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**COMMERCE**

**7100/22**

Paper 2 Written

**May/June 2017**

MARK SCHEME

Maximum Mark: 80

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**Published**

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This document consists of **21** printed pages.

Question	Answer	Marks	Guidance
1(a)	<p><b>Identify <u>one</u> type of transport that S Wholesalers might use to deliver goods to retailers.</b></p> <p>Road Rail Sea Air</p>	1	Any type of transport or example e.g. van, boat · 1 mark
1(b)(i)	<p><b>Describe <u>two</u> advantages <u>to a retailer</u> of purchasing high quality food products from S Wholesalers.</b></p> <p>Breaking bulk (1) S Wholesalers will split the bulk purchases into smaller quantities (1) Variety of goods (1) from different manufacturers/saving the retailer contacting many different manufacturers (1) Advice (1) as they will have knowledge of the market/trends (1) Credit (1) so that the retailer may be able to sell the goods before payment is due to the wholesaler/thus improving the cash flow of the retailer (1) Storage (1) saving space/warehouse costs for the retailer (1) Trade discount (1) enabling the retailer to make a profit (1) Prepare goods for sale (1) e.g. pre-packed or labelled (1) Display (1) goods available for inspection (1) Risk-bearing (1) pay for damaged goods (1) Delivery (1) so that the retailer can receive goods when they run short / saves transport costs (1)</p>	4	1 mark for any two advantages stated plus 1 further mark for each description.

Question	Answer	Marks	Guidance
1(b)(ii)	<p><b>S Wholesalers is considering opening its own retail shop. Do you think it should do this? Give reasons for your answer.</b></p> <p>S Wholesalers will not want to compete with their own retail customers (1) the retailer would probably use another wholesaler (1) may lose these customers (1) Retail selling would need a different type of premises (1) S Wholesalers may not be able to afford/costly to do (1) Different skills are needed to sell in bulk as a wholesaler, compared with selling single units as a retailer (1) S Wholesalers may need new skills such as customer service (1) Increase costs (1) as they may need new staff (1) Increased sales (1) as there are more outlets to sell (1) Ability to sell surplus stock (1) e.g. promotions for seconds (1) Many others doing it (1) stay competitive (1) Bigger mark-up (1) selling direct to consumer (1)</p>	4	<p>1 mark for each reason stated plus 1 mark for each judgement made.</p> <p>Reasons can be either side.</p>
1(c)(i)	<p><b>Calculate the total amount paid by M Retail if it pays the invoice within 30 days. Show your working.</b></p> <p><math>90 \cdot 5 / 100 (1) = \\$4.5 (1)</math>    <math>90 - 4.5 = \\$85.5 (1)</math></p>	3	<p>OFR applies.</p> <p>Award full marks for the correct answer without working.</p>
1(c)(ii)	<p><b>Should S Wholesalers offer this discount?</b></p> <p>Yes (1) plus one mark for one point given: Encourages purchaser to pay promptly Improves cash flow of S Wholesalers Reduces chance of bad debts Encourages customer to buy again Attract customers/increases sales</p> <p><b>OR</b> No (1) plus one mark for each point given: Less money received</p>	2	

Question	Answer	Marks	Guidance
1(d)	<p><b>Discuss whether or not wholesalers, such as S Wholesalers, are likely to survive in the future.</b></p> <p>Many manufacturers are by-passing the wholesaler and delivering direct to the retailer            Logistics are becoming more available and efficient, and pre-packed branded goods are sold direct to retailers            On-line selling has meant some manufacturers can easily sell direct to the consumer, thus eliminating both the wholesaler and the retailer            Some retailers now manufacture goods for their own shops or contract manufacturers to produce own-brand goods            Large scale retailers, such as supermarket chains, have the financial resources to buy in bulk directly from the manufacturers            Wholesalers still provide a vital service to small-scale retailers but the volume of trade undertaken by these retailers is declining            The wholesaler may operate in a niche market            Adaptable wholesalers may change, e.g. to cash and carry            Strength of wholesaler’s relationships will be important            Whatever happens the wholesale function has to be done by someone</p>	<b>6</b>	<p><b>Level 2 (4–6 marks)</b> Has discussed whether or not S Wholesalers are likely to survive and given reasoning (if a candidate has presented a one-sided argument, award 4 marks max).</p> <p><b>Level 1 (1–3 marks)</b> Has commented on the statement.</p>

