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**COMMERCIAL STUDIES**

**7101/11**

Paper 1 Elements of Commerce

**October/November 2016**

MARK SCHEME

Maximum Mark: 100

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**Published**

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### Section A

#### Accept any other relevant answer

- 1 (a) (i) Distribution is the movement of goods/services (1) from the producer/manufacture (1) through a distribution channel (1) up to the final consumer (1) and the movement of payment (1) back to the producer/manufacture/supplier (1)
- Any 2 × 1 marks [2]
- (ii) Exchange is where buyers and sellers (1) negotiate prices (1) and trade goods/services (1) and money between each other (1) to gain profit (1) allow example, such as the Stock Exchange (1)
- Any 2 × 1 marks [2]
- (b) Home trade is buying/selling within a country (1) international trade is buying/selling between countries (1)  
Home trade has wholesalers/retailers (1) international trade has importers/exporters (1)  
Home trade has no customs duties/quotas (1) international trade has customs/quotas (1)  
Home trade the same weights/units of length/voltage are used (1)  
International trade uses different units of weight/measures (1)  
Home trade uses the same currency or example such as £ (1) whereas international trade countries use different currencies or example such as the dollar  
Home trade has same means of payment or example cheques (1) whereas international trade different means of payment are used or example such as documentary credits (1)  
More complicated documents in international trade than in home trade (1)  
Different forms of transport used or road/rail in home trade (1) air/sea in international trade (1)  
Differences in language as in home trade the same language is used or example such as English (1) whereas in international trade different languages will be used or example (1)
- Any 2 marks for each difference × 2 [4]
- (c) Transport moves products to markets all over the world (1) such as getting raw materials to other countries (1) distributing finished goods to consumers in other countries (1) allowing a wider market to be reached (1) to where they are required by air and sea (1)  
Transport adds value to the goods by distribution (1) for example, goods in a warehouse in the UK are of limited value if they are wanted overseas (1) so, by being moved, they can be sold or used abroad (1)  
Transport enables people in other countries to have a greater variety of goods (1) which would have not been possible without transport distribution (1) allow an example (1) and increase their standard of living (1)

1 mark per point plus 5 marks for development [6]

Note: Maximum of three marks if no clear references to international context

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- (d) (i) Faster communication (1) almost instantaneous (1) whereas post can take days to arrive (1)  
 Direct contact (1) immediate discussion possible (1) whereas post is impersonal (1)  
 Often cheaper (1) for example, a short phone call (1) compared to the cost of postage stamps (1)  
 More efficient/reliable (1) less likely to get lost in post (1)

Any 2 × 2 (1+1) marks for each advantage [4]

Note: Maximum of two marks if post is not mentioned

- (ii) Large volume documents (1) such as examination scripts (1)  
 Legal documents (1) to be used as evidence (1)  
 Need for original signatures (1) on contracts (1)  
 Transfer of physical objects (1) example such as gifts (1)  
 Need for samples (1) allow example (1)  
 Cheques/postal orders payments (1) where the distance is far apart (1)  
 Catalogues (1) including the order form to be returned by post (1)

Any 1 × 2 (1+1) marks for each way [2]

- 2 (a) Hypermarkets are large shops (1) in a low cost building (1) on a large site (1) with car parking (1) on the edge of towns (1) selling a large variety of goods (1) accept credit/debit cards (1) have long opening hours (1) and facilities such as restaurants (1) and toilets (1)

Any 4 × 1 marks [4]

- (b) (i) Bar codes are sets of black parallel lines (1) with numbers (1) giving information about the goods (1) such as price (1) and name of brand (1).  
 They are read by a scanner at the checkout (1) which transmits the information to a computer (1). This saves the cashier having to key in individual items (1) and speeds up the payment process (1) so customers will not be annoyed standing in queues (1)

Any 3 × 1 marks [3]

- (ii) Branded goods enable the customer to serve themselves (1) as the brand name is easily recognised (1) as it stands out from other similar goods (1).  
 There is no need for the customer to inspect the goods (1) as they know they are of a certain quality before buying them (1) as they become 'brand conscious' towards certain branded goods (1) allow example such as Heinz (1)

Any 4 × 1 marks [4]

