

**MARK SCHEME for the October/November 2009 question paper
for the guidance of teachers**

7100/02	7100 COMMERCE Paper 2 (Written), maximum raw mark 80
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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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- 1 (a)** One mark each for
- (i) Primary/extractive
- (ii) Tertiary [2]
- (b)** Any two ways × 1 mark each
- Shelling peas
Canning peas/processing
Distribution of peas [2]
- (c)** Any three points × 1 mark for each section
- (i) Using methods of payment (or example)
Obtaining finance (or example) and reason
Obtaining advice
Depositing money
Using savings/deposit account/saving money
Using current account
- Any other relevant point [3]
- (ii) Storage/keeping of produce/machinery/livestock/feed/seed (one example)
Awaiting sale/use/transport to provide protection against theft/weather/deterioration (one example)
To obtain the best prices
Cold storage
- Any other relevant point [3]
- (d)** Any four points × 1 mark each or two well explained points x 2 marks
- By road (or example of road vehicle) rail = 0 marks
From canning factory to shop
From canning factory to wholesaler and by wholesaler's transport to shops
Or from canning factory to regional distribution centre (supermarket) and then to individual supermarkets
Provide for delivery service to several shops
Own Transport
Functions of wholesaler = 0 marks
- Any other relevant point e.g. channels of distribution [4]

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(e) Level 2 (4 – 6 marks)

Has considered specialisation in relation to the owner of the factory and has given a reasoned answer showing whether or not specialisation is beneficial to the factory owner.
One sided argument = L2, 5 marks maximum.

Specialisation is beneficial to the owner of the factory because it enables him to use mass production methods and make use of technology to increase output. He may be able to automate the canning process and so reduce his labour costs. He may be able to make use of unskilled labour instead of skilled labour. His equipment may be capable of processing different kinds of vegetables and fruits. He can take advantage of economies of scale. On the other hand specialisation could lead to problems if one part of the processing plant broke down. The rest of the production line would be held up. If the market for canned vegetables declined the owner of the factory may find it difficult to adapt to some other product. Absenteeism may be a problem among a bored workforce.

Level 1 (1 – 3 marks)

Has made some statements about specialisation with/without context.

Specialisation is concentrating on one particular thing. It makes use of division of labour. It may be profitable. There will be greater output and greater use of machinery. [6]

2 (a) Any two reasons × 2 marks

- The sales are likely to be higher and so the profits may be greater
- The owner can bulk buy so obtaining discounts – economies of scale
- Advertisements can be for the chain of shops as a whole so saving overall on advertising
- Costs – marketing economies of scale
- Can employ specialised managers for each shop
- Owning several shops may be a natural progression from owning one shop and will give the owner more satisfaction
- The losses made in one shop may be offset by profits made in another one
- Could go into different markets – increased sales
- Competitive edge
- Makes shops better known – increased sales

Any other relevant point [4]

(b) Any three points × 1 mark and up to 2 marks for any well developed point

- Because the motor cycles are mechanical and will require maintenance
- It will create extra business and profits
- It creates goodwill and return business
- Good after sales service may mean that customers recommend the business to others
- Competitive Edge
- Warranty

Any other relevant point [3]

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(c) Any two factors × 1 mark and 1 mark each for the reason

Funds available/cost of advertising – because her budget for advertising may be limited
 Target audience – she will want to aim her advertising at people interested in motorcycles
 Extent of market/geographical area – does she want local advertising or national advertising?
 Image to be conveyed – what method of appeal should she be giving in the advertisement?
 Information to be given – needs a written advertisement if a lot of information is to be given
 Repeat advertising – will she want to have repeat advertising to reinforce her message
 How long she wants her advertising to last – a quick message or advertising that will be seen again and again
 Effectiveness of media
 Nature of product
 Time of placement

Any other relevant factory [4]

(d) Any one example × 1 mark and explanation × 2 marks

Device/technique
 Something used within the advertisement/actions shown in advert which plays on the emotions of the consumer in order to attract the attention of the consumer
 Romance/sexual attraction/love of animals/love of children/nostalgia/ambition/friendship/success/comedy/colour/manliness [3]

(e) **Level 2 (4 – 6 marks)**

Has discussed the advantages of one of the methods of promotion and may have mentioned the disadvantages of the other two. Has given a reasoned recommendation (discussed one only with no other mention of methods = L2, 5 max)

5% discount means that customers will pay 5% less than the cost price of the motorcycle. This is likely to attract many purchasers especially if other motorcycle shops do not offer such discount.