Question	Answer	Marks	Guidance
2(a)	<p><b>Identify the sector of production that O Ltd is concerned with.</b></p> <p>Secondary</p>	1	
2(b)	<p><b>Explain what is meant by <i>added value</i>. Give an example relating to furniture.</b></p> <p>Added value is the difference between the value of the business output and the cost of materials and services used to create that output (2) E.g. cutting wood, gluing wood, varnishing, packaging (1)</p>	3	<p>1 mark for a relevant example.</p> <p>Up to 2 marks for the explanation.</p>
2(c)	<p><b>State <u>two</u> advantages and <u>two</u> disadvantages to O Ltd of using specialisation when manufacturing furniture.</b></p> <p>Advantages:</p> <ul style="list-style-type: none"> <li>Increases output</li> <li>Enables greater use of technology/machinery</li> <li>Reduces labour costs/reduces need for labour</li> <li>Increases efficiency/saves time</li> <li>Workers need less skills/easier to train/training/workers become more skilled</li> <li>Can take advantage of economies of scale</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>Boredom of workers/lead to mistakes</li> <li>Industrial unrest/greater divide between managers and workers/strikes may occur</li> <li>Workers become interdependent/depend on other parts of the process</li> <li>Less job satisfaction for workers/demotivated workforce</li> <li>Standardised products/lack of flexibility</li> <li>Difficulties if machines break down</li> </ul>	4	<p>1 mark for each advantage stated to a maximum of two advantages.</p> <p>1 mark for each disadvantage stated to a maximum of two disadvantages.</p>

Question	Answer	Marks	Guidance
2(d)	<p><b>Should O Ltd open a new factory in a remote forested area? Give reasons for your answer.</b></p> <p>Close to supply of raw materials (1) reduces transport costs (1)            May be an attractive place to work (1) attracts labour force (1)            Availability of local cheap land (1) reduces costs (1)            Lack of infrastructure (1) such as roads/power (1)            As the forest is cut down, location becomes further than source (1) making the location less desirable (1)            Lack of skilled labour (1) cost of relocation (1)            Increased transport/distribution costs (1) of finished goods to consumers (1)            Destruction of the environment (1) loss of trees (1)</p>	4	1 mark for each reason stated plus 1 mark for each judgement made. Reasons can be either side.
2(e)(i)	<p><b>Discuss these sources and recommend which one might be <u>better</u> for O Ltd. Give reasons for your answer.</b></p> <p><b>Bank loan</b> – for good customers of the bank. Principal and interest repayable over term of loan which is usually linked to expected life of the machinery. A down payment of 25% of the cost of the machinery from O Ltd’s resources would usually be needed. Collateral may be required  <b>Hire purchase</b> – business makes a small down payment and then rents or hires the machinery over a two or three year period, after which it owns the machinery</p> <p>The cheaper method would probably be a bank loan, but if the down payment causes cash flow problems then hire purchase would be the better option.</p>	6	<p><b>Level 2 (4–6 marks)</b> Has discussed both sources of finance and has given a reasoned recommendation. (If a candidate has discussed only one option award 4 marks max).</p> <p><b>Level 1 (1–3 marks)</b> Has commented on one or both options with/without recommendation.</p> <p>Accept any other relevant points.</p>

Question	Answer	Marks	Guidance
2(e)(ii)	<p><b>Explain <u>one</u> reason why O Ltd is not using retained profits (retained earnings) to buy the new machine.</b></p> <p>No retained profits in the company (1) as used them to pay shareholders (1) May want to keep retained profits (1) for emergencies (1) May want to keep retained profits (1) because they're in a high risk situation (1) Might be operating at a loss (1) therefore no profits to keep (1)</p>	<b>2</b>	Up to 2 marks for an explanation.

