

# COMMERCE

Paper 7100/01  
Multiple Choice

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	<b>C</b>	21	<b>A</b>
2	<b>A</b>	22	<b>C</b>
3	<b>A</b>	23	<b>B</b>
4	<b>C</b>	24	<b>D</b>
5	<b>A</b>	25	<b>A</b>
6	<b>D</b>	26	<b>C</b>
7	<b>D</b>	27	<b>B</b>
8	<b>B</b>	28	<b>B</b>
9	<b>C</b>	29	<b>D</b>
10	<b>C</b>	30	<b>A</b>
11	<b>C</b>	31	<b>A</b>
12	<b>C</b>	32	<b>A</b>
13	<b>A</b>	33	<b>D</b>
14	<b>D</b>	34	<b>B</b>
15	<b>C</b>	35	<b>A</b>
16	<b>B</b>	36	<b>D</b>
17	<b>A</b>	37	<b>A</b>
18	<b>C</b>	38	<b>B</b>
19	<b>B</b>	39	<b>D</b>
20	<b>D</b>	40	<b>C</b>

This multiple choice paper consisted of forty 4-option items with some questions involving pictorial or diagrammatic data and some requiring candidates to undertake calculations.

The mean score was 22.758, with a standard deviation of 7.358. There were 5784 candidates. No candidate scored below 8 marks and no candidate achieved full marks. The standard of work overall was not quite as good as that achieved last year.

Candidates found the following questions relatively easy and most candidates answered them correctly: **Questions 6, 19, 26, 28, 34 and 39.**

Some of the items that included pictures, diagrams or data, such as **Questions 6, 13, 15, 22 and 39**, were accurately answered by more than half the candidates but other questions caused some difficulty. In **Question 18**, there seemed to be an element of guesswork, with both Options A and D attracting many responses. Option C was the correct answer. In **Question 32**, although Option A was the correct answer, a number of candidates chose each of the other options, again indicating an element of guesswork. In **Question 35**, more candidates chose Option C than the correct answer, Option A. Sites with low rents outside towns are not suitable sites for department stores.

Candidates found some questions particularly difficult with relatively few selecting correct answers. In **Question 23**, many candidates thought that roads (Option C) have lower operational costs than pipelines (Option B), the correct answer. In **Question 24**, Option B proved to be a positive distracter. Although containers reduce losses because of theft and damage, it is not impossible for goods to be lost, damaged or stolen whilst being transported in containers. Containerisation reduces warehousing costs because containers provide storage for goods. Therefore Option D was the correct answer.

There was evidence of guesswork in **Question 9**, with many candidates choosing Options A and D instead of Option C. The question related to consumers and wholesalers, not to services to manufacturers. In **Question 10** many candidates chose each of the four options, again indicating an element of guesswork. The work of forwarding agents such as DHL and UPS is not always understood by candidates and so this question caused some difficulty. The correct answer was C. The other options related to factors and brokers. In **Question 21**, more candidates chose Option B rather than Option A, the correct answer. Options C and D also attracted some responses. In **Question 33**, the majority of candidates chose the correct answer, Option D, but all other options attracted large numbers of responses. In **Question 38**, on sources of finance, there was again an element of guesswork, with all options attracting large numbers of responses. Cash flow problems such as an inability to pay daily bills may be helped by taking an overdraft, an example of short-term finance. Although trade credit is also a source of short-term finance, it is usually used to purchase goods and postpone payment until after they are sold. Shares are an example of long-term finance and hire purchase would be used to purchase specific capital items.

In several questions, many candidates chose one particular option rather than the correct option. In **Question 1**, many candidates chose Option A instead of Option C. Manufacturing would be the answer to Option A. In **Question 5**, some candidates did not deduct the 10% deposit and so chose Option B instead of Option A. In **Question 7**, candidates chose Option C instead of Option D. They may have missed the word 'deliberately' in Option C. In **Question 29**, the 'agreement' in Option A is not an insurance term. The correct answer was Option D. In **Question 36**, many candidates thought that the government owned a public limited company instead of Option D, the shareholders. In **Question 37**, Options C and D attracted many responses. A bank loan requires a formal agreement (Option A). The borrower does not require a current account and interest rates are usually fixed.



