) marks [3]

- (d)** As it is a small business, Danny is unlikely to have own internal funds (1) and the interest on an overdraft is variable (1) and might be more expensive than a loan (1)
- The bank loan can be arranged quickly (1) and this is more likely because he has a good relationship (1)
- There will be regular monthly payments (1) with fixed interest (1) so Danny will know his monthly outgoings (1) and he will be able to budget for this (1) and plan his expenditure over the period of the loan (1) as the loan is long term (1)

Any 4 x 1 marks [4]

Page 8	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- 5 (a) (i)** The number of people/employees in that position (1) [1]
- (ii)** Board of Directors (1) [1]
- (iii)** It is a hierarchy because there are many levels (1) from lowest to highest (1) and at each level there are more than one person (1) showing the chain of command (1) and span of control (1) e.g. Supervisors are responsible for sales staff (1)
 It is a hierarchy because it shows that power/control (1) is top down/vertically downwards (1)
 All the important decisions (1) are made at or near the top of the chart (1) e.g. Managing Director is at the top (1)
- Any 3 x 1 marks [3]
- (iv)** The Managing Director is responsible for the overall day-to-day running of the business (1) whereas the Store Manager is responsible for controlling one store (1)
- Any 2 x 1 marks [2]
- (b) Advantages:**
 They clearly show employees their position (1) and role within the business (1) example (1)
 They show employees where they fit in (1) and the overall structure of the business (1)
 They can see who they need to report to (1) if they have a problem (1) and who is responsible for whom (1)
- Any 2 x 1 marks [2]
- Disadvantages:**
 They can become complex (1) and difficult to understand (1)
 They become out of date (1) as staff leave (1)
 They do not show how much responsibility staff have (1) and some employees may feel discontented by being on the bottom of the chart (1)
- Any 2 x 1 marks [2]
- (c)** At least ten or more stores (1) owned by a public limited company (1)
 Specialist or variety chain store (1) explanation of either (1) having the same colour/same goods/same prices (1) allow example (1) with a manager for each store (1)
 Control by head office (1) centralised buying (1)
- Any 3 x 1 marks [3]

Page 9	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- (d) Have become very well known (1) through national advertising methods (1)
 Access to large capital (1) through being public limited companies (1)
 Located in high street locations (1) where there are more customers (1)
 Can afford specialist staff (1) example such as designers (1)
 Stores are maintained well (1) attractive displays (1) selling branded goods (1)
 Bulk purchasing (1) allows goods to be bought more cheaply (1)
 Lower cost prices (1) allow lower selling prices/more profit (1)
 Surplus stock at one store (1) can be transferred to other stores (1)
 Poor business at some stores (1) offset by other profitable stores (1)
 Have their own warehouses (1) reducing costs (1)
 Produce their own products (1) giving more income (1)
 Have facilities such as escalators, café, air con (1 mark each to a maximum of 2 marks)

Any 6 x 1 marks [6]

- 6 (a) (i) 2008 (1) [1]
 (ii) 2009 (1) [1]
 (iii) $+300 - 200$ (1) = 100 (1) [2]
 Note: 2 marks for correct answer by itself

- (b) Visible: value of goods (1)
 One example such as cars (1)
 Invisible: value of services (1)
 One example such as banking (1)

Any 2 x (1 + 1 example) marks [4]

- (c) Provides foreign currency (1) to pay for imports (1)
 Creates jobs (1) to cut unemployment figures (1)
 Increases standard of living (1) wider choice of goods (1) better quality goods (1)
 Friendship/political reasons (1) example (1) access to technology (1)
 Maintains balance of payments (1) avoids deficit (1)
 Increases government revenue (1) through customs duties (1)
 National income will increase (1) the economy will grow (1)
 Providing goods not produced (1) due to lack of natural resources/climate (1) allow example (1)
 Selling surplus production (1) where too many goods produced (1)
 Comparative advantage (1) development (1)

Any 6 x 1 marks [6]

Page 10	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- (d) (i) Keeping statistics (1) of imports/exports (1)
 Collecting duties/tariffs (1) on imported goods (1)
 Preventing smuggling (1) such as cigarettes (1)
 Inspecting cargoes/documents (1) such as air waybills (1)
 Enforcing embargoes (1) such as bans on firearms (1)
 Enforcing quotas (1) such as the amount of TVs imported (1)
 Enforce immigration regulations (1) controlling entry to a country (1)
 Enforcing quarantine regulations (1) relating to animals (1)
 Enforcing public health regulations (1) preventing certain foods being imported (1)
 Control bonded warehouses (1) where dutiable goods kept (1)

Any 2 x (1 + 1) marks [4]

- (ii) Name of shipping company (1)
 Name of ship (1)
 Port of shipment (1)
 Description of goods (1)
 Signature of ship's master (1)
 Name/Address of consignor
 Name/Address of consignee
 Date of issue of bill of lading
 Number of packages/containers (1)
 Freight charged (1)

Any 2 x 1 marks [2]

7 (a) (i) Cover note (1) [1]

(ii) Policy (1) [1]

- (iii) Comprehensive insurance covers the policyholder/vehicle as well as third party (1)
 Third party insurance covers claims made by others because of injury to them/or property (1)

Any 2 (1 + 1) marks [2]

- (iv) Fire (1)
 Public Liability (1)
 Theft (1)
 Employer's Liability (1)
 Flood (1)
 Product Liability (1)
 Key Person (1)
 Fidelity Bond/Guarantee (1)
 Cash in transit (1)
 Goods in transit (1)
 Consequential Loss (1)
 Plate Glass (1)
 Bad debts/credit (1)
 Marine (1)
 Building/Premises/Property/Contents (1)
 Accidental damage (1)

Any 3 x 1 marks [3]

Page 11	Mark Scheme	Syllabus	Paper
	GCE O LEVEL – October/November 2012	7101	01

- (b)** Insurers collect premiums from many people (1) able to share risks (1) into pool of funds (1) No one knows in advance where losses will fall (1) but insurers have statistics (1) from previous years/past records (1) to calculate the risk (1) Statistics may show that only 1% of cars will be involved in an accident (1) therefore, only a small number of those putting funds into a pool are paid (1) The lower the statistical risk, the lower the premium (1) The higher the risk the higher the premium (1) as losses may be greater (1) and more money may need to be paid out (1)

Any 4 x 1 marks

[4]

- (c) (i)** Find out how the accident happened (1)
 Check to see if the accident is covered by the policy (1)
 Contact the insurer (1)
 Try to find any witnesses (1)
 Inform the police (1)
 Describe details of accident (1)
 Take photographs (1)
 Have documents/proof of car value (1)
 Complete or ask for a claim form (1) in utmost good faith (1)
 Use of assessors/loss adjusters (1)

Any 5 x 1 marks

[5]

- (ii)** The damage may not total \$25000 (1) car may not be a total write-off (1)
 The car is only insured for third party (1) which covers only damage caused to others (1)
 May have been caused by reckless driving (1) to gain a profit (1) by purposely crashing the car (1)
 Terms of the policy may be broken (1) incorrect information given (1) lack of utmost good faith (1) as they did not tell the truth (1)
 May have over-insured (1) cannot make a profit from a loss (1) principle of indemnity involved (1)

Any 4 x 1 marks

[4]