

MARK SCHEME for the October/November 2013 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.

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Section A

- 1 (a)** Human wants are individual requirements to make life pleasant or more comfortable (1)
Example such as televisions, designer clothes (1)

Consumers are the users of goods or they buy goods or services (1) Example such as buying food from a market stall (1)

Large-scale retailers normally have large capital or run as a public limited company or buy in bulk from manufacturers (1) Example such as department store or multiple chain or supermarket or hypermarket (1)

1 mark per point plus 1 mark for each example [3 × 2]

- (b)** Pedlers (1)
Hawkers (1)
Kiosks/tuck shops (1)
Roadside services/traders (1)
Mobile shops (1)
Street market/retail market traders (1)
Vending machines (1)
Internet/online/website (1)
Mail order (1)
Party selling (1)

1 mark for each type [2]

- (c)** Can buy in small quantities (1) as wholesalers sell in bulk (1)
Shops are more convenient/nearby (1) wholesale warehouses often distant (1)
Retailers provide display of goods (1) wholesalers do not promote goods to public (1)
Retailers can provide after-sales service (1) wholesalers do not offer a repair service (1)
Consumers may require long-term credit (1) wholesalers provide only short-term (1)
Retailers have long opening hours (1) wholesalers shut at weekends (1)
Retailers offer personal advice (1) wholesalers provide general information (1)

1 mark per point plus 1 mark for development of each [6]

- (d)** Shopping centres/malls contain a wider range of shops (1) with a wider range of goods (1) such as specialist shops to supermarkets (1) whereas limited/narrow range of shops near home (1)
More comfortable/pleasant shopping atmosphere (1) allow 2 examples such as car parking, escalators, information desks, air conditioning and food courts (2) where you are not subject to the noise of traffic near home (1)
They provide one-stop shopping (1) under one roof (1) where you can buy everything you need for the week/family (1) instead of making several journeys to the local shop (1) where you might find all goods required (1)
Has late opening hours (1) on certain nights (1)

1 mark per point plus up to 3 marks for development of each [6]

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- 2 (a) (i)** Limited liability (1) explanation of limited liability (1)
 Legal entity (1) explanation of being a legal person (1)
 Registration (1) Memorandum/Articles of Association (1)
 Has directors (1) minimum one private/minimum 2 public (1)
 Shareholders (1) owners of the company (1)
 Minimum of 2 shareholders (1) no maximum (1)
 Dividends (1) paid from profits (1)
 Shareholders have voting rights (1) to elect directors (1)
 Conforms to Companies Acts (1) documents/meetings/accounts (1)
 Public limited company must hold an AGM (1) consider annual report (1)
 Name must include the word 'limited' (1) public has 'plc' after its name (1)
- 1 mark per point plus 1 mark for development of each [4]
- (ii)** Responsible for day-to-day running of business (1) carrying out policies of the Board (1)
 Reports to the directors (1) and supplies them with information on running of the business (1)
 Monitors the finances of the business (1) ensuring that there are sufficient resources (1)
 looking after the interests of shareholders (1)
 Devises objectives (1) corporate/strategic (1)
 Organises work of the business into different departments (1) advises the directors on expansion plans or new products (1)
- 1 mark per point plus 1 mark for development of each [2]
- (b)** Internal finance (1) no interest (1) readily available (1)
 Loan (1) specified purpose (1) fixed rate of interest (1)
 Sale and leaseback (1) provides a lump sum (1) makes greater use of assets (1)
 Sale of shares (1) long-term finance (1) no interest payable (1)
 Debenture (1) fixed interest (1) premises can be offered as security (1)
 Mortgage on existing premises (1) long-term (1) premises can be used as security (1)
- 1 mark for each source plus 1 mark for development of each [4]
- (c) (i)** Fire, storm/wind/hurricane, damage, accidental damage, subsidence, flood, frost, earthquake, consequential loss, explosions, terrorism, contents, public liability, theft/burglary
- 1 mark for each risk [3]
- (ii)** Value of buildings, structure, local environment, nature of activity in building, security measures, climate, sub-soil, cost of alternative building, level of profits, past records, condition of building, age of building, type of goods in building
- 1 mark per point plus 1 mark for development of each [3]

