



Cambridge O Level

COMMERCE

7100/21

Paper 2 Written

October/November 2020

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **20** printed pages.

PUBLISHED**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Subject Specific Marking Principles (point-based marking)**1 Components using point-based marking:**

Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** Credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term).
- b** Credit alternative answers/examples which are not written in the mark scheme if they are correct.
- c** Credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space, where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities, e.g. a scattergun approach to a question asking for *n* items.
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. erosion/corrosion).

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information / context to clarify the marking but is not required to earn the mark.

PUBLISHED**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer.
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' (OFR) applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks are used to indicate correct answers and crosses to indicate wrong answers. There is a direct relationship between ticks and marks.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who mark that paper.
- For levels of response marking, each level awarded should be clearly annotated on the script the first time it is achieved.

PREPARATION FOR MARKING

- 1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
- 2 Make sure that you have read and understand the question paper, which you can download from <https://support.rm.com/ca>
- 3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

- 1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
- 2 If you are in doubt about applying the mark scheme, consult your Team Leader.
- 3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
- 4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS**Crossed out work**

- 1 **All a candidate's answers, *crossed out* or not, *optional* or not, must be marked.**
- 2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
- 3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

- 1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
- 2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
- 3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
- 4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

- 1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
- 2 **Every mark awarded for a question (as shown in the mark input box to the right of the screen) must be indicated by a correctly positioned tick on the script. The number in the box below the tick annotation must be equal to the mark awarded in the input box.**
- 3 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

Question	Answer	Marks	Guidance
1(a)	<p>Identify <u>two</u> sectors of industry that Cheese4U is involved in.</p> <ul style="list-style-type: none"> • Primary / extractive / exhaustive / non-exhaustive / farming • Secondary / manufacturing / construction • Tertiary / commercial / indirect / direct / retailing. 	2	Note: Award 0 marks for advertising/marketing or transport.
1(b)	<p>What is the purpose of an order form?</p> <p>A form that allows a buyer or customer to order from / to order goods from a supplier / for a customer to request goods from the seller / to notify seller of goods required / to know what the buyer wants to buy / gives details of what the buyer wishes to order.</p>	1	

Question	Answer	Marks	Guidance
1(c)	<p>Do you think it would be a good idea for Cheese4U to use couriers to deliver the food to the events? Give reasons for your answer.</p> <p>Yes - provides direct door-to-door service (1) couriers are flexible (1) no fixed timetables (1) no one else involved in the chain of distribution (1) can get to customer quickly / fast (1) before cheese goes bad (1) as cheese is a perishable (1) as some couriers will have refrigeration units (1) customers will be satisfied / pleased with service (1) creating good impression (1) means that the customer does not have to collect / who cannot collect (1) will attract customers / increase sales (1) increase customer loyalty (1) increases competitive edge (1) Cheese4U can concentrate on production (1) saves time for customer (1) couriers usually cheap to use (1) compared to other form / example of transport (1) saves Cheese4U money (1) on using / hiring their own vehicles / drivers (1) couriers do have cold storage (1) means that the cheese will not go bad. (1)</p> <p>No – limited by couriers' capacity / space (1) courier may not be available when delivery is required (1) risk of damage / mishandling (1) may not be refrigerated (1) cheese needs cool temperature (1) is a perishable good (1) otherwise, could become stale / dry / melt / smell / not fresh (1) if kept too long before delivery (1) becoming not safe to eat (1) customers will not be satisfied / pleased with service (1) creating bad impression (1) couriers will charge delivery fee (1) some can be expensive to use (1) adding to Cheese4U costs (1) not suitable for / slow over long distances (1) example (1)</p>	3	Up to 3 marks for justified reasoning of yes and/no responses.
1(d)	<p>Circle the correct answer to complete each of the following sentences:</p> <p>Placing a trademark on a product is called branding <u>or</u> barcoding.</p> <p>Speciality stores sell a wide range of products <u>or</u> one type of product.</p> <p>Placing a trademark on a product is called branding.</p> <p>Speciality stores sell one type of product.</p>	2	1 mark for each correct circled answer.