Question	Answer	Marks	Guidance
3(a)(i)	<b>State <u>one</u> example of a long-term liability.</b>  Bank loan/loan Debenture Mortgage	<b>1</b>	
3(a)(ii)	<b>Explain what is meant by <i>working capital</i>.</b>  Working capital is the finance used for the day-to-day running of the business (1) e.g. to pay bills (1) It is calculated as current assets minus current liabilities or net current assets (2)	<b>2</b>	Up to 2 marks for a full explanation.
3(a)(iii)	<b>Why is working capital important to any business?</b>  It is needed to pay bills (1) so as to maintain positive cash flow (1) and the ability to obtain credit (1) For unforeseen expenses (1) e.g. repair to a machine (1) so it can continue production (1) To allow for seasonal fluctuations (1) e.g. in agriculture (1) when some times of the year there are large cash inflows/less cash inflows (1) To take advantage of discounts (1) by bulk buying (1) if prices are likely to rise (1) Keep customers satisfied with stock (1) so that do not go elsewhere (1)	<b>3</b>	Up to 3 marks for a full explanation, or 3 × 1 mark.
3(b)	<b>Compare the financial position of Y Shops Ltd and C Retail Ltd. Which of these two businesses is in a better financial position? Give reasons for your answer.</b>  Y Shop's sales are twice those of C Retail but C Retail makes a greater net profit Net profit margins are: Y Shop = 11.66%, C Retail = 30% C Retail has more working capital C Retail has fewer long-term liabilities Y Shops has more share capital and reserves C Retail appears to be in a better financial position with better liquidity and fewer long-term liabilities. Yang has greater sales and more reserves, so the situation could reverse if Y Shop's is able to improve its profitability and leave the improved profits in the business.	<b>6</b>	<b>Level 2 (4–6 marks)</b> Has discussed the statement and evaluated the financial position of both shops.  <b>Level 1 (1–3 marks)</b> Has commented on the statement Note: No marks for simply restating figures given in Fig. 2.

Question	Answer	Marks	Guidance
3(c)	<p><b>Both businesses own and manage a number of retail shops. Describe <u>two</u> advantages of retailing on a large scale.</b></p> <p>Any economics of scale (1), such as:            Can buy in bulk from manufacturers (1) and take advantage of discounts (1)            Can afford specialist employees (1) such as buyers/accountants (1)            Due to bulk buying may charge less to their customers (1) to increase sales/turnover (1)            Easier for larger companies to raise capital (1) as banks more willing to lend (1)</p>	4	Up to 2 marks for each advantage described.
3(d)	<p><b>Y Shops Ltd and C Retail Ltd have shops in many towns where there are also small independent retailers. Describe <u>two</u> actions a single shop retailer can take to survive this competition.</b></p> <p>Offer a more personal service (1) they will know regular customers and their preferences (1)            May relocate to busier streets/shopping centres (1) where there is increased footfall (1)            Operate flexible hours (1) e.g. late night opening (1)            May offer special services (1) such as informal credit/delivery/act as agent for services such as dry cleaning (1)            May buy from cash and carry warehouses (1) where there are lower prices (1)            They can join a voluntary buying chain (1) enabling them to gain the price advantages from buying in bulk (1)            Develop online selling/website (1) increasing market (1)            Develop specialities (1) to cater for a niche market (1)            Sales promotion/advertising to persuade customers (1)</p>	4	1 mark for each action given up to a maximum of two actions, plus 1 mark given for a description of each action.

Question	Answer	Marks	Guidance
4(a)	<b>Define exports.</b>  Goods/services sold to other countries	<b>1</b>	
4(b)(i)	<b>List <u>three</u> difficulties likely to be faced by H Ltd when exporting its components.</b>  Distance/communication problems Language Different legal systems Currency Culture/different customs Weights/measures Non-payment/bad debts Political changes Exchange controls/tariffs/quotas Cost of transport Increased paperwork/documentation	<b>3</b>	1 mark for each difficulty listed.
4(b)(ii)	<b>Name <u>two</u> transport documents that H Ltd will have to use when exporting its components.</b>  Bill of lading Air waybill Certificate of origin Charter party Consular invoice Certificate of insurance Shipping note Mate's receipt	<b>2</b>	1 mark for each document named.