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- (iii) Full value of building not declared (1) under indemnity (1)
 Profits higher than those declared (1) under consequential loss (1)
 Lack of insurable interest (1) does not fully own the building (1)
 Claims higher than actual loss (1) example (1)
 Subrogation (1) rights of insurer to sell parts of building (1)
 Contribution (1) buildings insured with more than one insurance company (1)
 Over-insurance (1) insuring the building for more than it is worth (1)

1 mark per point plus 1 mark for development of each [4]

3 (a) (i) Manufactured goods (1) [1]

(ii) $6 + 5 + 11 + 51 = 73\%$ (1) 27% (1) or two marks for the correct answer [2]

(iii) (Note: Reward any suitable conclusion/analysis of figures from data – there are no marks for straight copying of figures shown)

- Reliant on imports of manufactured/secondary goods (1) over one-third of imported goods are machinery (1)
 Relies on primary goods for exports (1) over half of exports on based on one product/cocoa (1)
 Does import one tertiary service (1) i.e. tourism (1)
 More imports than exports shown (1) it is a developing country (1)

1 mark per point plus 1 mark for development of each [3]

- (b) Provides foreign currency (1) to pay for imports (1) as a source of income (1)
 Wider market for goods (1) to sell surplus production (1)
 Need to import goods/services not produced/available (1) example (1)
 Creates jobs (1) to cut unemployment figures (1)
 Increases standard of living (1) wider choice of goods (1) and better quality (1)
 Friendship/political reasons (1) example (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)
 Encourages investment (1) to support economic growth (1)

1 mark per point plus 1 mark for development of each [6]

- (c) (i) Goods transported over longer distances (1) can be subject to greater damage/theft (1)
 Cost of transport (1) air transport is more expensive than sea transport (1)
 Bulky goods (or examples) can be carried by sea transport (1) whereas small quantities can be carried by air transport (1)
 Urgent goods would be despatched by air transport (1) less urgent by sea transport (1)
 Difficult to quote exact delivery dates (1) over longer distances (1)
 Roads can be poor in some countries (1) or difficult terrain (1)
 Trans-shipment of goods (1) between different forms of transport (1) at ports/airports (1)
 Destination is important (1) landlocked countries cannot use sea transport (1)
 mountainous regions may be only accessed by air transport (1)

1 mark per point plus 1 mark for development of each [4]

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- (ii) Exports often paid in convertible currencies (1) with problem of changing rates of exchange (1) which can affect the quantities of goods exported/imported (1)
 If a currency becomes stronger than another (1) less goods may be exported/imported (1) as goods become more expensive (1)
 The use of some methods of payment can be complex (1) e.g. letters of credit (1)
 Allow description of an international method of payment (1) + (1)

1 mark per point plus 1 mark for development of each [4]

- 4 (a) To persuade customers to buy (1) so as to increase sales (1) and profits (1)
 To inform customers (1) about new goods (1) e.g. change in product (1) location of shop (1)
 To remind customers (1) creating brand loyalty (1) so that they keep buying the product (1) and does not change to other products (1)
 To promote public image (1) so as to enhance the reputation of the business (1) leading to business growth (1)

1 mark per point plus up to 3 marks for development of each [4]

- (b) Target audience (1) the kind of people the advertiser wishes to reach (1)
 Cost (1) can the advertiser afford the cost of the advertising medium (1)
 Cost-effectiveness (1) are the advertisement's results going to justify the cost (1)
 Coverage/frequency (1) how many people can be reached (1)
 Product/service (1) some products need detailed information or demonstration (1)
 Need to develop brand loyalty (1) to develop brand names (1)
 Need to use more than one medium (1) to reinforce the message (1)
 Competitor's use of media (1) the need to match the competition (1)
 The impact required (1) different products are better suited to certain media (1)
 Flexibility (1) can the advertisement be changed easily (1)
 Advertising laws (1) is it legal to advertise the particular good (1)
 Timing (1) such as advertising summer clothes when summer season approaches (1)
 Lifespan of advertisement (1) how long will the advertisement be seen (1)
 Cultural issues (1) what is more acceptable in certain countries (1)
 Literacy issues (1) if people cannot read (1)
 Attention/noise (1) what is more likely to receive the attention of intended audience (1)