Question	Answer	Marks	Guidance
1(e)	<p>Explain <u>two</u> disadvantages to a customer of shopping online.</p> <ul style="list-style-type: none"> • Goods may not match description / no opportunity to try on, say clothes (1) misleading images e.g. colour may not match (1) • Receive wrong goods (1) goods not that are not ordered (1) • Receive damaged goods (1) goods that are not wanted / fit for purpose (1) • Lack of feel / touch of merchandise (1) difficult to judge quality / may receive poor quality goods (1) • Lack of personal attention (1) no sales assistant advice (1) • Lack of shopping experience (1) not the same through a website (1) • Sometimes difficulty in returning goods (1) e.g. paying for postage (1) • May be delay in receiving goods (1) if online retailer waiting for stock / wanted goods quickly (1) • Online store may be hacked / fake website (1) customer details stolen / identity theft / money taken / goods not delivered (1) • May have to pay for delivery (1) making goods more expensive (1) • May be difficult to obtain after-sales service (1) e.g. for computers (1) • Network difficulties (1) unable to access website / delay in purchasing (1). 	4	1 mark for each disadvantage plus 1 mark for explanation of each disadvantage (explanations can be mixed matched from any of the bullet points if suitably linked)

Question	Answer	Marks	Guidance																	
1(f)	<p>Cheese4U, maker of speciality cheeses, would like to expand its business. It is considering franchising.</p> <p>Discuss whether or not you would recommend franchising. Give reasons for your answer.</p> <p>Advantages of franchising:</p> <ul style="list-style-type: none"> • Cost-effective way to grow the business – Cheese4U will not have to cover the cost of investing in new premises or staff. • Additional sales lead to additional profit and if you retain this in Chesse4U, in the long-term, it should have a saleable asset for their future. • Costs – each franchisee finances their own franchise outlet. While the franchisee meets all the costs and collects the income, Cheese4U will receive franchise fees and royalties or a mark-up on products sold by the franchisee. • Increased capital – Cheese4U benefits from the capital investment of each franchisee. • Easier management – the franchisees also run their businesses therefore reducing the management demands placed on Cheese4U. The best franchisees will be highly motivated and have local expertise, making your life easier. • Develop the brand – the more franchisees Cheese4U have the better known the brand becomes. • Motivated franchisees – franchisees are likely to be more motivated than a manager as they have a vested interest in the success of their business and therefore the success of Cheese4U brand. • Purchasing power / economies of scale - a larger business is more secure and additional turnover and profit can provide access to better deals for office equipment, vehicles and other business purchases. • Ideas for future success – franchisees can contribute fresh ideas for the future success of the Cheese4U brand maybe outlining opportunities that you might not have identified otherwise. 	8	<table border="1"> <thead> <tr> <th data-bbox="1482 213 1588 279">Level</th> <th data-bbox="1588 213 1688 279">Mark</th> <th data-bbox="1688 213 2056 279">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="1482 279 1588 480">3</td> <td data-bbox="1588 279 1688 480">7–8</td> <td data-bbox="1688 279 2056 480">The candidate is able to offer a recommendation with a thorough evaluation of whether (or not) to franchise.</td> </tr> <tr> <td data-bbox="1482 480 1588 681">2</td> <td data-bbox="1588 480 1688 681">5–6</td> <td data-bbox="1688 480 2056 681">Candidate offers a satisfactory analysis of the advantages and/or disadvantages of franchising.</td> </tr> <tr> <td data-bbox="1482 681 1588 882">1</td> <td data-bbox="1588 681 1688 882">1–4</td> <td data-bbox="1688 681 2056 882">Candidate demonstrates some knowledge and understanding of franchising, with application to Cheese4U.</td> </tr> <tr> <td data-bbox="1482 882 1588 948">0</td> <td data-bbox="1588 882 1688 948">0</td> <td data-bbox="1688 882 2056 948">No creditable response.</td> </tr> </tbody> </table>			Level	Mark	Description	3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of whether (or not) to franchise.	2	5–6	Candidate offers a satisfactory analysis of the advantages and/or disadvantages of franchising.	1	1–4	Candidate demonstrates some knowledge and understanding of franchising, with application to Cheese4U.	0	0	No creditable response.
Level	Mark	Description																		
3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of whether (or not) to franchise.																		
2	5–6	Candidate offers a satisfactory analysis of the advantages and/or disadvantages of franchising.																		
1	1–4	Candidate demonstrates some knowledge and understanding of franchising, with application to Cheese4U.																		
0	0	No creditable response.																		