Question	Answer	Marks	Guidance
4(b)(iii)	<p><b>Explain <u>two</u> methods of payment that H Ltd might accept from its export customers.</b></p> <p>Letters of credit/documentary credits (1) letters of undertaking to guarantee payment (1)            Electronic transfer (1) speedy computerised transfer of funds (1)            Bill of exchange (1) unconditional order signed by the person owed the money (1)            Credit card (1) relatively fast method of payment usually for smaller amounts (1)            Debit card (1) instant payment for goods (1)            International bank draft (1) cheque drawn on bank (1)</p>	4	1 mark for each method up to 2 methods, plus 1 mark for explanation of each method.
4(c)	<p><b>Explain <u>two</u> reasons why it is important for H Ltd to have rapid and accurate methods of communication with its overseas customers.</b></p> <p>Transport services have speeded up (1) so fast, accurate communication is needed to arrange for the transport services that deliver the product to their export customers (1)            Customers can check prices and product information on the internet (1) and then order products on the internet or email (1)            Queries and complaints can be quickly answered (1) by telephone/email (1)</p>	4	Up to two marks for each reason to a maximum of two reasons
4(d)	<p><b>Most of H Ltd's communication is verbal (oral). Discuss whether or not there are situations where written communication might be more suitable.</b></p> <p>Clarification of points following a discussion            Feedback can be immediate via email            It is often essential to have a record of an important point being made, e.g. disciplinary proceedings.            It is difficult to give complex instructions solely by oral communication            A measured response is difficult when communication is oral            There is less chance of misunderstanding when written methods used            Protection against fraud            Written evidence is needed as proof – for shareholders, tax, contracts</p>	6	<p><b>Level 2 (4–6 marks)</b> Has discussed whether or not written communication is, or is not, more suitable in commercial situations than oral communication, and has given a reasoned opinion.</p> <p><b>Level 1 (1–3 marks)</b> Has commented on written communication with/without an opinion.</p>

Question	Answer	Marks	Guidance
5(a)(i)	<b>What is meant by <i>saleable quality</i>?</b>  Goods should be as described / fit for purpose / work properly.	1	
5(a)(ii)	<b>A customer has returned an expensive vase because it is cracked. State <u>four</u> actions T Ltd should now take.</b>  Examine the vase Check the receipt/ask for proof Listen to the complaint Apologise Record the complaint Offer a replacement Offer a refund/credit note Refer back to manufacturer	4	1 mark for each action, maximum 4 actions.
5(b)	<b>T Ltd belong to a trade association that has a Code of Practice. How will a Code of Practice help a consumer?</b>  Set of rules / standards Facility for making complaint Members must meet certain standards Members must comply with investigative outcomes Pay fines / provide compensation if complaint upheld	2	Up to 2 marks for one point.
5(c)	<b>T Ltd wants to insure itself against a fall in profits. Would T Ltd will be able to obtain this insurance? Give reasons for your answer.</b>  No (1) it is a non-insurable risk (1)  Cannot be calculated May be caused by owners/bad management No past records Probability cannot be assessed Premium cannot be set	4	Up to a further 2 marks for valid reasons.

