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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| | | Cambridge O Level – October/November 2014 | 7101 | 11 |
| | | SECTION A | | |
| (a | i) T | rade in goods/services or import/exports (1) between countries (1) | | [2 |
| (b | C I C E T C E F I | 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 tourin increases standard of living (1) wider choice of goods (1) e.g. electronic Obtaining goods/services not available (1) due to climate or lack of raw e.g. Japan imports Coffee (1) To dispose of surplus production (1) to earn income (1) and boost expo Comparative advantage (1) where countries specialise in what they are e.g. India specialises in tea production (1) Friendship/political reasons (1) less likely to be at war (1) e.g. Brunei ar Maintains balance of payments (1) avoids deficit (1) example of increases ncreases government revenue (1) through customs duties (1) example Mational income will increase (1) the economy will grow/economy impro- Any 2×3 marks or 3 | c goods (1) materials (1) best suited nd Indonesia sing exports (1) oves (1) exa | (1) a (1) (1) |
| (c | , F E E E E E | 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 in Controlling bonded warehouses (1) for dutiable goods (1) Any $2 \times (1 + 1)$ marks | , | [4 |
| (d | I) (| 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) | | [2 |
| | (i | i) To serve as a guarantee for payment of goods (1) by the importer's exporter (1) The exporter must produce documents (1) such as the bill of lading prove that the goods have been despatched (1) and the letter of cripayment (1). The bank will be repaid by the importer's bank (1) while payment from the importer (1). Any 2×1 marks | g (1) to his b edit and rec | ank to eive |

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| (| (iii) | An order is sent from the buyer to seller (1) buyer (1) An order is a request for goods to be suppli goods sold (1) An order does not include the total cost (1) due (1) | ed (1) whereas an invo | ice gives de | tails of |
| 2 (a) | Ma Un All | e owner (1) inaged/controlled by one person/own boss/ma limited liability (1) profits kept by owner (1) legal requirements to set up business (1) | akes all decisions (1) Any 2 \times 1 marks | | [2] |
| (b) | Va Ad Dis Sto Pre Ac Ris Co | eaking bulk (1) split bulk into small quantities riety of goods (1) so that retailers do not need vice (1) Knowledge of new products/fashion t splay (1) goods can be inspected at warehous orage of goods (1) in a warehouse (1) eparing goods for sale (1) e.g. blending/bottlir livery (1) to retailers' shops (1) ting as a reservoir (1) seasonal goods are kep sk bearing (1) can lose if demand/fashions ch nvenient location (1) close to retail premises ade discount offered (1) enabling retailers to r | d to visit individual man rends (1) se (1) ng/labelling (1) ot until required (1) ange (1) (1) | | I) [6] |
| (c) | It is Ca Sh Pa Los Pa Gro | vantages: s easy to set up (1) few legal regulations (1) pital is contributed by partners (1) should mea are skills (1) someone may be a specialist in rtners can cover for each other (1) e.g. in cas sses are shared (1) so less liability falling on o rtners can consult/share ideas (1) can lead to eater continuity compared to sole trader (1) a (1) | electrical work in a buil e of illness/holidays (1) one person (1) b better decisions made | ding partner (1) | ship (1) |
| | Un Nu Ca No pai De | advantages: limited liability (1) with each partner fully liable mber of partners likely to be restricted (1) wh n be disagreements between partners (1) wh t a legal entity/Liable for the actions of other p t of loss from a bad decision of a partner (1) cision making can be slower (1) as all partner ofits are shared (1) rather than being kept by | ich makes it difficult to i ich may lead to dispute partners (1) with each p rs have to be consulted | s/break-up (artner havin | (1) |

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| (c) | mir Mo acc Pro Da | gal formalities will be required to change to plc (1) such as registration nimum share capital (1) more expensive (1) complicated (1) re regulations/controls for plc (1) publication of accounts (1) competi- counts (1) pespectus/offer for sale of shares expensive (1) commission charges to nger of loss of control (1) because of takeover (1) if another business ares (1) Any 2×2 marks | tors can se to banks (1) | 9 |
| 3 (a) | (i) | To attract new customers/business/increase sales (1) | | [1] |
| | (ii) | $\pounds480 - 20\%$ (1) = $\pounds96$ (1). 384 divided by 24 (1) = $\pounds16$ (1) OR 20% of $\pounds480$ (1) = 96 (1). 480 divided by 96 (1) = $\pounds16$ (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) | Ca Ca Re Fle Ca | de coverage (1) national audience is possible (1) n give detailed information (1) e.g. technical details of a computer (1 n be cut out (1) and kept for future reference (1) asonable cost (1) compared to television (1) xible (1) can be run as long as the advertiser wants (1) size of adver n target particular audiences (1) e.g. sports equipment in sports sect ng life-span (1) can be passed on to other people (1) Any 2×2 marks | tisement (1 |) [4] |
| (c) | (i) | Any suitable example e.g. new mobile phone (1) that appeals to yo people (1) can attract attention with colour/moving/changing sound | | king [2] |
| | (ii) | Any suitable example e.g. computing products (1) that appeals to reparticular trade or interest of (1) can target these customers (1) give information (1) | | |
| (d) | loa Loa aco | ed interest (1) whereas interest on overdraft is variable (1) and likely n (1) an available to anyone who meets requirements (1) whereas with ove count is needed (1) usually overdraft only for short-term (1) reed regular instalments (1) that can be planned for (1) but overdraft | erdraft a ba | nk current |

