
COMMERCIAL STUDIES

7101/11

Paper 1 Elements of Commerce

October/November 2017

MARK SCHEME

Maximum Mark: 100

Published

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Section A

Question	Answer	Marks
1(a)	Face-to-face/verbal Fax Pagers Videoconferencing Teleconferencing Internet Any 2 × 1 marks	2
1(b)(i)	Letter/Ordinary post (1)	1
1(b)(ii)	Registered post/special delivery (1)	1
1(b)(iii)	Recorded delivery (1)	1
1(b)(iv)	Business Reply/Freepost (1)	1
1(c)	Faster communication (1) whereas post can take days to arrive (1) Direct contact/immediate discussion possible (1) whereas post is impersonal (1) Often cheaper (1) compared to the cost of postage stamps/stationery (1) Any 2 × 2 (1 + 1) marks for each difference	4
1(d)	Messages can be sent instantly/quickly (1) over long distances (1) at any time (1) Cheaper as no need for postage (1) reduces the need for postage (1) and no need to meet the person (1) or to take time by speaking over the phone (1) Attachments can be sent (1) files or pictures (1) and easy to copy/store data (1) and edit/update (1) print (1) forward an email (1) can be sent to multiple addresses at the same time (1) and easy to delete unwanted emails (1) such as spam (1) They are secure (1) as only the person using the email address can access it (1) with the use of password (1) Any 6 × 1 marks	6
1(e)	Sending large volume/bulky 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 a 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 2 × 2 (1 + 1) marks for each way	4

Question	Answer	Marks
2(a)(i)	Wide range of goods/Food and household Self-service Pay at checkouts Car parking Make use of sales promotions Use of loyalty cards Any 2 × 1 marks	2
2(a)(ii)	Has ten or more branches Specialist multiple chains focus on one product line Centralised buying All the branches are the same/same prices/same displays Self-service National advertising Any 2 × 1 marks	2
2(b)	Goods are easily recognised/identified (1) so supermarket staff do not need to assist customers/less staff needed (1) Branded goods are well-known (1) thus making it easier to sell (1) Branded goods are considered quality goods/customers trust them (1) leading to brand loyalty of supermarket shoppers (1) Branded goods are already packaged/weighed before leaving the factory (1) saving supermarket costs (1) Any 2 × 2 marks	4
2(c)	Commission charged (1) by credit card company (1) More records need to be kept (1) increases the paperwork (1) Extra time needed to check for stolen cards (1) and verify their PINs (1) Credit card fraud (1) can lead to bad debts/losses (1) Any 1 × 2 marks	2
2(d)	Larger footfall (1) possibility of making more sales/increased profits (1) assisting survival for small retailers (1) and growth for large retailers (1) Ease of access for shoppers because of location (1) due to good transport links (1) for shops' suppliers/workers/customers (1) Consumers can obtain all their goods in one area (1) offering one-stop shopping (1) as shoppers can walk from shop to shop in comfort/safety (1) with security of all retailers carried out by the shopping centre owners (1) and consumers enjoy the many facilities attracting them to the shopping centre (1) such as food courts (1) Any 6 × 1 marks	6

Question	Answer	Marks
2(e)	<p>They would not want to compete with their own customers (1) the retailers (1) who then might decide to use the services of another wholesaler/manufacturer (1)</p> <p>The wholesaler would need to have two different kinds of premises (1) one for the retail in a shopping centre and a warehouse on an industrial estate (1) this would push up costs (1) that the wholesaler might not be able to afford (1)</p> <p>Operating both would increase the workload (1) requiring different/more skills (1) extra staff would be needed (1) who would require retail training (1) e.g. customer service (1) and might need to use other wholesalers to supply the retail side of the business (1) with more deliveries being required (1) higher transport costs (1)</p> <p>Wholesalers do not have a direct link with customers (1) this would be time consuming to provide personal services (1) such as home delivery (1)</p> <p style="text-align: right;">Any 4 × 1 marks</p>	4