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Paper 7100/02

Written

## General comments

In Paper 2, candidates are required to answer four questions from a choice of eight. Most of the questions covered more than one topic from the syllabus.

Some candidates produced work of a very high standard and a few candidates achieved full marks. Some candidates wrote their answers as bullet points, which is not good practice when development of points is expected. The better candidates showed sound commercial knowledge and an ability to develop an answer in context. These candidates presented detailed answers and were able to make reasoned judgements in the context of the questions set. They often achieved full marks across a broad range of questions, including some of the Levels of Response questions. Weaker candidates omitted parts of the questions they had chosen and, in some instances, did not obey the rubric or did not answer the question set. They presented very brief answers, sometimes in the form of lists or numbered points, even when there was a high mark tariff to the question.

It was pleasing to note that there was greater knowledge and understanding of Internet retailing and Internet banking shown by the candidates of many Centres than in previous years.

Most questions were accessible to candidates. The structured questions contained some easy parts, for example, **Question 1 (a) (ii) and (c) (i), Question 2 (a), Question 3 (a) (i), (ii) and (iii), Question 4 (a), Question 5 (b), Question 6 (b), Question 7(d) and Question 8 (c)**. There were also subsections in each question that were much more testing, for example, **Question 1 (a) (i) and (c) (iii), Question 2 (c) (ii), Question 3 (c), Question 4 (b) and (c), Question 5 (d), Question 6 (a) and (c) (i), Question 7 (c) and (e), and Question 8 (b)**. Many of these carried a higher mark tariff than the easier questions.

Most of the candidates obeyed the command words in the questions. In questions offering only one mark, for example, **Questions 1 (a) (i), 3 (a) (i), (ii) and (iii) and 5 (b) (i)**, most candidates wrote short answers. In questions that required extended writing, many candidates wrote at length and tried to develop their answers.

Some parts of some questions were marked according to Levels of Response, for example, **Questions 1 (c) (iii), 2 (c) (ii), 4 (b), 5 (d), 6 (c) (i), 7 (c) and 8 (b)**. Candidates who wrote well-structured and developed answers with reasons for their opinions were able to gain the higher level marks. Candidates who presented lists or who wrote short statements as answers to these questions remained in Level 1. For this type of question, it is important first of all to study what is required in the question – a recommendation, an opinion or a choice with reasons – and then follow these requirements. It is also important to develop points – to say why something is important or why something is the best choice. Candidates should then achieve the higher level and so gain good marks.

Some candidates started questions and then crossed them out and attempted alternatives. Common mistakes were to write in abbreviated form or in brief notes or to answer all the questions on the paper instead of making a choice. Many answers were clearly presented with accurate use of English. It is important that candidates write clearly using a dark blue or a black pen.

## Comments on specific questions

### Question 1

- (a) In part (i), few candidates identified the correct answer – direct services. Most candidates gave the answer as tertiary production or commerce. Part (ii) was usually well answered, with many candidates scoring full marks and giving worthwhile examples to distinguish between a human need and a human want. A few candidates tried to use the terms given in the diagram to answer the question. They were able to score marks but wasted rather a lot of time on unnecessary material.
- (b) Most candidates could define primary and secondary production but they found it difficult to show why they were interdependent. Answers that were given credit included ‘without raw materials, secondary production could not take place’ and ‘without secondary production, it would not be worthwhile to produce any raw materials’. Few candidates made this link between secondary and primary industry. The use of an example, such as making furniture from timber or using fish from primary industry in the canning industry, helped many candidates to show that they had understood the question.
- (c) Trade was usually accurately defined as buying and selling for profit in part (i). Many candidates omitted the idea of profit. In part (ii), some candidates gave a list of the aids to trade, which did not answer the question. The question required comment on the purposes of aids to trade. Answers that gained credit included helping trade to function, providing finance for trade, providing storage for goods, offering financial protection against risk and moving goods to markets.