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- (c) It can be more convenient to buy goods from home (1) rather than visiting shops where there is the extra cost of transport (1) and the extra time involved (1)  
 Shoppers can shop 24/7 (1) and buy goods from all over the world (1) taking advantage of cheaper goods/special online offers (1) by paying by credit card (1) therefore there is no need for cash (1)  
 Websites contain the full stock of that supplier's stock (1) rather than going into a shop and finding the good is not there (1) and there are thousands of websites to choose from (1) compared to the small number of shops in a village/town location (1)  
 Some of the early difficulties of online shopping have been overcome (1) with improved delivery services (1) and greater security of websites (1)

1 mark per point plus up to 5 marks for development [6]

- (d) Some goods need to be made for the individual (1) need to have individual requirements looked at (1) for example, suits (1)  
 Very expensive goods (1) could not be put on open display (1) for example, diamonds (1)  
 Help may be needed in choosing more technical goods (1) where there is a need for expert advice (1) for example, computers (1)  
 Some goods are too large to be displayed (1) and taken away (1) for example, garden sheds (1)  
 Might need advice (1) for a special occasion (1) for example, choosing flowers (1)  
 Use of phone to order (1) where discussion is needed to receive the best advice (1) for example, car insurance (1)

1 mark per way plus two marks (+1 explanation, +1 example) [3]

3 (a) (i) 2014 (1) [1]

(ii) 2012 (1) [1]

(iii) The balance of trade is the difference between visible exports (\$3500m) (1) and visible imports (\$4000m) (1) 2 × 1 marks [2]

- (b) Provides foreign currency (1) to pay for imports (1)  
 Creates jobs (1) to cut unemployment figures (1)  
 Increases standard of living (1) wider choice of goods (1)  
 Friendship/political reasons (1) example (1)  
 Maintains balance of payments (1) avoids deficit (1)  
 Increases government revenue (1) through customs duties (1)  
 National income will increase (1) the economy will grow (1)  
 Enables them to dispose of surpluses (1) to obtain goods they need (1)  
 Provides goods not produced in country (1) for example, tea (1)  
 Comparative advantage (1) a country may specialise/produce a good better in a country (1)

Any 6 × 1 marks [6]

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- (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)

Any 2 × 2 (1+1) marks for each point [4]

- (d) (i) Standard sizes (1)  
 Metal boxes (1)  
 Fitted with devices for easy handling (1)  
 Different types (1) such as refrigerated containers (1)  
 Containers have locks (1)  
 Can be used by all forms of transport (1)  
 Advertising (1)

Any 2 × 1 marks [2]

- (ii) Speeds up the transport of goods (1) because it is mechanised (1) the containers are unloaded without unpacking the contents (1) leading to a quicker turnaround (1) with no transshipment involved (1) and less customs formalities (1)  
 Protects/secures the goods (1) from damage (1) and less theft involved (1) because goods are in metal containers (1) which are locked (1)  
 Containers do not have to be warehoused (1) as the container acts as the warehouse with the containers being able to be packed on top of each other (1) saving dock/airport space (1)  
 A large variety of goods can be packed together (1) as containers come in different sizes (1) with bulk cargoes possible (1) in refrigerated containers (1)

1 mark per point plus up to 3 development marks [4]

- 4 (a) Storage (1) e.g. finished furniture/tools (1) timber (1) protecting it (1) from damage/theft/weather (1)  
 To help in stock-piling (1) act as a reservoir for production ahead of demand (1)  
 Place for processing to be carried out (1) packaging/branding/labelling (1)  
 Even out supply (1) so prices are kept stable (1)  
 Provide a place for buyers to inspect furniture (1) and order goods (1)  
 Enables production ahead of demand (1) somewhere to store furniture until required (1)  
 To meet unexpected demand (1) for example, garden furniture in a hot summer (1)

Any 4 × 1 marks [4]

- (b) Consequential loss will cover losses of profits (1) as a consequence of another type of risk (1) for example, such as fire causing loss of premises (1) it will allow the business to continue during temporary closure (1) and wages can continue to be paid (1) and payment of alternative premises (1)

Any 3 × 1 marks [3]

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- (c) Value of warehouse (1)  
Age of warehouse (1)  
Type of warehouse (1)  
Construction of warehouse (1)  
Contents of warehouse (1)  
Replacement cost of rebuilding (1)  
Area/districts where warehouse is (1)  
Statistics of warehouse fires in the area (1)  
Personal information of warehouse owners (1)  
Past record of warehouse owner/history of previous losses (1)  
Previous claims made (1)  
Level of fire protection/precautions (1)  
The extent of cover provided (1)  
Length of cover (1)  
Amount of cover required (1)  
Amount of excess (1)  
Insurance company used (1)