Question	Answer	Marks	Guidance
1(f)	<ul style="list-style-type: none"> • Support from others – being a business owner can be isolating so having a franchise network can offer support and advice. <p>Disadvantages of franchising:</p> <ul style="list-style-type: none"> • Needs business model – Cheese4U needs a proven successful business model to attract franchisees • Not a fix for a failing business – franchising is not a solution to provide injections of capital from other people when a business is in difficulty. Cheese4U should only go down the franchise route if they already have a successful business up and running. • Costs – franchising your business will involve significant financial investment at the outset in order to get a successful franchise model in place for future growth of the business including investment in preparing legal documents, operations manuals, marketing materials and recruitment. • Time – franchising will take a lot of time investment especially when initially setting up the franchise model. Cheese4U will also have to take the time to ensure you attract the right franchisees and control what they do. • Training and support – Cheese4U will have to develop and deliver a range of training and support for your franchisees to successfully sell your brand. Businesses need to have systems and procedures in place that can be copied by most people to run a successful business. • Reputation - a franchisee may take a course of action that is in their own personal best interests, but which damages the reputation of the franchise as a whole. <p>Evaluation: Franchising Cheese4U will be expensive initially to put a successful franchise model in place and to attract franchisees with specialist knowledge and expertise. It is likely to be difficult for Cheese4U to find appropriate franchisees because of the specialist nature of their business so although it is a good way for a business to expand and receive capital investment, in reality it may not be a suitable solution for Cheese4U as it not well known or might not have a large marketing budget.</p>		

Question	Answer	Marks	Guidance
2(a)(i)	<p>Calculate the total annual fire and theft premium for warehouse and stock. Show your working.</p> <p>Amount of annual fire and theft premium = \$3870 (3) Method 1 × \$760 = \$760 (1) 5 × \$622 = \$3110 (1)</p>	3	Allow OFR.
2(a)(ii)	<p>Explain why the insurance premium for stock is higher than for the warehouse.</p> <p>Premiums are affected by the level of risk (1) using statistics (1) the higher the risk, the higher the premium (1) there is a greater risk of fire and theft to stock (1) stock is easier to steal (1) less risk to warehouse (1) there may be more previous claims on stock (1) higher compensation to pay out. (1)</p>	3	Up to 3 marks for justified reasoning.
2(b)	<p>Explain <u>two</u> reasons why a carpet wholesaler needs a warehouse.</p> <ul style="list-style-type: none"> • Storage / keeps (1) carpets / excess carpets / tools (1) • Goods are available (1) to meet demand / waiting for delivery (1) • Protection / safety (1) from damage / theft / weather (1) • To help in stockpiling (1) act as a reservoir for production ahead of demand (1) • Enables goods to be bought in bulk (1) at lower prices / needs large space (1) • Place for processing to be carried out (1) packaging / branding / labelling (1) will help with transporting / advertising (1) • To even out supply (1) so prices are kept stable (1) • Provide a place for buyers to inspect carpet (1) and buy/choose carpets from (1) • Enables production ahead of demand (1) somewhere to store carpets until required (1) • To meet unexpected demand (1) for example, new homes in the area (1) • Acts as a reserve (1) e.g. if main shopping outlet burns down. (1) 	4	1 mark for each reason plus 1 mark for explanation of each reason.

Question	Answer	Marks	Guidance
2(c)	<p>Some carpet wholesalers now sell direct to the public. Do you think this is a good idea? Give reasons for your answer.</p> <p>Yes:</p> <ul style="list-style-type: none"> • It will cut out the retailer enabling the wholesaler to increase their profit / sell at lower prices which will attract customers. • It will allow wholesalers to control the whole operation, promote carpets more / have brand control and not have to wait for the retailer to order goods from them. • It will have quicker access to the market compared to retailers, leading to increased sales. Improving relations with customers could lead to increased customer loyalty / direct customer feedback leading to increased sales. • Customers will receive carpets directly, as there is no retailer involved so the wholesaler will receive revenue more quickly. • There will be direct contact with customers which improves relationship. • Can obtain information on customer wants so can target them better. <p>No:</p> <ul style="list-style-type: none"> • However, wholesalers would not want to compete with their own customers, the retailers, who then might decide to use the services of other wholesalers instead. • The wholesaler might need to have two different kinds of premises, one consumer retail outlet in a shopping area and a warehouse on an industrial estate. This would push up costs, which the wholesaler might not be able to afford. • Operating both would increase the workload, requiring different / more skills with extra staff being needed. Staff would require training in retail customer service. • More deliveries will be required resulting in higher transport costs. • It would be time-consuming for wholesalers to provide personal services, such as after-sales service, e.g. carpet fitting. 	6	<p>Up to 2 marks for describing wholesalers / chain of distribution</p> <p>Up to a further 2 marks for analysing whether (or not) a wholesaler should sell direct to the public</p> <p>Up to a final 2 marks for evaluating whether (or not) a wholesaler should sell direct to the public.</p>