In part (iii), candidates were required to show how both home and international trade help to satisfy human needs and wants. Some candidates mentioned only international trade or only home trade. Many candidates could see the links between the satisfaction of human needs and wants and both kinds of trade. They gave worthwhile examples and commented on improving the standard of living, obtaining goods not produced in the home country and disposing of surpluses. Good candidates drew attention to the effects of specialisation in allowing trade to provide variety and product development with examples. They also pointed out that countries benefit from exports by earning foreign currency from exports to fund imports and that trade encourages employment and leads to incomes that allow needs and wants to be satisfied. Outstanding candidates were sceptical – wants are unlimited so will never be satisfied.

### Question 2

- (a) Candidates were expected to comment on location and goods. Instead, some commented on bulk buying, low prices and parking. Sometimes they answered parts (i) and (ii) together. The good answers showed that small-scale retailers were to be found anywhere, in villages and small settlements, and large-scale retailers were located in cities, in shopping centres and where there were large concentrations of population. Answers to part (ii) were sometimes repetitive. Candidates wrote that small-scale retailers have a limited range of goods and large-scale retailers have a wide range of goods. Better answers gave examples of the kinds of goods sold in each kind of shop and drew a distinction between the amounts of goods sold.
- (b) Many worthwhile answers were given to part (i), such as advertise more, introduce self-service, give credit, vary the opening hours or even close down. No marks were given for personal service and advice as it was felt that Mrs Habib would be doing this already. Many candidates thought that Mrs Habib should reduce her prices – not a sensible idea when she is struggling to survive. In part (ii), candidates were expected to explain one reason for the two marks offered. Many candidates offered two reasons but gained only one mark. Answers gaining credit included insufficient capital and the difficulties of borrowing, more costs at a time of increasing competition and emphasis on the competition from large-scale retailers and the need to concentrate her efforts on her existing shop.

- (c) Many candidates gave detailed answers to both parts but some offered suggestions rather than description. In part (i), some candidates wrote interesting answers about the use of computers to maintain stock levels, keep records and calculate profit but did not say how this would be done using a computer. Answers gaining marks mentioned the use of the Internet to advertise, online ordering with Internet catalogues, the use of security cameras to reduce shoplifting and electronic point of sale. In part (ii), the emphasis changed to the customer. Some candidates did not realise this and continued to comment on benefits to the large-scale retailer or a business, so gaining no marks. Others identified benefits, such as less time spent at the checkout, shopping online, computerised bills, tighter stock control so that customers were provided with what they wanted and the ability to price-check goods. Some candidates tried to show the drawbacks of computerisation, mentioning computer breakdown and the impersonality of large-scale retailers. This was more difficult to do but it gave a more balanced answer.

### Question 3

- (a) Parts (i), (ii) and (iii) were answered correctly by most candidates. In part (iv), candidates identified that the entry on 12 September was a payment of \$500 but often failed to gain the second mark for saying that Mr Brahmin had paid off the total amount owed from the previous month. Most candidates scored no marks for part (v). They undertook complicated calculations of interest but the answer was that no interest is paid because Mr Brahmin paid off all he owed before 17 October, the date on which payment had to be credited. Candidates need to understand that interest-free credit is given for a short period when using a credit card.
- (b) This question was well answered. Candidates gave two clear advantages of using a credit card, such as postponement of payment, saving carrying cash and useful when online shopping. They were also able to identify two reasons why using a credit card can be risky, such as the danger of fraud, overspending and high interest rates.
- (c) The topic of debit cards is still not clearly understood by many candidates and needs more attention. Some confused a debit card with a credit card. Others wrote about the debit card as if the trader was the customer. Answers that gained marks included instant payment, no bad debts, savings in time for counting cash and taking it to the bank, and less risk of theft as less cash is held on premises. Some candidates thought that acceptance of debit cards could lead to increased sales. This is probably unlikely as the amount spent using a debit card is dependent on the balance held in the bank current account to which it relates and this may be limited.
- (d) The standard of answers to this question on Internet banking was variable. Some candidates achieved six marks with ease. Others wrote about shopping on the Internet and the saving of time and showed that they did not understand the services offered by Internet banking. Good answers to part (i) mentioned access to the account 24/7, paying bills online, the ability to check balances in accounts and saving time visiting the bank. Good answers to part (ii) mentioned savings in staff costs because of fewer staff being required in bank branches, the ability to handle more customers in less time and the facility for marketing new bank services.