Any 4 × 1 marks [4]

- (d) Each company must have a direct/legal interest/own the warehouse (1) suffer the loss (1) it cannot insure something it does not own (1) not have any financial interest in the asset being insured (1) this makes the principle very important (1). If they did not, the company could simply profit from the loss (1) and might be tempted to cause the loss (1) and profit from something they were not affected by (1)

Any 3 × 1 marks [3]

- (e) Fire damage to the warehouse would mean loss of stock (1) and money would have to be found to rebuild the warehouse (1) which would involve capital/interest (1) and there may be large claims (1) from injuries/deaths of people in the warehouse (1) but by having insurance there is financial protection/reduce financial losses (1) so that it does not go out of business (1) with compensation (1) against losses (1) giving the owners business confidence (1) so there is less fear of the future/piece of mind (1) so it is very important to guard against as many risks as possible (1)

1 mark per point plus 5 marks for development [6]

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- 5 (a) Current account can be opened with a minimum amount (allow country example) (1)  
 whereas a deposit account can be opened with a £1/\$1 (1)  
 Recommendation needed to open a current account (1) but no recommendation needed for  
 a deposit account (1)  
 Current account holder is given a cheque book (1) whereas deposit account receives a  
 passbook (1)  
 No notice of withdrawal with a current account (1) but some deposit accounts need notice or  
 example, such as seven days (1)  
 Current accounts normally do not earn interest (1) but interest paid on deposit accounts (1)  
 Current accounts has to pay bank charges (1) but no bank charges paid on deposit account  
 (1)  
 Current account more suitable for a business/person with regular deposits and withdrawals  
 (1) whereas deposit account more suitable for those who have excess funds to save for the  
 future (1)

Any 2 × 2 (1+1) marks for each difference [4]

- (b) (i) Customer signs counterfoil/inputs pin (1)  
 Customer given copy of the bill (1)  
 Second copy kept by the retailer (1)  
 Third copy sent to credit card company (1)  
 Credit card company charges retailer commission on the sale (1)  
 Cardholder receives monthly statement (1)  
 Minimum repayment amount given (1)  
 Payment due date given (1)  
 If cardholder pays off whole amount, no interest is paid (1)  
 Interest is charged if the amount is not paid off in full (1)

Any 4 × 1 marks [4]

- (ii) Payment is guaranteed (1) no bad debts (1)  
 Instant payment (1) can use money straightaway (1) helping cash flow (1)

Any 1 × 2 (1+1) marks for each point [2]

- (c) Cheque (1) is an order to pay the person/payee named on the cheque (1) from the account  
 holder/drawee (1) by a signature on the cheque (1) through the bank/drawer (1). They are  
 written on special cheque forms (1) and can be crossed (1) or open cheques (1)  
 Standing order (1) are orders to a bank (1) to pay a regular fixed sum (1) at regular times (1)  
 e.g. mortgage repayment (1) using a standing order form/mandate (1)  
 Direct debit (1) are used to pay irregular (can be regular) amounts of bills at irregular (can be  
 regular) times (1) e.g. telephone bills (1) using a direct debit form/mandate (1) to allow a  
 creditor/third party collect payment (1)  
 Credit transfer (bank giro) (1) where the bank is instructed (1) to pay funds directly into the  
 bank account of the payee/from one account to another account (1) as a single payment (1)  
 or as a multiple payment (1) using one cheque (1) and completing a credit transfer/bank giro  
 form (1) e.g. salaries (1)  
 Cash (1) is legal tender (1) generally acceptable (1) can be of any amount (1) in notes (1)  
 and coins (1)

Any 2 × 3 (1+2) marks for each payment service [6]

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- (d) How much do you want to borrow?  
 What is the purpose of the loan?  
 What collateral security can you provide?  
 When do you expect to pay back the money?  
 What other commitments do you have?  
 How successful has your business been?  
 What profits do you expect to make?  
 How do you intend to develop the business?  
 How long do you want to borrow the money for?