Question	Answer	Marks
3(a)	To provide financial protection/spread risk (1) in case of loss (1) To provide compensation (1) in case premises are damaged (1) Gives confidence to open this new building (1) knowing that the company will be able to continue with the business (1) Insurance lessens future risks (1) as nobody knows what will happen in the future (1) <p style="text-align: right;">Any 2 × 2 marks</p>	4
3(b)	Burglary/theft Fire Flood Earthquake Business equipment/machinery <p style="text-align: right;">Any 2 × 1 marks</p>	2
3(c)	Insurance company accepts the insurance risk (1) the insurance broker arranges insurance cover (1) Insurance company sells policies from only one company (1) insurance brokers sell policies from different insurance companies (1) Insurance company determines the premiums to be paid (1) the insurance broker collects the premiums (1) Insurance company pays out claims (1) the insurance broker gives advice on claims (1) <p style="text-align: right;">Any 2 × 2 marks</p>	4
3(d)	Batesons Ltd must have a direct/legal interest/own the building (1) suffer the loss (1) it cannot insure something it does not own (1) as it would 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) allow an example, such as setting fire to the building (1) <p style="text-align: right;">Any 6 × 1 marks</p>	6
3(e)(i)	The company hopes to make a profit (1)	1
3(e)(ii)	They would have to pay a higher premium (1) which is adding to costs (1) and the maximum that they will receive is \$2m (1) as they have over-insured (1) which is against the principle of indemnity (1) <p style="text-align: right;">Any 3 × 1 marks</p>	3

Question	Answer	Marks
4(a)(i)	Can be stopped/cancelled if lost/stolen Act as a receipt to prove payment Easy to carry around Cheques can be numbered so can be traced if lost or stolen Easy to post Crossed cheques are safer to use Pay for services such as cleaning <div style="text-align: right;">Any 2 × 1 marks</div>	2
4(a)(ii)	1 = Drawee 2 = Date 3 = Payee 4 = Drawer <div style="text-align: right;">4 × 1 marks</div>	4
4(b)	Saves time (1) and postage of sending cheques (1) Safer to use than cheques (1) as open cheques can be cashed (1) Can be used for non-bank customers (1) whereas cheques require a current account (1) Instant means of payments (1) cheques take time to clear (1) Saves clerical work (1) of having to complete individual cheques (1) <div style="text-align: right;">Any 2 × 2 (1 + 1) marks</div>	4
4(c)	No need to carry cheque books/cash around or credit cards easier to carry (1) with it being safer from theft (1) and no need to go to the bank (1) and waste time in getting cash or drawing a cheque for payment (1) Credit cards provide guaranteed payment (1) but cheques can be dishonoured (1) Credit cards provide a form of credit (1) buy now, pay later (1) for online goods (1) and for expensive goods (1) whereas you may not have enough in current account to pay outright (1) or enough cash in hand (1) <div style="text-align: right;">Any 6 × 1 marks</div>	6
4(d)	Offers very wide coverage (1) read by many people (1) Reasonable cost (1) of reaching so many people (1) Can give detailed information (1) e.g. rates of interest (1) Bank deposit accounts are in general demand (1) so national newspaper is suitable (1) Advertisements can be cancelled/inserted at short notice (1) when there are changes made to accounts/cheaper than sending letters to all customers (1) Flexible (1) as to the size of the advertisement (1) Can target particular customers in certain newspapers/sections (1) such as in financial section of newspaper (1) Can be kept by reader (1) for reference later (1) <div style="text-align: right;">Any 2 × 2 marks</div>	4

Question	Answer	Marks
5(a)	Has head office/quarters in one country (1) and factories/offices in other countries (1) known as host countries (1) usually public limited companies (1) Any 2 × 1 marks	2
5(b)	Storage of finished goods/tools (1) before transport/delivery (1) Storage of dutiable goods (1) until duty has been paid (1) To allow preparation of shipping documents (1) such as bill of lading (1) Protect goods (1) from damage/theft/weather (1) Checking goods for completeness (1) placing the goods into containers (1) Weighing of goods (1) to determine shipping charges (1) Break bulk (1) split goods into smaller quantities (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/grading/labelling (1) Offer special facilities (1) e.g. cold storage (1) Any 2 × (1 + 1) marks	4
5(c)(i)	Oil tanker (1) specially designed to carry oil/oil is heavy/fluid/bulky (1)	2
5(c)(ii)	Container ship (1) can safely transport thousands of shoes on one ship (1)	2
5(d)	Growth of global economy (1) high demand for overseas goods (1) particularly lightweight goods (1) such as electronics (1) Increased number of airports (1) making more air routes available (1) with better facilities at these airports for handling cargo (1) larger cargo doors on aircraft (1) and storage facilities (1) The need for speed (1) particularly for perishables/valuable goods (1) that can absorb the costs of air transport (1) More cargo planes available (1) with greater capacity (1) more fuel efficient (1) leading to relative freight charges coming down/prices are falling (1) Any 6 × 1 marks	6
5(e)(i)	Name of airline company/carrier Name/Address of shipper Name of departure/destination airport Description/weight of goods carried The quantity of items sent The freight charges Evidence/signature of goods received Name/address of consignee/carrier's agent Any 2 × 1 marks	2
5(e)(ii)	The delivery of goods is not dependent upon the presentation of the air waybill (1) as the goods are delivered to the named consignee (1) at destination airport (1) Any 2 × 1 marks	2