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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| (a) | Tannoy/announcements at matches (1)TV/radio interviews (1)Telephone/mobile phone conversations (1)Team meetings/face to face (1)Any 2×1 marks | | [2 |
| (b) | To confirm details (1) and clarify points (1) To maintain records (1) for tax purposes (1) | | |
| | To provide written proof/evidence (1) can be used in legal dispute (1) Reduces disagreements (1) over information in the future (1) Any 2×1 marks | | [2 |
| (c) | Email is instantaneous/quick (1) as soon as you click the send button reply by clicking on reply (1) no need for use of name and address (1 Messages can be stored (1) until they are needed/no filing necessary to (1) no need to look through many documents (1) and can be read paper (1). Use of printout (1) can be kept as a hard copy (1) cheaper than send One message send (1) to a large number of people at once (1) saves the world (1) 24/7 (1) no need for time differences (1) Use of attachments (1) no need to staple documents (1) with ability to Any 6×1 marks |) (1) easier to and deleted (1 ing by post/let s time (1) and | refer bac I) saving tter (1) all over |
| (d) | Saves travelling time to meetings (1) particularly over long distances travel delays are avoided (1) Cuts down on costs (1) room for meetings (1) accommodation (1) Face-to-face communication possible (1) can see reactions/body lang Documents etc. close up (1) compared to telephone (1) Any 2×2 marks | ., | |

(e) Aids understanding (1) so that message is not too long (1) and essential information is present (1) In order for customers to return (1)

To keep the business running smoothly (1) everyone is informed (1) and knows exactly what is going on (1)

Gives the business a positive public image (1) by eliminating errors (1) managing problems (1) and dealing efficiently with customers (1)

Brings buyers and sellers together (1) even if they are long distances apart (1) enlarges markets (1) with products being made on a large scale (1) resulting in lower costs (1) Enables contracts/documents (1) to be speedily written (1) and transmitted (1) Enables information to be obtained (1) especially up-to-date data (1) and transfer ideas (1) Allows businesses to make contact with suppliers (1) to discuss business matters (1) to make orders for goods (1)

Increases productivity of staff (1) employees can work while travelling (1) use of mobile phones/laptops (1) more efficient use of time (1) Any 6×1 marks [6]

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| | Cambridge O Level – October/November 2014 | 7101 | 11 |
| (a) | A range of shops or two examples (1) Large building/area (1) Several floors (1) Lifts/escalators (1) Information desks/customer service (1) Food courts/restaurants (1) Play areas/rest rooms (1) Cinema/bowling alley (1) Car parking (1) Security guards (1) Cash dispensers (1) Petrol station (1) Air conditioning (1) | | |
| | Location point (1) Any 4×1 marks | | [4 |
| (b) |) They offer the 'total' shopping experience (1) visitors can combine shopping with leisure for example, go to the cinema/bowling (1) have a meal afterwards (1) with friends/family with no need to use cash (1) as debit/credit cards widely accepted (1) Increased car ownership (1) making it difficult to park in some urban areas (1) easier to p in a shopping centre – where there are many car spaces available – and car parking is free (1) Can obtain all goods under one roof (1) as a wide range of goods/shops available (1) wit expectation of quality goods (1) as countries' population standard of living improves (1) to choose from in pleasant/well designed surroundings (1) Any 6 × 1 marks | | amily (1) er to park ig is (1) with |
| (c) | Loss of business (1) leading to less sales/profits (1) and possible closu Increased competition (1) from cheaper prices (1) wider range of good Town centres have empty shops (1) with run-down appearance (1) and premises (1) Might relocate to the shopping centre (1) leading to location costs (1) Might have to offer different goods/services (1) so as to compete with s retailers (1) Any $2 \times (1 + 1)$ marks | s (1) d vandalised shopping cer | |
| (d) | Increase advertising (1) leaflets through letter boxes (1) Offer other goods and services (1) not supplied through multiple chains credit (1) Introduce self-service (1) to reduce costs (1) of wages (1) Make some special offers (1) e.g. free delivery to old age pensioners (Join a voluntary chain (1) to obtain discounts for bulk purchases (1) in | 1) | |

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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 p | 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] |
| | it d To To | provide financial protection/reduce financial losses (1) against risks oes not go out of business (1) provide compensation (1) against losses (1) build business confidence (1) so there is less fear of the future/piece e to spread risk (1) among many people (1) Any 2 × 2 marks | · | . , |
| | (d) (i) | Storing large stocks of goods (1) by buying say agricultural product could use cold storage warehouse (1) and releasing it gradually ov wholesaler can reduce the wider price fluctuations (1) as you would low when being harvested (1) and high prices at other times of the Any 3×1 marks | er the year (d expect pric | (1) the |
| | (ii) | Helps in minimising the effects of seasonal production (1) goods the only certain times of year (1) e.g. apples (1) can be stored and releader (1) enabling everyone to have these goods throughout the year shortages (1) Any 3×1 marks | ased throug | hout the |
| 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] |
| | aco | e need for transhipment (1) as trains run only to railway stations/trac cess places without a rail system (1) so there is a need for goods to r stomer (1) Any 3 × 1 marks | • • | |

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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

(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]