Question	Answer	Marks	Guidance
5(d)(i)	<p><b>T Ltd operates in a country that is part of a trading bloc. Explain what a trading bloc is and give an example.</b></p> <p>A trading bloc is a group of countries (1) who have entered into a free trade agreement/agree on free trade (1) such that no duty is paid on trade between them (1) they also agree on a common external tariff to non-member countries (1) e.g. EU/ASEAN (1)</p>	3	Up to 2 marks for the explanation. 1 mark for the example.
5(d)(ii)	<p><b>T Ltd trades with some countries that do not belong to a trading bloc. Discuss whether or not T Ltd should continue to export to these countries. Give reasons for your answer.</b></p> <p>If duties/tariffs are imposed goods become more expensive so sales may fall due to higher price            Could still be a market at higher price            May have to continue to sell to them if no other market available            Restrictions may be short term so wait for better times            If quotas are imposed then do T Ltd have a large enough quota to make exporting worthwhile            Is the demand in the export country still sufficiently high to make it worthwhile            T Ltd would have to ascertain demand at price with tariffs and/or look for other markets</p>	6	<p><b>Level 2 (4–6 marks)</b> Has discussed whether or not T Ltd should continue to export to these countries and given reasoning (if a candidate has presented a one-sided argument on home trade, award 4 marks max.).</p> <p><b>Level 1 (1–3 marks)</b> Has commented on the statement.</p>

Question	Answer	Marks	Guidance
6(a)(i)	<p><b>State <u>three</u> functions of a warehouse.</b></p> <p>Storage for raw materials/components/goods            To prevent goods from deteriorating            To prevent goods being damaged            To protect goods from theft/weather            To store goods ahead of demand            To provide a place for packaging/sorting/bulk breaking            To provide a place for collection/distribution            To offer special facilities e.g. cold storage or bonded warehouses            To store seasonal goods</p>	3	1 mark for each function
6(a)(ii)	<p><b>Explain <u>two</u> advantages of having two warehouses that are 250 km apart.</b></p> <p>They could act like regional distribution centres (1) supply local retailers (1)            The two warehouses will help to minimise transport costs (1) since local deliveries can be carried out by smaller trucks/vans (1)            The two warehouses can be stocked by larger trucks/or by rail (1) whichever is more convenient/cheaper (1)            The stock kept at each warehouse can be geared to the needs of the local market (1) and the needs of consumers (1)            If one warehouse is lacking in supply (1) the other warehouse can cover it (1)</p>	4	Up to 2 marks for each advantage explained to a maximum of two advantages
6(b)(i)	<p><b>Explain why bonded warehouses are used when importing some goods.</b></p> <p>A bonded warehouse is a warehouse where goods that are subject to import/customs duties are stored (1) before the duty is paid (1)            The importer can store his goods in the bonded warehouse until he has a customer for them (1) This will help his cash flow (1) since he/she does not pay the import duty until the goods are sold (1)            The importer can also import in bulk (1) and then grade/blend/package the goods (1)            The goods may also be re-exported (1) from the bonded warehouse without the duty ever being paid (1) this is known as entrepôt trade (1)</p>	4	Up to 4 marks for explaining why they are used

Question	Answer	Marks	Guidance
6(b)(ii)	<p><b>State <u>two</u> services offered at an airport for handling goods.</b></p> <p>security lifting gear transport/vans trolleys customs inspection outside storage areas/warehousing bonded warehouses</p>	2	
6(c)(i)	<p><b>In which sector is the railway system of this country?</b></p> <p>Public sector</p>	1	
6(c)(ii)	<p><b>Discuss whether or not J Ltd should consider using the rail network to deliver some of its products. Give reasons for your opinion.</b></p> <p>It may be able to carry high volume bulk goods for long distances Need for trans-shipment/distribution Problems of damage/theft What happens to the 6 trucks What is its network range Easy movement between warehouses and airport Likely to stay as they but may use rail for one-off/long distance bulk When is the modernization to happen</p>	6	<p><b>Level 2 (4–6 marks)</b> Has discussed whether or not J Ltd should consider using the rail network to deliver some of its products and has given a reasoned opinion (if a candidate has presented a one-sided argument, award 4 marks max.).</p> <p><b>Level 1 (1–3 marks)</b> Has commented on J Ltd using the rail network with/without an opinion</p>