PUBLISHED

Question	Answer	Marks	Guidance
2(c)	<p>Evaluation: On one hand it is a good idea for wholesalers to sell carpets direct to the public as they are under increasing pressure to survive and compete against large-scale and online retailers. However, it can be very risky as they may lose their existing retailer customers who regularly buy from them.</p>		

Question	Answer	Marks	Guidance
3(a)	<p>Describe <u>one</u> way in which home trade is similar to international trade.</p> <ul style="list-style-type: none"> • Both have buyers and sellers (1) who exchange / trade / buying and selling (1) of goods and services (1) to satisfy needs and wants of consumers (1) for payment / money (1) to make a profit (1) • Both require aids to trade (1) e.g. warehousing / advertising / communications / banking / insurance / transport (1) 	2	2 marks for correct description.

Question	Answer	Marks	Guidance
3(b)	<p>Explain <u>two</u> difficulties, apart from methods of payment, faced by exporters.</p> <ul style="list-style-type: none"> • Distance (1) transport / communications / insurance over longer distances / adds to costs (1) greater risk of damage to goods (1) • Different legal systems (1) there may be restrictions on the ways in which goods are advertised / there could be different laws governing food safety / consumer protection (1) • Differences in weights / measures / technical specifications (1) many countries use different measurements (1) • Language barriers (1) many countries use different languages (1) makes communication difficult (1) use of translators (1) • Differences in customs / culture (1) exporters need to have a good understanding of local customs and tastes / holidays (1) • Transport (1) distance / method / suitability / access / expense (1) • Paperwork/documentation (1) e.g. export licence (1) to cross borders (1) • Trade restrictions (1) tariffs / quotas / embargoes (1) allow description eg quotas limit amount of goods that can be imported (1) extra costs (1) • Risk of non-payment (1) unknown customers (1) • Competition (1) from cheaper goods in the home market (1) • Different time zones (1) making communication difficult (1) • Currency (1) exchange rates. (1) 	4	1 mark for each difficulty plus 1 mark for explanation of each difficulty.

Question	Answer	Marks	Guidance
3(c)	<p>Evaluate <u>two</u> factors that exporters should consider to ensure they receive payment. Which do you think is the more important factor? Give reasons for your answer.</p> <ul style="list-style-type: none"> • Use a secure method of payment e.g. letter of credit. A letter of credit is essentially one bank’s promise to another bank that it guarantees the transaction / payment • Use a quick method of payment, e.g. electronic transfer so a business knows whether or not the payment has been made very quickly, especially if they use online banking • Check that customers are creditworthy and can afford to pay by undertaking credit checks so that money is not lost • Check that customers are legal • There is a legal contract in place so to avoid bad debts • There is collateral security e.g. property deeds in case of default • Ask for a deposit to get commitment from the customer and at least a part-payment has been received so the customer is likely to be genuine • Cash in advance / not allow credit so that the exporter can eliminate credit risk or the risk of non-payment since payment is received prior to the transfer of ownership of the goods. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. <p>Evaluation: Credit cards are the best method of payment for low transaction amounts, where speed and security are valued as key factors. The money is paid in advance so there is no risk of non-payment. For transactions that require the strictest control measures against risk, a letter of credit is the best choice in transactions with a high amount, which can withstand the extra cost as it guarantees payment.</p>	6	<p>Up to 2 marks for describing factors exporters should consider</p> <p>Up to a further 2 marks for analysing factors exporters should consider</p> <p>Up to a final 2 marks for evaluating factors exporters should consider.</p>

Question	Answer	Marks	Guidance
4(a)(i)	<p>State <u>one</u> method of appeal shown in the advertisement.</p> <p>Hero worship / affluence / luxury / ambition / celebrity</p>	1	
4(a)(ii)	<p>What is meant by ‘early bird offers’?</p> <p>An opening offer / discount / benefits available only to those who book early / first.</p>	1	
4(b)(i)	<p>Identify the most suitable method of communication that a hotel would use for each of the following: to confirm room bookings.</p> <p>Email / letter / text</p>	1	
4(b)(ii)	<p>to inform guests of health and safety instructions.</p> <p>Leaflet / flyer / cards / poster / brochure / booklet / pamphlet / noticeboard / notice on hotel door / face-to-face.</p>	1	

