

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

MARK SCHEME for the October/November 2014 series

7101 COMMERCIAL STUDIES

7101/11

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

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SECTION A

- 1 (a)** Trade in goods/services or import/exports (1) between countries (1) **[2]**
- (b)** Provides foreign currency (1) to pay for imports (1) e.g. US dollar (1)
 Creates jobs (1) to cut unemployment figures (1) e.g. more jobs in tourism (1)
 Increases standard of living (1) wider choice of goods (1) e.g. electronic goods (1)
 Obtaining goods/services not available (1) due to climate or lack of raw materials (1)
 e.g. Japan imports Coffee (1)
 To dispose of surplus production (1) to earn income (1) and boost exports (1)
 Comparative advantage (1) where countries specialise in what they are best suited (1)
 e.g. India specialises in tea production (1)
 Friendship/political reasons (1) less likely to be at war (1) e.g. Brunei and Indonesia (1)
 Maintains balance of payments (1) avoids deficit (1) example of increasing exports (1)
 Increases government revenue (1) through customs duties (1) example (1)
 National income will increase (1) the economy will grow/economy improves (1) example (1)
Any 2 × 3 marks or 3 × 2 marks **[6]**
- (c)** 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)
 Controlling bonded warehouses (1) for dutiable goods (1)
Any 2 × (1 + 1) marks **[4]**
- (d) (i)** It acts as an advice note (1)
 It acts as a receipt (1)
 It indicates the condition of goods (1)
 It is a contract of carriage (1)
 It is a document of title (1)
 It is a negotiable instrument (1) Any 2 × 1 marks **[2]**
- (ii)** To serve as a guarantee for payment of goods (1) by the importer's bank (1) to the exporter (1)
 The exporter must produce documents (1) such as the bill of lading (1) to his bank to prove that the goods have been despatched (1) and the letter of credit and receive payment (1). The bank will be repaid by the importer's bank (1) which has received payment from the importer (1). Any 2 × 1 marks **[2]**

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- (c) Legal formalities will be required to change to plc (1) such as registration (1) and need for minimum share capital (1) more expensive (1) complicated (1)
 More regulations/controls for plc (1) publication of accounts (1) competitors can see accounts (1)
 Prospectus/offer for sale of shares expensive (1) commission charges to banks (1)
 Danger of loss of control (1) because of takeover (1) if another business buys 51% of shares (1)
 Any 2 × 2 marks [4]
- 3 (a) (i) To attract new customers/business/increase sales (1) [1]
- (ii) £480 – 20% (1) = £96 (1). 384 divided by 24 (1) = £16 (1)
 OR 20% of £480 (1) = 96 (1). 480 divided by 96 (1) = £16 (1)
 Allow OFR. [4]
- (iii) Could change the font sizes/make wording stand out (1)
 Embolden some parts of the advertisement or example (1)
 Add some persuasive wording or example (1)
 Give examples of other incentives/promotions (1)
 Any 2 × 1 marks [2]
- (b) Wide coverage (1) national audience is possible (1)
 Can give detailed information (1) e.g. technical details of a computer (1)
 Can be cut out (1) and kept for future reference (1)
 Reasonable cost (1) compared to television (1)
 Flexible (1) can be run as long as the advertiser wants (1) size of advertisement (1)
 Can target particular audiences (1) e.g. sports equipment in sports section (1)
 Long life-span (1) can be passed on to other people (1)
 Any 2 × 2 marks [4]
- (c) (i) Any suitable example e.g. new mobile phone (1) that appeals to younger, working people (1) can attract attention with colour/moving/changing sound images (1) [2]
- (ii) Any suitable example e.g. computing products (1) that appeals to readers within a particular trade or interest of (1) can target these customers (1) giving detailed information (1) [2]
- (d) Fixed interest (1) whereas interest on overdraft is variable (1) and likely to be higher than a loan (1)
 Loan available to anyone who meets requirements (1) whereas with overdraft a bank current account is needed (1) usually overdraft only for short-term (1)
 Agreed regular instalments (1) that can be planned for (1) but overdraft can be withdrawn at short notice (1)
 Any 5 × 1 marks [5]

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SECTION B

- 6 (a) (i)** Insured are the people who take out insurance cover (1)
Insurer offers insurance/meet insurance claims/provide insurance policies (1) [2]
- (ii)** Stage 6 (1) [1]
- (iii)** Insurance company or insurance broker (1) [1]
- (b) (i)** An application form (1) for insurance cover (1) [2]
- (ii)** Monthly/annual (1) payment (1) [2]
- (iii)** Agreement/contract (1) between the insured and insurer (1) setting out terms (1) [2]
- (c)** To provide financial protection/reduce financial losses (1) against risks or example (1) so that it does not go out of business (1)
To provide compensation (1) against losses (1)
To build business confidence (1) so there is less fear of the future/piece of mind (1)
Able to spread risk (1) among many people (1)
Any 2 × 2 marks [4]
- (d) (i)** Storing large stocks of goods (1) by buying say agricultural produce at harvest time (1) could use cold storage warehouse (1) and releasing it gradually over the year (1) the wholesaler can reduce the wider price fluctuations (1) as you would expect prices to be low when being harvested (1) and high prices at other times of the year (1)
Any 3 × 1 marks [3]
- (ii)** Helps in minimising the effects of seasonal production (1) goods that can be produced at only certain times of year (1) e.g. apples (1) can be stored and released throughout the year (1) enabling everyone to have these goods throughout the year (1) so there are no shortages (1)
Any 3 × 1 marks [3]
- 7 (a) (i)** Road (1) [1]
- (ii)** Rail (1) [1]
- (iii)** 160 kilometres (Allow range of 155 to 165) (1) [1]
- (iv)** \$500 (2) One mark if use of incorrect calculation. [2]
- (b)** The need for transshipment (1) as trains run only to railway stations/tracks (1) as it cannot access places without a rail system (1) so there is a need for goods to reach the door of the customer (1)
Any 3 × 1 marks [3]

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- (c) Quantity of goods carried (1) might be more economic to use one train rather than several lorries for the same load (1)
Nature of goods to be carried (1) e.g. do they need special handling or security? (1) where road would be preferred as closer supervision possible (1)
Urgency (1) spare parts needed today ten miles away would use road transport (1)
Security (1) expensive goods are more likely to be transported by road (1)
Safety (1) fragile goods need careful handling which road transport would provide (1)
Convenience (1) if you have your own road vehicle this would be the easiest one to use (1)
Reliability of carrier (1) it is essential that goods arrive on time (1)
- Any 2 × 2 marks **[4]**
- (d) (i) Any suitable examples such as diamonds, newspapers, electronics, medicines, emergency aid, scientific instruments, fragile, perishables
- Any 2 × 1 marks **[2]**
- (ii) The need for speed (1) particularly for perishables/valuable goods (1) which need to get to market quickly (1) be kept secure/safe in airports (1) and can bear costs of air transport (1)
The growth of the global economy (1) high demand for overseas goods (1) from countries such as China/India (1) particularly for luxury items (1) and goods such as electronics (1) which are lightweight to carry for aircraft (1)
More cargo planes available (1) with greater capacity (1) more fuel efficient (1) leading to relative freight gains (1) charges coming down/prices falling (1)
Increased number of airports (1) making more air routes available (1) with better facilities at these airports for handling cargo (1) with larger cargo doors on aircraft (1) and greater storage facilities (1)
- 6 × 1 marks **[6]**