COMMERCE

Paper 7100/01
Multiple Choice

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

The multiple choice paper set consisted of 40 4-option items with some questions involving pictorial or diagrammatic data and some requiring candidates to undertake calculations.

The mean was 23.378 with a standard deviation of 6.745. The majority of candidates scored over 8 marks and 9 candidates from 7590 achieved full marks.

Candidates found the following questions relatively easy and most candidates answered them correctly – **Questions 2**, **4**, **6**, **23**, **24**, **25**, **30** and **38**. Two of these questions involved calculations - **Questions 18** and **32**. Two of these questions were pictorial – **Questions 4** and **6**.

Candidates found **Questions 15** and **40** particularly difficult. **Question 15** related to an invoice and involved understanding of a commercial transaction. Option B was the correct answer but many candidates chose Option A which proved to be a positive distractor. Candidates choosing Option A failed to understand that trade discount had been deducted from all the cans of pineapple and so the credit note would reflect this. A large number of candidates also chose Option C.

Question 40 relating to mark up also caused problems. All options attracted responses so there was probably an element of guessing. Candidates were asked to calculate the turnover for the month. By choosing Option C, candidates were deducting the expenses from the turnover and so calculating net profit. Those who chose Option A failed to understand mark up and showed the cost of the goods less the expenses. Those who chose Option B calculated the cost price only.

Candidates were uncertain about the correct answers to ten of the items where large and roughly equal numbers of candidates were choosing each option, indicating that there was a large element of guessing. This applied to **Question 1** on production, **Question 5** on retailers, **Question 8** on credit cards, **Question 17** on the balance of payments, **Question 20** on collective advertising, **Question 26** about roll-on, roll-off ferries, **Question 27** on port authorities, **Question 28** on warehousing, **Question 36** on location and **Question 37** on the private sector.

Some other items posed problems for candidates. In **Question 11**, although many candidates chose Option B, the correct answer, Option C also attracted quite a large number of responses indicating imprecise knowledge of consumer protection. In **Question 22** candidates were expected to evaluate the most effective method of promotion. Although most candidates chose Option B, the correct answer, many believed that Option A would be more effective. In **Question 34** many candidates chose Option C instead of the correct answer, Option B. If the crossing had been special, there would have been the name of a bank or an amount of money between the parallel lines on the cheque.

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General comments

The questions in Paper 2 produced a very wide range of marks and so differentiated well. Many candidates from many Centres showed a good grasp of commercial topics and an ability to develop answers in context. They were able to write at length, to follow the rubric of the question and to make reasoned judgements. At the other end of scale, some candidates copied out the questions and made little attempt at answers.

Most of the part questions were accessible to candidates who were well prepared. The eight structured questions contained some easy parts e.g. **1(a)**, **2(c)**, **3(b)**, **4(a)** and **(b)(i)**, **5(a)**, **6(a)**, **7(a)** and **8(c)**. There were, however, also subsections in each question that were more testing e.g. **1(c)**, **2(e)**, **3(e)**, **4(d)(ii)**, **5(c)**, **6(b)**, **7(f)** and **8(d)** and **(e)**. These usually carried quite high mark tariffs.

Most candidates paid attention to the command words or key words of the questions. In **Question 1(a)(i)**, **4(a), 5(a)** and **(b)(i)** and **7(a)** where only one mark was available for each of the answers, candidates usually gave brief answers. There were, however, a few candidates who still wrote lengthy answers, containing much irrelevant material, to these questions.

Some parts of some questions were marked according to Levels of Response. The part questions with the highest mark tariff were usually marked in this way. Candidates who wrote developed answers and who responded to command words such as 'discuss' and gave reasons for their opinions were able to gain top level marks. Candidates who presented lists of statements remained in Level 1. It should be remembered that it is not enough to present a list of points, probably memorised from lesson notes. It is important to develop points – to say why something is important, or why something is needed or why something is the better choice and to make a reasoned recommendation. If candidates offer some development of their answers, they will then achieve a higher level and so more marks. These questions did, however, differentiate between the stronger and the weaker candidates.

Most work was neat with adequate spacing between individual questions. Most work was readable but some candidates' handwriting was so untidy that it was very difficult to read. Some candidates still attempt all the questions on the examination paper. Some weaker candidates had language difficulties and some answers were not easy to understand.