1 mark per point plus 1 mark for development (allow examples) of each [6]

- (c) Local newspaper (1) relatively low cost (1)
 Leaflets/flyers (1) can target local customers (1)
 Yellow Pages or equivalent telephone directory (1) can provide details/information (1)
 Transport vehicle (1) can provide a constant reminder (1)
 Shop window card (1) suitable for target audience in local area (1)
 Internet (1) 24/7 (1)

1 mark per point plus 1 mark for development of each [4]

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- (d) Advantages:
 Long lifespan (1) usually kept for a long time (1) can refer to it (1)
 Can target customers with special interests (1) photography (1)
 Can use colour/pictures (1) to make more impact (1)
 Can use tear-off coupons (1) for replies to advertisements (1)
 Can be passed to others (1) seen by many people (1)
 Can provide detail (1) for long advertising messages (1)

Disadvantages:

- Changes to advertisement can be expensive (1) adding to cost (1)
 No movement (1) or sound (1)
 May not be noticed (1) because of competing advertisements (1)
 Infrequent advertising medium (1) can be a monthly publication (1)

1 mark per advantage (max. 1) and disadvantage (max. 1) plus 1 mark for development of each

[4]

- (e) Can be damaged in bad weather (1) and suffer from vandalism (1)
 No targeting of audience (1) as anybody walking by may notice it (1) or not notice it (1) and only seen by people in that area (1)
 Not suitable for detailed information (1) and might not make much impact (1) as size of billboard is too small (1)

1 mark per point plus 1 mark for development (1)

[2]

- 5 (a) Telephone is verbal or electronic communication (1) letter is written communication (1)
 No record of telephone call (1) written record of letter (1)
 Telephone is immediate (1) letter may need time to be delivered (1)
 Can ask oral questions by telephone (1) written questions by letter (1)
 Can discuss points/problems by telephone (1) may have to send more letters (1)
 More personal approach by telephone (1) more formal tone in letters (1)
 Can be expensive to call overseas (1) letter can be cheaper in some areas (1)
 No attachments with telephone (1) contracts etc. can be attached to letters (1)
 To answer a call, the receiver needs to be present (1) letter sent to address (1)

2 marks for each difference (max. of 2 marks for each method)

[4]

- (b) Letter/ordinary post (1) used for first class/second class mail (1)
 Express delivery service (1) for urgent/quick mail (1)
 Airmail (1) posting goods overseas (1)
 Parcel post (1) for bulkier items of mail (1)

1 mark per post service plus 1 mark for development of each

[4]

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- (c) Advice note (1) to tell buyer that goods are on their way (1)
 Delivery note (1) to check goods delivered (1)
 Invoice (1) acts as a bill or request for payment (1)
 Credit note (1) when goods have been overcharged (1)
 Debit note (1) when goods have been undercharged (1)
 Statement of account (1) shows transactions (1)
 Receipt (1) proof of transaction (1)

1 mark per document plus 1 mark for development of each [6]

- (d) Use of website (1) to provide information on the business (1) and technical advice (1) to monitor hits from customers (1)
 Use of internet to purchase goods (1) 24/7 (1) and to advertise (1) catalogue of displayed goods (1)
 Email (1) to contact customers over enquiries etc. (1) can be sent all over the world (1) can be sent as multiple messages (1) and forwarded to others (1)
 Documents/files can be sent as attachments (1) sent from computer to computer (1) or when customers are travelling (1)
 Can undertake market research with customers (1) with online surveys (1)

1 mark per point plus up to 3 marks for development of each [6]

Section B

- 6 (a) (i) Bank statement (1) [1]
 (ii) Current (1) [1]
 (iii) 24 October (1) [1]
 (iv) Cheque (1) [1]