### Question 4

- (a) Candidates were usually able to identify an advantage, such as keeping all the profits, and a disadvantage of owning a business, such as difficulty of raising capital. They often did not develop their answers and explain the advantage or disadvantage for the additional mark. There was also some confusion between unlimited liability and limited liability.
- (b) Most candidates considered all three topics but they often did not develop their answers. Weaker answers were full of assumptions, for example that Vinjay Singh would have his own brand and he would also sell his bicycles in bulk. Some answers were stronger on one of the topics, usually after sales service, and some omitted one or more of the topics. It is likely that a small bicycle business would offer after sales service such as delivery or repairs as bicycles break down. It is likely that the business would stock well-known brands because the brand helps to advertise the bicycle and also identify the quality of the bicycle. Some candidates did not realise that Vinjay owns a small business and so it might not be financially viable to buy bicycles in bulk as he could be left with many unsold bicycles. Many answers mentioned the possibility of obtaining trade discount, which could then be passed on to customers in the form of lower prices. This was given credit. Other candidates thought that Vinjay was selling his bicycles in bulk.

- (c) Many interesting answers to this question were seen. Candidates commented on the need to sell safe bicycles, to describe the bicycles accurately, to make sure the correct price is charged, to include guarantees and warranties, to make refunds and the dangers of being sued by dissatisfied customers.
- (d) Many candidates were able to answer this question on the difficulties of exporting in the context of importing bicycles and often achieved full marks. They mentioned the difficulties of distance, cost of transport, need for the use of containers, problems of language and communication and the need to pay import duties. Some candidates presented developed answers, while others gave a list of problems. Both were acceptable for this question.

#### Question 5

- (a) Definitions of a franchise tended to concentrate on the roles of the franchisor and the franchisee. An example of a well-known franchise was accepted for marks. There was some confusion between the terms 'franchisor' (the company offering franchises) and the 'franchisee' (the person applying for the franchise). Royalty payments were sometimes confused with loyalty payments.
- (b) Many candidates answered part (i) correctly. Some candidates thought that the Franchise Manager was the franchisor. Most candidates scored the two easy marks for two services given in the data in Fig. 3 in part (ii). This question proved to be more demanding. Some candidates again confused the franchisor with the franchisee and so scored no marks. Others were unable to appreciate that an investment of \$30 000 was provided by each franchisee, so Cheeky Chooks Snack Bars could use this for its expansion programme. It would also save on costs, such as labour and management costs, because these would also be borne by the franchisee. Income would be provided by increased royalty payments by franchisees.
- (c) Some very well-developed answers were seen to this question. Many candidates considered both options and made a reasoned judgement, using the data provided in the question to good effect. Stronger candidates reasoned that Option 2 would be the better way to start a business as it was less risky but, if it proved to be successful, adopting Option 1 would then be the better way forward having gained some experience. Others mentioned only the data given in the advertisement.
- (d) Responses to this question were well reasoned. Some candidates justified the use of the Internet. Some candidates suggested that using the telephone was better. A few candidates suggested that using both means of communication, as they supplemented one another, was the best way to obtain more information about the advertisement.

#### Question 6

- (a) The concept of pooling of risk as a way of sharing risk was not clearly understood by many of the candidates choosing this question. Pooling of risk means that the fortunate help the unfortunate by paying premiums into a central pool of funds, from which the unfortunate making claims are able to receive compensation.
- (b) Many candidates calculated the total premiums paid for fire insurance as \$20 m and gained full marks. Some used the figure of 20 (the number of companies making claims) to make the calculation and were rewarded with one mark for the correct method.
- (c) In part (i), many candidates considered the basic parts of insurance from paying the premium, the risk of fire occurring and then the claim and compensation. Better candidates were able to show why fire insurance was important to these companies in terms of business confidence, financial protection, compensation and the need to prevent heavy financial loss. They also mentioned the benefits of consequential loss insurance. Some candidates attempted to argue that fire insurance was not important as the companies might make up the losses themselves or that there were more important risks against which to insure. Candidates found this approach very difficult to sustain. Part (ii) was often well answered, with insurance principles such as utmost good faith and indemnity being clearly explained in the context of making a claim. Some candidates did not read this question carefully and wrote about the principles in relation to applying for insurance rather than making a claim.