I would recommend that Mrs Singh uses the 5% discount method of promotion. She may make more sales, it will give her a competitive edge over other retailers and she can use the cash to pay off debts or to buy more stock. The other two promotions may not be worthwhile, the free gift may have little monetary value and a free copy of a motoring magazine is worth very little (allow negative reasoning).

Level 1 (1 – 3 marks)

Has given some advantages of one of the methods of promotion with/without a recommendation and with little or no context.

I would recommend using 5% discount because Mrs Singh will get more customers and will also get some ready cash. [6]

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Points to consider

Free Gift – advantages – people like something for nothing/can dispose of other items

Disadvantages – does not say what the free gift is/may not be worthwhile

5% discount – advantages – speedy payment/no risk of bad debts/competitive edge

Cash can be used for other purchases/helps cash flow

Disadvantages – may be only a few buyers who can pay in cash/5% may be too much to lose from each sale

Free copy of motoring magazine – advantages – little cost to shop owner

Many motorcyclists are likely to be interested in motoring generally

Disadvantages – very little is being given away/not likely to attract new customers

3 (a) Any two reasons explained × 2 marks (including advantages of sole trader generally)

Easy to set up – little documentation, finance from own savings

May find premises easily – close to home

The work is fairly easy and can be pleasant – little training required, serving customers you know – easy to manage

Can make your own decisions – when to open, what to sell

Help may be available – voluntary chains, join a franchise

Can obtain stocks fairly cheaply – cash and carry warehouses

Small capital needed

Many customer prefer small shops

Any other relevant point explained

[4]

(b) Any four points × 1 mark or two points well explained × 2 marks

May be close to home/convenient

May sell particular products they require

May offer informal credit

May offer specialised services

May provide additional services e.g. post office

May offer personal service

May offer delivery/after sales service

May be elderly and not wish to travel to shop

Long opening hours

Cheaper/wider range of goods = 0

Any other relevant point

[4]

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- (c) Any three points × 1 mark each and up to three marks for a well explained point (may be one side of the argument or both)

Consumers will benefit because they will pay less for goods

The supermarkets may become more efficient in order to save costs. Cost savings can then be passed on to the consumer in lower prices

They may benefit from special promotions e.g. two for the price of one

They may not benefit as quality may suffer – supermarkets looking for cheaper good

They may have short term price reductions but then prices may go up

Price cutting may force a supermarket out of business and so the consumer will end up with less choice

May provide other services e.g. loyalty cards

Any other relevant point

[3]

- (d) Any three points × 1 mark each

Take it back to the shop	With the receipt	Ask for refund
Ask for a replacement/refund	Check the sell-by date	
Report it to her local council/trading standards		
Buy another can of oil	Throw it away	Stop using the shop

Compensation/complain to manufacturer/court (0 marks)

Any other relevant point

[3]

- (e) **Level 2 (4 – 6 marks)**

Has discussed two of the methods for increasing sales and has given a reasoned recommendation. (may also have discussed the other two methods. If no mention of 1 or 2 other methods = L2, 5 max)

Offering own brands may enable the supermarket to make advantageous deals with manufacturers and so sell some lines more cheaply. This would give the supermarket a competitive edge over its rivals. Own brands, however, are perceived by some shoppers as of less quality than the brands of well-known manufacturers.

Offering loyalty cards to customers may be expensive to set up and there must be good incentives for customers to use them. On the other hand customer loyalty cards can be used to find out customer preferences and prove to be a useful marketing tool.

I would recommend offering own brands as many consumers want to buy some of their weekly purchases as quickly as possible and many other supermarkets are also offering them. I would also recommend introducing a loyalty card scheme as many people like collecting the points and obtaining money back or gifts associated with them. The ability to sell local produce may be limited and the in-store bakery may be expensive to operate.

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Level 1 (1 – 3 marks)

Has given some statements for two of the methods of increasing sales.

I would sell local produce as it is likely to be fresh. Many people like to buy food that is produced locally. It provides an outlet for local farmers. It may bring in a new market segment.

Allow local produce, may be cheaper.

