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**COMMERCIAL STUDIES**

**7101/12**

Paper 1 Elements of Commerce

**October/November 2017**

MARK SCHEME

Maximum Mark: 100

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**Published**

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**Section A**

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1(a)(i)	Consumer/Customer	<b>1</b>
1(a)(ii)	Extracting Washing Pulping Fermenting Drying Sorting Blending Roasting Grinding Bagging  Any 2 × 1 marks	<b>2</b>
1(a)(iii)	Ship/Sea to the UK (1) ...in containers/temperature controlled conditions (1) Road to the retailers (1)	<b>2</b>
1(b)(i)	Someone who sends goods/services to another country	<b>1</b>
1(b)(ii)	Someone who brings in/buying goods from abroad	<b>1</b>
1(c)	Because it is a document of title (1) which means that the holder of the bill can claim the goods (1) when they hand it over at the destination port (1). It also acts as an advice note (1) showing the quantity/description of goods (1) and a receipt (1) of goods in good condition on board (1) signed by the master of the ship (1). It also acts as a contract of carriage (1) between the shipper and the ship owner (1). Any 3 × 1 marks	<b>3</b>
1(d)	<ul style="list-style-type: none"> <li>• Brokers bring buyers and sellers together whereas (1) factors sell goods on behalf of their principals (1)</li> <li>• Brokers are responsible for the delivery of goods (1) whereas factors do not buy goods for their principals (1)</li> <li>• Brokers do not have possession of the goods (1) whereas factors have possession of the goods and deliver sold goods directly to buyers (1)</li> <li>• 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)</li> <li>• 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)</li> </ul> <p style="text-align: right;">Note: Maximum of 2 marks for broker or factor 2 marks for each difference × 2</p>	<b>4</b>
1(e)	Stores dutiable goods (1) payment of duty is postponed (1) saves on working capital while looking for buyers (1) goods can be left to mature (1) e.g. whisky (1) and only released from bond when payment is made (1) can be withdrawn in separate groups (1) helps spread the payment of duty (1) if rules are broken a large fine (1) controlled by Customs and Excise (1) goods can be sold in bond (1) payment will be made by the buyer (1) goods for re-export can be kept (1) refund of duty possible (1) through customs drawback (1). While in bond goods can be processed (1) bottled/blended/packaged or graded (1) but cannot be manufactured (1) Any 6 × 1 marks	<b>6</b>

Question	Answer	Marks
2(a)	Pedlars Hawkers/tuck shops/kiosks Mobile shops Street markets/market traders Independent/unit retailers Party selling Vending machines Convenience store Any 2 × 1 marks	<b>2</b>
2(b)(i)	Increase sales/profits (1) as customers are more likely to shop with them than go to other stores (1) building up their personal relationship/trust (1) Any 2 × 1 marks	<b>2</b>
2(b)(ii)	Sell goods to the consumer Provide local supplies/convenient location Provide a variety of goods Provide goods in small quantities Long opening hours Personal service/advice Delivery Any 2 × 1 marks	<b>2</b>
2(c)	<ul style="list-style-type: none"> <li>• Wholesaler can provide a variety of goods (1) whereas if a manufacturer was used they would need to go to individual manufacturers (1) wasting time/money (1)</li> <li>• Provide storage of goods (1) e.g. seasonal goods (1) this saves space for the retailer (1) which might be expensive for a retailer due to high rents (1)</li> <li>• Convenience (1) as wholesaler is usually well situated (1) to provide retailer needs at short notice (1) whereas manufacturer could be located anywhere in the country/world (1)</li> <li>• Breaking bulk (1) with bulk purchases split into smaller quantities (1) saving retailer expense of keeping large stocks (1) and manufacturers would not deal with many small orders (1)</li> <li>• Will provide advice (1) such as via sales reps (1) and wide knowledge of the market (1) whereas manufacturers do not have such expertise (1)</li> <li>• Will allow credit (1) so that the retailer can sell the goods before they pay the wholesaler (1) if the retailer had bought from the manufacturer they might have expected to pay cash (1)</li> <li>• Delivery (1) so that retailers do not run short of goods (1) whereas manufacturers would not be able to provide this service (1)</li> </ul> Any 3 × 2 marks	<b>6</b>
2(d)(i)	Department stores Multiple chain stores Supermarkets Hypermarkets Any 2 × 1 marks	<b>2</b>
2(d)(ii)	Attract customers to their shop (1) and increase sales/income from service provided (1) Helps to have repeat customers (1) brand loyalty develops (1) One way to compete with other retailers (1) giving them a competitive edge (1) Any 1 + 1 marks	<b>2</b>