- (d) A number of services were accepted for part (i), such as buying in bulk, clearing production lines and providing transport and storage. In part (ii), answers should have related to a wholesaler's warehouse. Good candidates mentioned cash and carry services, storage of seasonal goods, cold storage facilities for perishable goods, maintaining price stability and protection of goods from theft or weather. Weaker answers concentrated on functions of the wholesaler rather than functions of the warehouse.

#### Question 7

- (a) Some candidates defined the Balance of Trade and ignored the context of the question. Other candidates were able to identify that Wahab Enterprises exported goods and so added to its country's Balance of Trade. Those candidates who used the word 'contributed', which was given in the question, did not score the mark for showing that Wahab Enterprises helped towards any surplus in the Balance of Trade.
- (b) This question was rather more difficult than previous questions about Customs officials because it related to exported rather than imported goods. Nevertheless, candidates were able to give two reasons, for example to obtain statistics on exported goods and to check for smuggled goods such as weapons and drugs.
- (c) Some candidates gave lists of points rather than well-structured answers. In some answers, it was not clear which was the better option – to hire trucks or to own them. Some candidates also confused hiring trucks with hire purchase of trucks. It is important for a question such as this that both options are considered, probably in separate paragraphs, and then a reasoned conclusion is given. Candidates who used the context of the question – the fact that Wahab Enterprises was a large export business dealing in a wide range of goods and so could justify ownership of trucks because of the company's size and volume of business – scored well.
- (d) Many candidates gained the three marks allowed for a consideration of air transport. Candidates who considered the kinds of goods usually sent by air transport as well as the speed of air transport achieved their marks quite easily.
- (e) The rate of turnover is a difficult concept on the Commerce syllabus. The definition is the number of times the average stock is sold in a given period. Candidates who did not know this term found the calculation inaccessible. The correct calculation is found by dividing the cost of goods sold by the cost of average stock (given in the question). Candidates gained one mark for calculating gross profit –  $\$40 \text{ m} \times 0.25 = \$10 \text{ m}$ . To find the cost of goods sold, the gross profit must be subtracted from the turnover, i.e.  $\$40 \text{ m} - \$10 \text{ m} = \$30 \text{ m}$ . The rate of turnover is calculated by dividing  $\$30 \text{ m}$  by  $\$6 \text{ m} = 5$  times. A few candidates calculated the figures correctly but gave the answer as  $\$5 \text{ m}$  rather than expressing it as the number of times – 5 times. For this they were penalised, as they did not entirely understand the concept of rate of turnover.

#### Question 8

- (a) Most candidates showed that they knew what was meant by a multinational manufacturer and were able to give a worthwhile example such as BP or Toyota.
- (b) Answers to this part often showed a good understanding of the impact of a multinational manufacturer locating in a developing country. Many answers concentrated on the advantages to the developing country, such as employment, economic growth, improved infrastructure and better work skills, but some candidates also considered the disadvantages, such as pollution and relocating after a few years, and so gave a balanced discussion.
- (c) Popular choices of media were television, magazine and newspapers as well as the Internet and billboards. Many candidates related their answers very well to the context of the question. Local examples of media such as local newspapers and local radio were not accepted.
- (d) A wide variety of ways of increasing sales were accepted for this question. Some candidates mentioned other advertising media and gained no marks. Most candidates stated two ways, such as sales promotion, test drives, cash discounts, good credit terms, after sales service and offering a wide range of extras on the car. Some candidates were unable to expand on their answers and so lost the extra marks offered for this question. A good answer to this question would have been to offer after sales service such as delivery and a warranty to encourage customers to return to

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where they had bought the car and also to offer sales promotion such as a free gift, for example spare tyres or subscription to a motoring magazine, with every car sold. Some candidates did not use the context of increasing sales of the new car and incorrectly wrote about promotions more suited to a supermarket, such as loss leaders and two for the price of one.