I would provide an in-store bakery. Many people like fresh bread. It is likely to make the supermarket a lot of money. [6]

4 (a) (i) Any three points × 1 mark each

- A bill sent from seller to buyer
- Giving details of a single transaction
- E.g. catalogue numbers/description/order number/terms/total (max 1 mark)
- Shows amount due/request for payment
- Often used when buying on credit

Any other relevant point [3]

(ii) Any one document 1 mark + 2 marks for functions

- Credit note – to give details of an overcharge/when goods are returned
- Statement of account – to give details of all transactions/request for payment/terms of payment
- Receipt – proof of payment/shows method of payment/sent after payment made
- Accept debit note

Any other relevant document [3]

(b) Any four points × 1 mark each or two explained points × 2 marks (fast = 1 mark, efficient = 1 mark, cheap/easy = 0 marks)

- Speed because form available on screen
- Accuracy – software program used
- Documents can be recalled instead of starting again
- Several invoices can be processed automatically to produce statement of account
- Enables invoices and other documents to be stored electronically so saving space
- Enables others to have easy access to the documents
- Reduces staffing
- Reduces use of paper
- Linked to stock control

Any other relevant point [4]

(c) $\$150 \times 12 (1) = \$1800 (1) \times 4 \text{ years } (1) = \$7200 (1)$ OFR applies Award all the marks for the correct answer without working. [4]

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(d) Level 2 (4 – 6 marks)

Has discussed two of the methods of communication and given a reasoned recommendation. (max L2, 4 marks if 1 method mentioned. If no mention of 1 or 2 other methods of communications = L, 5 max)

Email enables messages to be sent to multiple email addresses so it is quick and compatible with the introduction of a computer system for invoices. Emails can be saved and all staff can be informed at the same time.

The intranet, the company's internal network would be effective as all staff have access to it and can receive the same message whenever they gain access to it.

I would recommend using these two methods of communication as they are rapid, all staff can be contacted and they are cheap to administer.

Letters to all staff provide a written record. They are personal if signed by the Managing Director

Telephone is direct and allows for discussion if there are queries. It would, however, be time consuming to telephone everyone.

Level 1 (1 – 3 marks)

Has commented on one or two methods of communication with little reasoning and little or no context.

I would choose letters. They are cheap. Employees can keep them to refer to. I would also choose telephone as it is personal. Questions can be asked and answered. [6]

5 (a) Any two points × 1 mark each

To increase his sales
 Because his competitors do
 He is selling expensive goods which people may not be able to pay for outright
 He is protected from bad debts by the credit card company
 Guaranteed payment by credit card company
 Less cash kept on premises
 Any other relevant point [2]

(b) Any two benefits explained × 2 marks each

No bad debts as no credit is given
 He obtains immediate payment which can be used for other purposes
 He will be able to buy new stock more quickly because he has cash
 Helps his cash flow – can use the money to pay his bills
 By having cash he may be able to take advantage of cash discount when buying stock
 Can invest the cash to earn interest
 No bank involvement e.g. transaction charges
 Any other relevant point [4]

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(c) Any two reasons × 1 mark each or one explained reason × 2 marks

May be delays in clearing cheques so does not obtain his money quickly
 Cheques may bounce leaving Masengo with the task of trying to recover the debt
 There may be heavy bank charges on cheques
 Too great a risk because payments may be for large amounts – greater than a cheque guarantee card will guarantee
 There are other more efficient methods of payment available e.g. debit cards
 No need to go to the bank

Any other relevant point [2]

(d) Any one difference explained × 2 marks (must have two distinct statements)

A credit card enables you to postpone payment
 A debit card enables you to make immediate payment
 A credit card is administered by a credit card company (possibly part of a bank)
 A debit card is issued by a commercial bank
 You pay interest on a credit card debt if not paid when due
 Payment is refused if you pay by debit card and there are not enough funds available
 Customer needs to have bank account for debit card
 Customer does not need bank account for credit card
 (Use of ATM's = 0 marks)

Any other relevant difference [2]

(e) **Level 2 (4 – 6 marks)**

Has discussed the arguments for and against offering HP to his customers and has given a reasoned opinion.

If one sided argument presented = 5 marks max

Masengo offers HP because it helps him to increase his sales of expensive items and so makes his business more profitable. He may make more sales because other businesses do not offer HP. His stock is likely to move faster and so he will have less dated stock. If he uses a finance house the finance house will administer the HP debt. He will receive more overall than if he were paid in cash but the finance house deducts its commission before paying him. Although the agreement may be made at his warehouse, he is saved all the administration of the debt.

He may have problems if customers have the goods repossessed. He may have to dispose of second-hand furniture which has been damaged. If a court action to recover debt takes place, this may mean bad publicity for Masengo and put off potential customers.

On balance, it would be better for Masengo to continue to offer HP agreements. HP offers consumers an additional method of credit which they might prefer rather than a credit card transaction where interest rates are often prohibitive. If Masengo uses a finance house, he will be saved the administrative costs and can concentrate on selling.

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Level 1 (1 – 3 marks)

Has given some comments on the advantages and/or disadvantages and may/may not have given an opinion.