Question	Answer	Marks
2(e)	Lower prices (1) since large-scale retailer makes use of special offers/loss leaders (1) as they can afford to buy in bulk (1) Can often do all shopping in one place (1) as there is a larger variety of goods offered (1) Car parking can be offered (1) so it is possible to carry out a weekly shop (1) as well as other services such as restaurants (1)      Any 2 × (1 + 1) marks	<b>4</b>
3(a)	Messages between people (1) in the same organisation (1)	<b>2</b>
3(b)(i)	There are two (1) to twenty owners (1) Partners provide the capital (1) and share profits/losses (1) Partnership Deed (1) sets out rules/regulations (1) Unlimited liability (1) which means all partners liable for debts (1) including personal possessions (1)      Any 2 × (1 + 1) marks	<b>4</b>
3(b)(ii)	Greater capital (1) as more people can contribute money (1) whereas with the sole trader they have to find all the money themselves (1) Workload can be shared (1) with partners covering for each other when someone is absent (1) whereas sole trader may have to close the business for the period of absence (1) Shared expertise (1) with partners have different skills or example (1) whereas sole trader is not likely to be an expert in all areas (1) Losses are shared (1) so less financial pressure (1) compared to being on one person to pay back all debts (1) Can discuss problems (1) so quality of decisions made can be better (1) whereas sole trader has to make all decisions by themselves (1)      Any 3 × 2 marks	<b>6</b>
3(c)	Hire purchase (1) making a deposit/regular instalments (1) Leasing (1) computer is hired/no deposit/regular instalments (1) Loan (1) fixed interest/long repayment period (1) Government grant (1) no interest/no need to be repaid (1)      Any 2 × (1 + 1) marks	<b>4</b>
3(d)(i)	Gives information (1) on what is to be discussed at a meeting (1)	<b>2</b>
3(d)(ii)	Title of meeting Date/location/time of meeting began Names of chairperson/officers List of names of those present/absent Matters arising from the minutes Record of actions/decisions discussed Time when meeting closed      Any 2 × 1 marks	<b>2</b>

Question	Answer	Marks
4(a)	Advertising involves presenting/demonstrating (1) to a group an oral/visual message (1) regarding a product/service (1) through a media or example (1) Any 2 × 1 marks	<b>2</b>
4(b)	To persuade customers to buy (1) so as to increase sales/profits (1) To inform customers (1) about new goods/how the product works (1) To remind customers (1) so to keep the name of product in the public eye (1) To compete (1) against rival brands (1) To develop brand loyalty (1) so consumers keep buying their product (1) To promote public image (1) enhancing the reputation of the company (1) Any 2 × (1 + 1) marks	<b>4</b>
4(c)	Packaging will make the product look different than other similar products (1) with the use of colour/shape/form (1) and attract the customer's attention (1) persuading the customer to buy the product (1). Logos/symbols are often applied to packaging (1) especially by companies that regard their products as a 'brand' (1). Branded products often have an advantage over non-branded products (1). Some successful products are promoted through competitions/contests/sales/discounts, on their packaging (1). Products can also be promoted by a well-known celebrity (1) as a method of appeal (1) and used in an advertising campaign (1). Any 4 × 1 marks	<b>4</b>
4(d)	TV has a wide audience (1) with most homes having a TV (1) can be directed to national/local audiences (1) and advertisements are repeated (1) so that a large number of people have seen it/made an impact (1). The cereals advertisement can have movement/sound/colour/music (1) and the health benefits of eating the cereal can be explained (1) which will help to impress upon the minds of viewers (1) with the time chosen for airing the advertisement can suit the target audience (1) such as in the morning (1) Any 4 × 1 marks	<b>4</b>
4(e)	May lead to overspending (1) buying goods you cannot afford (1) Prices may rise (1) due to unsuccessful/high cost of advertising (1) May lead to purchase of unwanted/unsuitable goods (1) example (1) May lead to the purchase of harmful goods (1) example such as cigarettes (1) Advertising can be misleading (1) leading to disappointed customers (1) Advertising can waste resources (1) money spent could be used better elsewhere (1) Often seen as repetitive/intrusive (1) making people switch channels (1) Any 3 × 2 marks	<b>6</b>
5(a)	Home trade is buying and selling within a country (1) being wholesale and retail (1) 2 × 1 marks	<b>2</b>
5(b)(i)	Used by the buyer to check goods delivered Signed by the buyer to show goods are in good condition Signed by the buyer to show proof of delivery Kept as a record Any 2 × 1 marks	<b>2</b>