Question	Answer	Marks
6(a)(i)	Trade (1)	1
6(a)(ii)	5 (1)	1
6(a)(iii)	33 (1)	1
6(a)(iv)	21 (1)	1
6(b)	Services bought by people in the home country (1) plus relevant example such as insurance and tourism (1)	2
6(c)(i)	Quotas Tariffs Exchange control Embargoes Any 2 × 1 marks	2
6(c)(ii)	Control the amount of goods coming in/out of the country (1) so that quotas are not exceeded (1) Issue of import licences (1) which limit the amount of imports brought into the country (1) Enforce total bans on certain products (1) such as drugs (1) Any 2 × 1 marks	2
6(d)	Buyer applies to their bank for a letter of credit in favour of the seller (1) Buyer's bank approves the credit risk of the buyer, issues and forwards the credit to its correspondent bank (advising or confirming) (1) Advising bank will authenticate the credit and forward the original credit to the seller (beneficiary) (1) Seller (beneficiary) ships the goods, then verifies and develops the documentary requirements to support the letter of credit (1) Seller presents the required documents to the advising or confirming bank to be processed for payment (1) Advising or confirming bank examines the documents for compliance with the terms and conditions of the letter of credit (1) If the documents are correct, the advising or confirming bank will claim the funds by debiting the account of the issuing bank (1) Advising or confirming bank will forward the documents to the issuing bank (1) Issuing bank will examine the documents for compliance. If they are in order, the issuing bank will debit the buyer's account (1) Issuing bank then forwards the documents to the buyer (1) Any 4 × 1 marks	4

Question	Answer	Marks
6(e)	Provides foreign currency (1) to pay for imports (1) Creates jobs (1) to cut unemployment figures (1) Friendship/political reasons (1) example (1) Maintains balance of payments (1) avoids deficit (1) National income will increase (1) the economy will grow (1) Enables wider markets (1) for companies' products to sell in more countries (1) To dispose of surpluses (1) of goods over-produced in home market (1) To import goods that a country lacks (1) to satisfy consumers' needs and wants (1) <p style="text-align: right;">Any 6 × 1 marks</p>	6

Question	Answer	Marks
7(a)(i)	Production Director (1)	1
7(a)(ii)	Four (1)	1
7(a)(iii)	Purchasing Manager (1)	1
7(a)(iv)	Six (1)	1
7(b)	Accounts/Finance (1) budgets/costing/paying bills/credit control/wages/auditing (1) Marketing/Sales (1) market research/advertising/public relations/customer service (1) Personnel/HR (1) recruitment/industrial relations/pensions/health and safety/training (1) Purchasing/Buying (1) identifying suppliers/quotations/ordering (1) Research and Development (1) designing new products/testing/improving existing products (1) Administration (1) filing/security/photocopying/cleaning/communications (1) Information technology (1) systems development/programming/computer support (1) <p style="text-align: right;">Any 2 × 2 (1 + 1) marks</p>	4
7(c)	They clearly show employees their position (1) and role within the business (1) example (1) They show employees staff where they fit in (1) and the overall structure of the business (1) They can see who they need to report to (1) if they have a problem (1) and who is responsible for whom (1) <p style="text-align: right;">Any 2 × 2 marks</p>	2
7(d)(i)	Registered under the Companies Act Limited liability Names include 'limited' Have to submit accounts Owned by shareholders Raise capital by shares Two to unlimited owners Separate legal entity Controlled by Board of Directors Perpetual succession/continuity Subject to tax on profits Both require annual general meetings <p style="text-align: right;">Any 2 × 1 marks</p>	2

Question	Answer		Marks
7(d)(ii)	Private limited company	Public limited company	6
	Shares are sold to individuals through company (1)	shares are sold on stock exchange (1)	
	Ownership of shares is restricted (1)	anyone can own the shares (1)	
	Shares not transferable without consent of other shareholders (1)	shares freely transferable (1)	
	It has Ltd/Pte/Pty after its name (1)	it has plc. after its name (1)	
	Minimum of directors is one (1)	minimum of directors is two (1)	
	No minimum share capital required (1)	minimum share capital required (1)	
	Usually a small/family business (1)	usually large/multinational (1)	
	Does not need a trading certificate to start business (1)	needs a trading certificate (1)	
	Directors must be shareholders (1)	directors do not need to be shareholders (1)	
	Can keep balance sheet private (1)	must publish balance sheet (1)	
	Any 3 × 2 (1 + 1) marks Note: Maximum of three marks for either private or public limited companies		