HP helps Masengo to make more sales. He can sell expensive goods.

HP means that Masengo does not get all his money all at once. It may mean extra work for him and he may not always receive his money. [6]

(f) Any two reasons explained × 2 marks

To provide storage for his furniture which is bulky and takes up a large space

To protect his furniture against damage/weather/theft

To provide a display area where his customers can view the furniture and does not have a retail outlet

To provide a place to which many manufacturers can deliver

To provide a large area where lorries/cars/vans can deliver or load

Any other relevant point [4]

6 (a) (i) Any point × 1 mark

Payment for insurance [1]

(ii) Any two points × 1 mark each

Money allowed off the premium

For not making a claim

Any other relevant point [2]

(iii) Any one point × 1 mark

Has made no claim

As has not had an accident

Maintain business/keep customers [1]

(b) \$1200 × 0.6 (1) = \$720 (1) OFR applies

\$1200 × 0.4 = \$480 = 1 mark max

Award full marks if correct answer is given without working [2]

(c) Any two points × 1 mark each or one well explained point × 2 marks

Overall increased claims made on the insurance company

Increased risk as van is one year older

Increased tax on insurance imposed by government

Inflation

Decrease in number of people in pool

Modifications made to van

Any other relevant point [2]

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(d) Level 2 (4 – 6 marks)

Has discussed 2 or more principles of insurance and may have shown which principle is the most important. (If a candidate has considered only 1 principle award max 4 marks)

Abdul will need to complete a claim form. This must be done with utmost good faith i.e. telling the truth. If it is not, the claim may be declared null and void. Abdul will only be indemnified. He is not allowed to make a profit from a loss so indemnity is important. Subrogation may also apply – if the van is so badly damaged that it cannot be repaired, the insurance company will pay Abdul and then take the van and sell it for scrap. Abdul cannot receive compensation and also keep the van. Abdul should not have insured the van with more than one insurance company. This is against the principle of contribution. If he had done so, the insurance companies would have combined to cover the loss. In order to have insurance for the van, Abdul has to show that he has an insurable interest in the van, i.e. he owns it and will suffer a financial loss if something happens to it.

It is very difficult to show which insurance principle is important. All apply to the claim and may affect the success of the claim so all are very important.

Level 1 (1 – 3 marks)

Has commented on one or more insurance principles, i.e. description of a principle

Indemnity – Abdul cannot make a profit out of a loss so cannot claim for more than the damage

Insurable interest – Abdul must own the van to be able to make a claim. He must suffer a financial loss

Utmost good faith – Abdul must tell the truth when making the claim e.g. he must not claim for other repairs. Otherwise the claim will be null and void

[6]

(e) (i) Any two features × 1 mark each

- | | |
|-------------------------|---------------------------------------|
| Owners are shareholders | Shareholders are paid dividends |
| Legal entity | (Shareholders have) limited liability |
| Has Ltd after its name | Has to publish its accounts |
| Must hold an AGM | Shares are sold on a stock exchange |

Any other relevant feature [2]

(ii) Any four points × 1 mark each and up to 2 marks for a well developed point

- May charge less
- May offer a more personal service
- May offer a better service
- May specialise in older vehicles
- May be nearer to Abdul
- Abdul has more trust in Ready Auto Services

Any other relevant reason [4]

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7 (a) Any two services explained × 2 marks each

Buys in bulk so clearing their production lines
 Stores the goods so saving manufacturers extensive storage costs
 Reports to manufacturers what retailers are demanding so that manufacturers can produce what is in demand
 May provide raw materials which he has imported from abroad
 By selling to retailers, he saves manufacturers time in having to make contact with many retailers or breaks bulk
 Enabling the manufacturer to produce ahead of demand. Takes goods as they are produced so that the manufacturer can maintain production
 Pays promptly (1 mark)
 Arranges transport (1mark)

Any other relevant point [4]

(b) Any two intermediaries × 1 mark each

Brokers/factors/export merchants/import agents/forwarding agents/bankers/agents/
 del credit agents/shipping brokers

Any other relevant intermediary [2]

(c) Level 2 (4 – 6 marks)

Has given a justified opinion on whether or not intermediaries are more important in international trade than in home trade (one sided argument = L2, 5 max)

Intermediaries such as factors and brokers are important in international trade where distances are often long and there are other problems such as language differences, different method of payment and cultural distances. They are usually experts on the raw materials or goods they deal in and knowledgeable about the countries in which they operate. Intermediaries such as wholesalers in home trade are not now so important with the growth of large-scale retailing so I would suggest that the statement is true.