The most popular questions were **Questions 1, 4, 5** and **7**. Very few candidates chose to answer **Question 8** and **Question 6** was chosen usually when the candidate felt confident about the calculation.

It is important that candidates read through the whole paper before making their choices. It is sometimes wondered if many candidates read **part (a)** of a question, like it, decide to answer the question and then find that by the time they reach **part (c)**, they wished they had attempted another question. In many scripts there was evidence of candidates changing their question choice, crossing out half a question and then writing about another topic in another question.

Comments on specific questions

Question 1

This popular question was usually well answered. Many candidates who scored poorly elsewhere, often achieved a higher mark on this question.

(a)   A variety of answers were accepted for both parts. Some candidates thought that food processing was a tertiary occupation. Manager was not accepted as an answer to **part (ii)**.

(b) Many candidates were able to explain the differences between primary and secondary occupations and to give worthwhile examples. Some candidates confused secondary occupations with tertiary occupations.

(c) This question produced some well reasoned answers recommending either the wholesaler or the retailer. Listed points did not score full marks. It should be remembered that the fish is sold in cans so the point about fish being perishable is not really valid in terms of this scenario.

(c) Many candidates recognised that posters and leaflets were more suitable for a small shop with limited resources and a small number of customers. Some credit, however, was given for the many candidates who recommended television and overlooked the significance of the small shop.

(e) Although it was felt that this question was quite straightforward, many candidates failed to gain all the marks confining their answers only to financing. Comment on current and savings accounts, payment and deposit services and finance would have gained full marks. Some candidates thought that Rita needed the account and others thought that the bank was managing the fishing company. Some candidates thought that Rita was an accountant, financial advisor or auditor for the fishing company.

Question 2

In some Centres this was a popular question. **Parts (d)** and **(e)** caused problems.

(a) The shopping centre was usually accurately described but some candidates wrote about department stores. Other candidates mentioned only the sale of a variety of goods.

(b) Candidates tended to concentrate on size differences, location and goods sold. Some weaker candidates wrote only about hypermarkets without any comment on supermarkets.

(c) Department stores were usually well described. Some candidates did not seem to understand the term multiple chains. General points common to many types of retailers such as self service, branded goods and acceptance of credit cards were not given marks.

(d) Many candidates thought that it was better to locate in the CBD because of passing trade. Others thought that the location in a shopping centre was preferable because shoppers would use them, make use of the range of shops and the services offered and also avoid problems of car parking and additional ERP charges. Some candidates thought it might be better to locate a small shop in both places. Some candidates had no understanding of the differences between a CBD and a shopping centre.

(f) Answers to this question were rather disappointing. Perhaps it was a question ahead of its time! Some candidates did not understand the meaning of the term e-commerce and wrote generally about shops in a shopping centre or about the meaning of commerce or about shopping online. Candidates were expected to discuss e-commerce as both a threat – competition to the shops from shopping online and as an opportunity – establishing their own websites, advertising and encouraging more customers to shop there. Often candidates talked only about threats or opportunities. They tended to comment rather than discuss.

Question 3

This question on insurance was not frequently chosen but some good responses were received.

(a) Most candidates talked about accidents and the need for compensation. Some candidates seemed to think that insurance would protect someone from having an accident. It offers financial protection not actual protection. A few candidates mentioned third party liability and the fact that motor insurance is a legal requirement.

(b) Candidates were able to show the need for quotations from several companies mentioning comparison and obtaining the best terms.

(c) Some responses were disappointing and lacked depth. Candidates should have mentioned that the proposal form is the application for insurance. Details of what is to be insured are given and, on the basis of that, the risk is assessed and the premium fixed. Comment on utmost good faith

was also given credit. Many candidates mistook the proposal form for either the insurance policy or a claim form for compensation.

(d) Many ingenious answers were provided. Many candidates wrote that Miss Solomon had not provided all the relevant facts and so had not complied with the principle of utmost good faith. Some said that she did not own the car and so had no insurable interest. Some mentioned that she might be a bad risk with a poor accident record or with poor health. Credit was also given for answers that talked about risks that would be insured only by a specialised insurance company such as rally driving.