Any 4 × 1 marks [4]

- 6 (a) (i) Beller Freezers Ltd (1) [1]  
 (ii) 19 October, 2016 (1) [1]  
 (iii) Letter of enquiry/quotation/price list/catalogue/order/advice note/delivery note (1)

Any 2 × 1 marks [2]

- (b) (i) E & OE stands for Errors and Omissions Excepted (1) which means that the seller has the right to correct any mistakes on the invoice or add any information to the invoice (1)

2 × 1 marks [2]

- (ii) It refers to cash discount (1) and is given to customers to encourage them to pay promptly (1) as they will receive 5% discount (1) if they pay within 7 days/3% discount if they pay within one month (1)

Any 3 × 1 marks [3]

- (c) Paying bills (1)  
 Controlling the amount of trade credit given to customers (1)  
 Chasing bad debts (1)  
 Paying wages/salaries (1)  
 Dealing with expense claim forms (1)  
 Keeping tax records (1)  
 Auditing (1)  
 Preparing the annual accounts (1)

Any 2 × 1 marks [2]

- (d) (i) Ltd stands for limited (1) [1]  
 (ii) The responsibility for losses is limited to the amount invested (1) and no personal possessions can be taken (1) 2 × 1 marks [2]

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- (e) Breaking bulk (1) split bulk into small quantities (1)  
 Variety of goods (1) so that retailers do not need to visit individual manufacturers (1)  
 Advice (1) Knowledge of new products/fashion trends (1)  
 Display (1) goods can be inspected at warehouse (1)  
 Storage of goods (1) in a warehouse (1)  
 Preparing goods for sale (1) e.g. blending/bottling/labelling (1)  
 Delivery (1) to retailers' shops (1)  
 Acting as a reservoir (1) seasonal goods are kept until required (1)  
 Risk bearing (1) can lose if demand/fashions change (1)  
 Convenient location (1) close to retail premises (1)  
 Trade discount offered (1) enabling retailers to make a profit (1)

Any 3 × 2 (1+1) marks [6]

7 (a) (i) Newspapers (1) [1]

(ii) Posters/billboards/digital billboards/hoardings/neon lights/neon signs/transport (1)

Any 1 × 1 mark [1]

(iii)  $\$11.5 + \$27.9 (1) = 39.4\% (1)$  or two marks for the correct answer [2]

- (b) Magazine advertising is advertising in a trade journal/targeted at readers of the magazine/buy in a shop (1)  
 Mail advertising is the delivery of advertising material to recipients of post (1)

1 mark for each advertising media [2]

- (c) Target audience (1) the number of customers/kind of people the advertiser wishes to reach (1)  
 Cost (1) can the advertiser afford the cost of advertising (1)  
 Cost-effectiveness (1) are the advertisement's results going to justify the cost? (1)  
 Coverage (1) how many people in different countries do you need to reach? (1)  
 Nature of product/service (1) some products may need to be demonstrated or e.g. (1)  
 Need to develop brand loyalty (1) the need for consumers to be aware of brand names (1)  
 Need to use more than one advertising medium (1) to reinforce the message (1)  
 The competitor's use of online media (1) often companies follow what the competitor is doing (1)  
 The impact required (1) different products are better suited to particular media or e.g. (1)  
 Flexibility (1) can the advertising space be changed easily (1)  
 Laws/regulations of advertising (1) may restrict what can be shown or e.g. (1)  
 Timing (1) best to advertise in advance of season or e.g. (1)  
 Lifespan of advertisement (1) how long will the advertiser wish to use the same advertisement? (1)  
 Cultural issues (1) some advertising might be unsuitable on some media or e.g. (1)  
 Level of distraction for the targeted audience (1) noise levels (1)

Any 3 × (1 + 1) marks [6]

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- (d) Cinema advertising is dependent on the size of the audience (1) with the movie being shown seen by only a few people (1) and many people come in late to see the film and miss the advertisement (1) and may not target the right people (1)  
It is usually seen once only (1) so the advertisement is not reinforced (1) if the cinema goer does not go often to the cinema (1) and it is not interactive (1) so that there is no response from the audience (1) who will often be talking through the advertisement (1)

1 mark per point plus up to 3 marks for development [4]

- (e) To inform (1) about new products or details/allow example, such as new welfare services (1)  
To persuade (1) the public to buy/want their products (1)  
To increase sales of their products (1) leading to increased profits (1)  
To remind (1) the public that their product is still available (1)  
To combat advertising by other traders (1) which is reducing sales (1)  
To increase market share (1) the percentage of sales within a market (1)  
Establish a brand name (1) and develop brand loyalty (1)  
But advertising can add to the price of goods (1) increasing the costs of a business (1)  
It may lead to wasting resources (1) especially if it is not successful (1) which could have been used elsewhere in the business (1)

1 mark per point plus up to 3 development marks [4]

Note: Answers can either discuss a one-sided answer or both sides.