Question	Answer	Marks	Guidance
7(a)(i)	<p><b>X Ltd is a private limited company operating a chain of fifty bookshops throughout a country. The shareholders of X Ltd have limited liability. Explain what is meant by <i>limited liability</i>.</b></p> <p>The owners are responsible for losses/debts (1) limited to the amount invested (1) if they fail to pay their debts (1) no personal possessions/assets can be taken (1) if the business goes into liquidation (1)</p>	3	
7(a)(ii)	<p><b>Explain <u>two other</u> features, apart from limited liability, of a private limited company.</b></p> <p>Separate legal entity (1) legally a separate being (1)  Owned (1) by shareholders (1)  Minimum of 2 shareholders (1) no maximum (1)  Controlled/run (1) by directors (1)  No minimum share capital required (1) to start a company (1)  Often a family business (1) been in the same family for generations (1)  Regulated by Companies Acts (1) must register with the Registrar of Companies (1)  Continuity of existence (1) can be passed down to others/does not end on death (1)  Shares not transferrable (1) without consent of other shareholders (1)  Accounts must be published (1) and available on request (1)  Needs to apply for a trading certificate (1) before it can begin trading (1)  Need for an AGM (1) required by law (1)</p>	4	1 mark for each method up to two methods plus 1 mark for explanation of each method
7(b)(i)	<p><b>State <u>two</u> reasons why advertising is necessary for X Ltd.</b></p> <p>To inform the public about the availability of books  To persuade customers to buy books/increase sales  To remind customers of existing stock  To maintain competitive edge/market share  To inform people about changes in range of stock/opening hours/job vacancies</p>	2	

Question	Answer	Marks	Guidance
7(b)(ii)	<p><b>Several of X Ltd’s shops are in towns with universities. Recommend the <u>two most</u> suitable types of advertising media to attract students into its shops. Give reasons for your recommendations.</b></p> <p>Television (1) reaches a wide audience (1) but is very expensive and would be difficult to aim specifically at students.            Radio (1) can target students/reaches a wide audience/cheaper than television (1)            Cinema (1) could be aimed more specifically at students (1)            Newspapers (1) are cheap (1)            Student magazines (1) would be an ideal way to advertise as there are many aimed at the correct age-group/would be cheap (1)            Leaflets (1) would again be ideal as they are cheap/easy to target students in halls of residence or on campus (1)            Posters (1) on university sites may also be successful if they are bright and informative (1)            Shop window (1) on campus (1)            Computer/Smartphone (1) text/email/apps as students use social media (1)            Facebook/Twitter (1) as students use social media (1)</p>	<b>4</b>	1 mark for each advertising type plus 1 mark for each reason
7(b)(iii)	<p><b>Name <u>one</u> advertising device that X Ltd could use.</b></p> <p>Status            Colour            Ambition            Wealth            Music            Romance            Social acceptance            Love of a bargain            Hero worship            Humour</p>	<b>1</b>	

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7(c)	<p><b>The business is facing increased competition from online bookshops. Discuss the ways X Ltd can compete with the online bookshops. Recommend a suitable course of action.</b></p> <p>X Ltd could open their own online operation in order to compete with the online bookshops. However they will also be competing with their own chain of retail stores            One advantage of buying from a retail store is that the book can be examined before the final purchase decision is made            Personal service can be offered by X Ltd and it is essential that their staff is well-trained, knowledgeable and friendly. Online stores cannot compete in the personal service area            Delivery is always a problem for online stores and again X Ltd can offer instant delivery if the required book is in stock            Attractive displays in the shop will be essential so that potential customers can browse. This is particularly important at gift-giving seasons when customers have not got pre-conceived ideas of the books they want to purchase            Could introduce a loyalty points scheme and/or a coffee shop            Bookshops should try to attract customers to enter their premises by opening coffee shops, and making the whole environment of the shop a friendly place            The best ways would probably be to emphasise personal service and make sure that the bookshop is an attractive environment.</p>	<b>6</b>	<p><b>Level 2 (4–6 marks)</b> Has discussed ways in which X Ltd can compete with online bookshops and given a reasoned recommendation.</p> <p><b>Level 1 (1–3 marks)</b> Has commented on the way(s) of competing with/without a recommendation.</p>