- (b) (i) Standing order (1) a regular bill/amount (1) at regular intervals (1)
 1 mark for name plus 1 mark for development [2]
 (ii) Direct debit (1) a variable amount (1) at varying times (1)
 1 mark for name plus 1 mark for development [2]
 (iii) Allows a current a/c holder to pay directly into the account of another (1) can be single (1) or multiple bills (1) using one cheque (1) e.g. wages (1)
 1 mark per point plus 1 mark for development [2]

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- (c) (i) Operated by credit card companies (1) who advertise for people to use their card (1)
 Can obtain cash from ATM (1) Located outside of bank or in wall of shopping centre (1)
 A minimum level of income is needed (1) and each cardholder is given a credit limit (1)
 with a maximum amount allowed on credit (1)
 Cardholder buys goods/services using the credit card (1) where card has magnetic strip
 (1) normally use through chip and pin (1) where machine swipes card (1) or signing
 counterfoil (1) or enter pin number (1)
 Cardholder is given copy of bill (1) and copy kept by retailer (1)
 Credit card company charges commission on sales (1) approximately 3% (1)
 Cardholder receives monthly statement (1) with the total amount owed (1) Cardholder
 can pay off the amount owed without paying interest (1) or make a minimum payment (1)
 with interest charged on the amount not paid off (1)

1 mark per point plus up to 3 marks for development of each [4]

- (ii) It is safer to carry a credit card abroad (1) than a large sum of money in places you have
 not been before (1) possible greater danger of being robbed (1) If card is stolen you can
 stop money being taken out of account (1) whereas if cash is lost there is no protection
 (1)
 Credit cards are used worldwide (1) whereas your own currency may not (1)
 Credit cards are much easier/convenient to handle/deal with (1) instead of having to
 change money into local currency (1) and instead of carrying cash around you can have
 the lighter credit card instead (1)
 If one is paying for expenses abroad you do not have to use liquid cash (1) and instead
 gain free credit (1) and receive expenses before credit card payment is made (1)
 There is no need to count cash (1) and you do not know how much you are going to
 spend (1)

1 mark per point plus 3 marks for development of each [6]

- 7 (a) (i) DrosierShippingCo (1) [1]
 (ii) Quality Sportsgloves Limited (1) [1]
 (iii) Banatils Company (1) [1]
 (iv) Dubai (1) [1]

- (b) Acts as a document of title (1) allowing buyer to collect goods (1)
 It is a contract of carriage (1) setting out terms of transporting goods (1)
 It acts as a receipt (1) as proof that shipper has received goods (1) that freight charges have
 been paid (1) and gives details of goods carried (1) whether clean/dirty (1)

1 mark per point up a maximum of 3 marks each [4]

- (c) It is used when goods are sent by air (1)
 Air waybill is not a document of title (1) the delivery of goods is not dependent upon
 presentation of the air waybill (1)
 Possession of the air waybill does not mean that the person can sell the goods (1) and does
 not give ownership (1)

1 mark per point [2]

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- (d) (i) Used for storing dutiable goods (1) on which duty has not been paid (1)
 While in bond, goods can be processed (1) e.g. packed/bottled/blended/graded (1)
 Importer may wish to postpone duty (1) while looking for buyers (1)
 Importer may sell the goods in bond (1) and buyer then pays the duty (1)
 This economises working capital (1) because money not tied up in duty on unsold goods (1) the importer may wish to spread the duty paid in this way (1)
 Goods may be re-exported (1) as part of the entrepot trade (1) They import the goods and make them more saleable (1) and then export them again (1) and avoid paying duty (1)

1 mark per point up a maximum of 3 marks each [6]

- (ii) Records imports (1) from country of origin (1) exports (1) according to the country to which they are being sent (1) for government (1) to calculate tax (1)
 To assess trends (1) and track/proof of goods (1) in quantities (1) and value (1) of goods/services (1) from country of origin (1)
 In order to calculate the balance of trade (1) and balance of payments (1) and then decide on trade policies (1) so to take any corrective action (1) to improve its trading position (1)

1 mark per point up a maximum of 4 marks [4]