Level 1 (1 – 3 marks)

Has made some comments on intermediaries and their functions.

Intermediaries help trade by bringing buyers and sellers together. They may buy and sell goods. They may organise the transport. [6]

(d) Any four points × 1 mark each or two well explained points × 2 marks

Foreign brands may have more attraction
 Imported goods may be cheaper because of cheaper labour costs in many countries
 Imported goods may be of better quality/or perceived to be
 Imported goods may be regarded as more reliable
 Foreign goods may be of better design
 Home produced goods may not be available when the goods are required
 Delivery dates of imported goods may be better than those from manufacturers at home
 Imported goods may be better advertised/promoted than home produced goods
 More variety and choice

Any other relevant point [4]

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(e) Any four ways × 1 mark each or two well explained points × 2 marks

May have to pay import duty on goods – customs collect this revenue
 May have to put some goods in bonded warehouse – customs supervise such warehouses
 May have to comply with certain health regulations – customs may enforce these
 Goods may be subject to quotas – customs supervise this
 May have to present certain documents to customs e.g. certificate of origin
 May have to have containers of goods inspected by customs at the warehouse
 May have consignment of goods searched looking for prohibited goods
 May be embargoes on importing from particular countries
 Enforcement of banned good e.g. drugs, weapons

Any other relevant point [4]

8 (a) Any 6 reasons × 1 mark each or 3 well explained reasons × 2 marks each

Way of connecting one area of population with another
 People need to travel + reason
 (Goods need to be transported) to where there is demand
 Need for speed for some goods + example
 May be emergencies + example
 Suitable for fragile goods because there is less handling than other forms of transport
 Suitable for valuable goods – less chance of theft
 May not have good alternative means of transport
 Employment
 Expansion of economy – improved standard of living

Any other relevant reason [6]

(b) Form of transport (1 mark) + any three reasons × 1 mark each

Rail – suitable for heavy bulk goods, suitable for long distances, fairly cheap, containers
 Road – not such large quantities as rail, can go direct to final destination without trans-shipment, containers
 Sea/ship – depends on whether or not there is a coastline, cheap for long distances, can carry bulk and raw materials, can carry containers
 Pipeline – can carry liquids in bulk, especially oil and water, continuous flow, cheap to operate

Any other relevant reason [4]

(c) For each section award 1 mark for each service given

(i) Seating, toilets, cafeterias, shops, rest areas, check-in facilities, trolleys, luggage collection areas, left luggage lockers, currency exchange, currency, customer service, ATMs, immigration, parking [2]

(ii) Warehousing, bonded warehouses, fork lift trucks, trolleys, lifting gear, conveyor belts, trucks, gear for handling containers, customer services, road transport, loaders/unloaders [2]

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Level 2 (4 – 6 marks)

Has recommended at least two ways in which the two airlines might be made profitable with reasoning to justify the recommendations.

(Only one way reasoned = L2, 4max)

If the two airlines are to be made profitable, it is probably sensible that they merge. There are three airlines operating in the country. They are probably competing with one another, duplicating services and flying unnecessary and costly journeys. If the two airlines were to merge, they would be able to cut costs, shareholders might be prepared to back them (purchase of new aircraft), they could sell off unwanted assets e.g. old aircraft, spare buildings and office space. They would probably have to cut staff (redundancy) but eventually they might become profitable.

A second way would be to appeal to the government of the country. We do not know what the policy of the government is to helping companies in trouble but if the country is dependent on efficient air transport for its prosperity, it may be willing to help and to give the airlines grants or subsidies. The government would expect to have some input in the airline and would probably call for measures to cut costs and make the airline more efficient.

Level 1 (1 – 3 marks)

Has suggested a way/ways in which the two airlines might be made profitable with superficial reasoning.

The two airlines might be made more profitable by a large injection of capital. A bank or other financial institution might be prepared to make a large loan. This would have to be paid back with interest. This might make the airline go into further difficulties.

Possible ways in which the two airlines might be made profitable:

Cut costs and reduce labour force e.g. reduce routes

Apply for loans e.g. from banks

Assuming the third airline is profitable, study it, learn why it is successful and follow its example

Sell to another (foreign) airline

Raise capital – rights issue – but if they are in financial difficulty they may not raise the capital
Share issue

Sell off assets e.g. old aircraft, offices

Look for other ways of earning income e.g. concentrate on air freight, diversify into other services

Merge together

Merge with the third airline to form one large airline

Seek government help – nationalised by the government so funded by taxpayers

Advertising and promotion

If all else fails close down

[6]