Question	Answer	Marks
5(b)(ii)	Reference number Order number Quantity Description Received by Checked by Date Condition of goods <p style="text-align: right;">Any 2 × 1 marks</p>	<b>2</b>
5(c)	Bulky goods/goods requiring more capacity (1) such as coal (1) Long distances (1) over 200 miles (1) When there is poor weather conditions (1) as rail not affected as much (1) Heavy goods (1) iron (1) <p style="text-align: right;">Any 2 × 2 marks</p>	<b>4</b>
5(d)	Flexible (1) not restricted to fixed routes/schedules (1) Door-to-door service (1) no need for transshipment (1) Fast over short distances (1) under 200 miles (1) Can carry fragile goods (1) that need careful handling (1) Accessible to most places (1) as vast road network/trains can only go where tracks are laid (1) Less handling of goods (1) so greater security of goods (1) <p style="text-align: right;">Any 3 × 2 marks</p>	<b>6</b>
5(e)	It allowed mechanisation handling to be introduced (1) with containers stacked (1) and moved by robots (1) which has speeded up the transport of goods (1) with quick turnaround (1) and no need for unpacking (1) resulting in less labour needed (1) <p style="text-align: right;">Any 4 × 1 marks</p>	<b>4</b>
6(a)(i)	<b>(A)</b> Motor (1) <b>(B)</b> Fire (1) <b>(C)</b> Public liability (1) <b>(D)</b> Flood (1)	<b>4</b>
6(a)(ii)	Bad management Not making profits Business failure Fall in demand Changes in fashion Falling share prices Examination failure <p style="text-align: right;">Any 2 × 1 marks</p>	<b>2</b>
6(b)	Proposal form (1) application for insurance (1) containing questions about the risk to be insured (1) which should be answered truthfully so as to assess the risk (1) and fix the premium to be charged (1)  Cover note (1) a temporary policy (1) issued after first premium is paid (1) and confirms that insurance cover is provided (1) while policy is being prepared (1)  Insurance policy (1) which is the contract (1) between the insurer and the insured (1) setting out the terms of the contract (1) e.g. what is covered/the premiums to be paid (1) and to be used if submitting a claim (1) <p style="text-align: right;">Any 2 × 3 marks</p>	<b>6</b>

Question	Answer	Marks
6(c)(i)	The principle involved is contribution (1) where the person will not be able to claim the full amount from the three insurance companies (1) as under indemnity (1) the person cannot make a profit from a loss (1). The insurance companies will split the amount of loss/claim (1) and pay out a proportion each of the loss (1) which is £10 000 each (1).  Any 3 × 1 marks	<b>3</b>
6(c)(ii)	The person has over-insured (1) by insuring the item for more than it is worth (1) and this is against the principle of indemnity (1) and the person is wasting the extra premium paid (1) as the amount received will be what the item is worth (1) which is £20 000 (1).  Any 3 × 1 marks	<b>3</b>
7(a)(i)	Aston Bank	<b>1</b>
7(a)(ii)	Credit	<b>1</b>
7(a)(iii)	Cheques paid into accounts at different times	<b>1</b>
7(a)(iv)	Overdraft	<b>1</b>
7(b)(i)	Telephone phone bill paid (1) by the use of debit card (1) has been debited (1)  Any 2 × 1 marks	<b>2</b>
7(b)(ii)	The bank has charged a fee (1) for the overdraft used/not keeping a minimum amount in the bank account/fee for running the account (1) with \$30 being deducted (1)  Any 2 × 1 marks	<b>2</b>
7(c)	To enable customers to get cash after banking hours (1) 24 hours a day (1) so that there is no need for customers to visit their bank (1) and waste time in queuing up (1) making it convenient for customers (1). If they did not offer ATM services, customers would likely become a customer of a bank that does, which would mean losing customers/business (1).  Any 4 × 1 marks	<b>4</b>
7(d)	A standing order pays regular bills at regular times (1) A direct debit enables variable bills at variable times (1)	<b>2</b>
7(e)	Debit cards reduce the chances of bad debts (1) as payment is guaranteed (1) and payments are made immediately (1) leading to better cash flow (1) whereas cheques can be dishonoured (1) and cheques will need time to clear which can result in delays in payment (1). Debit cards are computerised (1) saving administration costs (1) whereas cheques have to be processed by hand (1) and taken to the bank/paid into bank account (1)  Any 6 × 1 marks	<b>6</b>