Question	Answer	Marks	Guidance
8(a)(i)	<p><b>What is meant by <i>public liability insurance</i>?</b></p> <p>This is insurance taken out by a business that covers claims made by the public due to the negligence of the business/example such as a customer falling on a slippery floor (1)</p>	1	
8(a)(ii)	<p><b>Tom has been advised to insure his business premises against the risk of fire. Explain how an insurance company uses <i>pooling of risks</i> when issuing fire insurance policies.</b></p> <p>The pooling of risk means that the fortunate, who do not have to make claims for compensation/not everybody suffers loss (1) help the unfortunate who do have to make claims (1)</p> <p>The premiums paid by Tom (1) will be combined with premiums paid by other businesses (1) for similar fire risks (1)</p> <p>The premiums are combined into a common fund or pool (1) from where the claims for those who have had a fire are paid out/compensation is given (1)</p> <p>Administrative costs for the insurance company should also be paid from this pool (1) with the remaining money left in the pool being the profit of the insurance company (1)</p>	4	Up to 4 marks for explanation
8(b)(i)	<p><b>Explain <u>two</u> advantages to Tom of opening a current account.</b></p> <p>Current account means Tom could make deposits (1) of cash/cheques into his account (1)</p> <p>He could withdraw without notice (1) cash/write cheques on his account (1)</p> <p>He will receive regular bank statements (1) about his monthly transactions (1)</p> <p>He can also make payments (1) such as standing orders/direct debits/credit transfer from his account (1)</p> <p>He may be able to arrange an overdraft on his account (1) to pay bills/buy stock (1)</p> <p>It gives access to other banking services (1) such as ATMs (1)</p>	4	2 marks for each advantage explained

Question	Answer	Marks	Guidance
8(b)(ii)	<p><b>State <u>two</u> purposes of a bank statement.</b></p> <p>To see details of transactions or example            To check for errors/bank reconciliation            Know current financial situation/see if overdrawn/shows balance            Shows bank charges</p>	<b>2</b>	1 mark for each purpose
8(c)	<p><b>Should Tom accept credit cards as a method of payment from customers? Give reasons for your answer.</b></p> <p>Yes:            Payment is guaranteed (1) so no bad debts (1)            Sales should increase (1) as customers can use credit cards when they have no cash (1)            Chip and pin procedures have led to the automatic decline of bad cards (1) leading to greater security (1)            No cash on premises (1) reduces theft (1)</p> <p><b>OR</b></p> <p>No:            Tom will have to pay a commission (1) a percentage of each transaction (1) to the credit card company (1)            Needs to have necessary equipment (1) to process card payments (1)            Usually a delay in receiving payment from credit card company (1) so could cause cash flow problems (1)            Credit card fraud (1) bad debts (1)</p>	<b>3</b>	Note: 0 marks for just stating Yes or No, but candidates can combine Yes or No reasons to achieve 3 marks,

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Question	Answer	Marks	Guidance
8(d)	<p><b>Tom considered buying a franchise from a multinational car rental company. Discuss whether or not he was right to open his own independent business instead of a franchise. Justify your opinion.</b></p> <p>A franchise is an agreement where a business (the franchisor) sells rights to other businesses (the franchisees) allowing them to sell products or services, developed by the franchisor, and use the company name.</p> <p>A conclusion will be based on analysis of possible points including:</p> <ul style="list-style-type: none"> <li>Some loss of control</li> <li>An initial payment to the franchisor and usually a continual payment based on turnover</li> <li>The franchise cannot be sold without the agreement of the franchisor</li> <li>Not able to use his own sources of supply</li> <li>The name will already be well-known and a market established</li> <li>Expert assistance from the franchisor</li> <li>Reduces the risk of failure</li> <li>Franchisor may pay for some advertising</li> <li>Benefits from economies of scale associated with being part of a large organization</li> </ul>	<b>6</b>	<p><b>Level 2 (4–6 marks)</b> Has discussed whether or not Tom was right to open up his own independent business instead of a franchise and has given a reasoned opinion (if a candidate has presented a one-sided argument, award 4 marks max.).</p> <p><b>Level 1 (1–3 marks)</b> Has made some comments on own independent business and/or franchises with/without an opinion.</p>