Question	Answer	Marks	Guidance
4(c)	<p>Do you think that a golf magazine is the best place to advertise the reopening of this hotel? Give reasons for your answer.</p> <p>Yes – the advertising is targeting golfers (1) who will be a group of people visiting the hotel (1) and the information can be passed on / shared with other golfers / there is a lot of content (1) kept as reference (1) informing them of the golf activities at the hotel (1) as more golfers will go to the hotel for golf facilities (1) cheaper / affordable (1) than TV (1) magazine are high quality (1) with glossy pictures (1) can be afforded by golfers staying at a luxury hotel (1)</p> <p>No – the advertising will only be reaching a select group of people (1) people interested in golf (1) there will be other people visiting the hotel (1) e.g. people who want to take advantage of the spa / who are not interested in golf (1) not increasing their customer base (1) magazines lack sound / movement (1) compared to TV / newspaper (1) are expensive to buy / advertise in (1) advert may not be noticed because of competing adverts (1) better to advertise on social media / internet / newspaper (1) unable to be read by illiterate people. (1)</p>	3	Up to 3 marks for justified reasoning of yes/ no responses.
4(d)	<p>In 2019, the hotel's sales turnover was \$1 900 000. The cost of goods sold was \$575 000 and the expenses were \$835 000. Calculate the net profit. Show your working.</p> <p>Net profit = \$490 000 (3) Method \$1 900 000 – \$575 000 = \$1 325 000 (1) – \$835 000 (1) or \$1 900 000 – \$1 410 000 (2)</p>	3	Allow OFR.

Question	Answer	Marks	Guidance
4(e)	<p>The directors of the Golf & Spa Hotel would like to increase its net profit. Which would be the more effective method, improving marketing or reducing expenses? Give reasons for your answer.</p> <p>Improving marketing:</p> <ul style="list-style-type: none"> • Improving marketing such as advertising on radio should lead to more bookings and so increase turnover / sales and therefore net profit will be increased if costs stay the same. • Hotels offering a better price than their competitors are more likely to increase hotel bookings. • There is an opportunity for any hotel to upsell additional services for example, taxi-transfer, flowers, and dinner reservations. As a result, the guest will enjoy their stay more and the hotel earns more revenue – everyone benefits. • Hotels can also increase revenue by selling branded hotel products like towels, linens, and shampoos and making special ticket offers for an upcoming golf event. <p>Reducing expenses:</p> <ul style="list-style-type: none"> • There are also many ways that a hotel can reduce costs, e.g. reducing staff levels when the hotel is less busy, so wage costs are less. • Switching to cheaper suppliers e.g. food and the use of LED lighting will reduce energy bills. • Encouraging guests to reuse towels and bed linen will help save laundry costs. • Cutting the range of menus can save food costs. <p>Evaluation: Both improved marketing and reducing expenses may improve the net profit of the hotel. However, improved marketing will add to costs and can only be justified if sales improve which may take time to happen and will have most effect on gross profit. Reducing expenses will improve net profit more quickly but if it reduces the quality of service or food, customers will not be happy, and bookings could fall. The hotel might try to do both.</p>	6	<p>Up to 2 marks for describing improving marketing and/or reducing expenses</p> <p>Up to a further 2 marks for analysing improving marketing or reducing expenses</p> <p>Up to a final 2 marks for evaluating whether improving marketing or reducing expenses is the most effective way to improve net profit of the hotel.</p>

Question	Answer	Marks	Guidance												
5(a)	<p>What is meant by the term <i>consumer durable</i>?</p> <p>Goods that last a long time / have a long lifespan.</p>	1													
5(b)	<p>Explain <u>two</u> reasons why retailers offer credit.</p> <ul style="list-style-type: none"> • May increase sales / cashflow (1) especially if competitors are not offering credit / gain competitive edge (1) • Attracts people into the store (1) likely to tell their friends (1) • To encourage impulse buying (1) shoppers without cash (1) • Will clear stocks more quickly (1) reducing risk of loss from out-of-date goods / before it loses its value / allow example (1) • Easier to sell larger items / consumer durables (1) which have higher mark-ups (1) • Needs to compete (1) to gain greater market share (1) • Customers can afford them to pay with credit / may not be able to afford the goods (1) so able to spread repayments / pay later (1) • Increased customer loyalty (1) well-known customers (1) repeat sales / keep purchasing from the same retailer (1) • Earn interest (1) increases income / profit (1) • Has excess goods (1) needs to restock. (1) 	4	1 mark for each reason plus 1 mark for explanation of each reason (explanations can be mixed matched from any of the bullet points if suitably linked)												
5(c)	<p>Which of these statements about the changing environment of commerce are true and which are false?</p> <table border="1" data-bbox="338 1075 1335 1442"> <thead> <tr> <th></th> <th>TRUE</th> <th>FALSE</th> </tr> </thead> <tbody> <tr> <td>Development of games consoles would be an example of a PEST technological factor.</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>Excessive packaging of goods by retailers benefits the environment.</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Ethically produced goods are produced in dangerous environments.</td> <td></td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>		TRUE	FALSE	Development of games consoles would be an example of a PEST technological factor.	✓		Excessive packaging of goods by retailers benefits the environment.		✓	Ethically produced goods are produced in dangerous environments.		✓	3	1 mark for each correct answer.
	TRUE	FALSE													
Development of games consoles would be an example of a PEST technological factor.	✓														
Excessive packaging of goods by retailers benefits the environment.		✓													
Ethically produced goods are produced in dangerous environments.		✓													

Question	Answer	Marks	Guidance																	
5(d)	<p>Miah can buy the games console on her credit card or on a store card. Which do you recommend? Give reasons for your answer.</p> <p><i>Credit card:</i></p> <ul style="list-style-type: none"> • Provides instant credit, up to a limit • Free credit allowed for up to a month so can use games console without paying immediately • Can be used in a wide range of outlets / shops • Can help with cash flow • Receive monthly statements to see what is owed • Temptation to overspend encouraging debt • Interest is charged if amount owed on statement is not paid off which can make it expensive • Risk of becoming a bad debtor / being taken to court if credit card bill not paid off. <p><i>Store card:</i></p> <ul style="list-style-type: none"> • Often receive a discount on goods • May earn reward points which can be used to obtain free gifts / special offers / free delivery • Provides interest-free credit if paid off each month so helping cash flow • High interest rates can make it more difficult to pay off, if not paid on time • Temptation to overspend encouraging debt • Can only use the store card in one store. <p>Evaluation: A store card will offer a discount / reward so is more attractive but an inexperienced borrower may not repay the debt in time so it will cost a lot more when interest is added – to either type of card. The most important thing is that Miah is able to repay to avoid interest.</p>	8	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="1480 213 1588 279">Level</th> <th data-bbox="1588 213 1686 279">Mark</th> <th data-bbox="1686 213 2058 279">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="1480 279 1588 549" style="text-align: center;">3</td> <td data-bbox="1588 279 1686 549" style="text-align: center;">7–8</td> <td data-bbox="1686 279 2058 549">The candidate is able to offer a recommendation with a thorough evaluation of buying a games console with either a credit card and a store card</td> </tr> <tr> <td data-bbox="1480 549 1588 751" style="text-align: center;">2</td> <td data-bbox="1588 549 1686 751" style="text-align: center;">5–6</td> <td data-bbox="1686 549 2058 751">Candidate offers a satisfactory analysis of the use of buying a games console with a credit or store card</td> </tr> <tr> <td data-bbox="1480 751 1588 1005" style="text-align: center;">1</td> <td data-bbox="1588 751 1686 1005" style="text-align: center;">1–4</td> <td data-bbox="1686 751 2058 1005">Candidate demonstrates some knowledge and understanding of credit and store cards with application to games console</td> </tr> <tr> <td data-bbox="1480 1005 1588 1102" style="text-align: center;">0</td> <td data-bbox="1588 1005 1686 1102" style="text-align: center;">0</td> <td data-bbox="1686 1005 2058 1102">No creditable response.</td> </tr> </tbody> </table>			Level	Mark	Description	3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of buying a games console with either a credit card and a store card	2	5–6	Candidate offers a satisfactory analysis of the use of buying a games console with a credit or store card	1	1–4	Candidate demonstrates some knowledge and understanding of credit and store cards with application to games console	0	0	No creditable response.
Level	Mark	Description																		
3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of buying a games console with either a credit card and a store card																		
2	5–6	Candidate offers a satisfactory analysis of the use of buying a games console with a credit or store card																		
1	1–4	Candidate demonstrates some knowledge and understanding of credit and store cards with application to games console																		
0	0	No creditable response.																		