(e) Some good discussions of both the insurance broker and insurance companies were seen but many candidates concentrated their answer on one aspect of the question, usually the insurance broker. Some candidates thought mistakenly that it was a good idea to insure with several companies so that you could make a profit from claiming from all of them. This is not allowed under the principle of contribution. Although it is usual for insurance brokers to be paid commission by the insurance companies, comment on payment of commission by Miss Solomon was allowed as it has been found that this may happen.

Question 4

This was a popular question but many candidates were unable to write accurately about franchises.

(a) Many candidates scored both marks.

(b) **(i)** Many candidates scored both marks here. A range of factors was accepted.

   (ii) This more demanding question enabled candidates to answer in the context of a multinational locating in a developing country. Some candidate answers were very vague and repetitive. Other candidates appreciated that the multinational was a manufacturing company and were able to relate their answers to this.

(c) Many candidates answered this question in relation to a developing country instead of the global economy. As many of the expected answers could relate to either, such as employment, improved standard of living, improved infrastructure, increased economic growth and payment of taxes, credit was given for this.

(d) **(i)** For those candidates who had good understanding of franchises, this question presented three easy marks. Many candidates, however, had no understanding of this concept.

   (ii) This question required candidates to discuss the operation of franchises by a multinational company. Some candidates ignored this and talked about the benefits of fast food outlets in many countries. Others gave a well argued case for a multinational expanding by using franchises rather than setting up its own outlets. Many answers concentrated on the opportunities for expansion and receiving royalties.

Question 5

Many candidates chose this question but found parts of the question quite demanding.

(a) Most candidates were able to find two suitable products but sometimes the two part questions were misread and so the answers related to the wrong method of transport.

(b) The emphasis in this question was on suitable products for sending by air transport, not the advantages of sending goods by air. Candidates should have concentrated on reasoning associated with perishable goods, fragile goods, emergency aid, lightweight goods and valuable goods and why these are sent by air.

(c) Unfortunately some candidates misinterpreted this question as a general discussion of the general advantages of using air transport. Answers should have related to improvements made to air transport such as larger aircraft, more routes, more airports, the development of cargo planes and air freight companies, better facilities at airports for handling freight and the growth of the container trade in air transport.

(d)   Although the question asked for comment on how cold storage assists international trade, some general points about warehousing gained marks and many candidates scored these marks. Full marks were gained by those candidates who commented on the need for cold storage so that international markets could be extended and goods preserved awaiting transport or export.

(f)   Many candidates achieved full marks for this question. They were able to offer good reasoning as to why road transport might be preferred such as speed over short distances, rail not being available, flexibility, for making deliveries and the likelihood to be more secure. Those candidates who said that road transport was cheaper, quicker or easier gained no marks.

Question 6

This question was not a popular choice. It called for precise knowledge and an ability to calculate interest payments.

(a)   There was some confusion in some answers to this question about the difference between net profit and retained profit. A simple and correct definition offered by one candidate was 'left-over profit using later for company purposes'.

(b)   A detailed discussion following carefully the rubric of the question was required for candidates to achieve Level 3. Too often candidates omitted the advantages or the disadvantages. Some mentioned retained profit but not the overdraft. Others omitted a reasoned recommendation. In order to achieve the highest level and many marks, candidates must read this type of question carefully and follow the instructions. Although it is tempting to present lists or bullet points of advantages and disadvantages, this should be avoided as it does not lend itself to a discussion and good reasoning. Some candidates presented full lists of advantages and disadvantages but their conclusions were often weak in pulling together the relative strengths and weaknesses of each source of finance. Some excellent answers from some Centres were, however, seen. These candidates discussed the problems of losing assets pledged as security for loans, the possibility of overdrafts being called in and the problems of spending all retained profits.

(c)   Some answers to this question read as though the candidate was writing about a credit sale or hire purchase. Instalments are not paid when leasing. Charges are made by the leasing company. Good answers mentioned computer systems being likely to become dated and needing replacement, the leasing agreement including servicing and repairs and the company not having to make a large initial cash outlay.

(e)   Some candidates produced clear and accurate calculations to both parts of this question. The own figure rule was applied. The most common errors were the failure to multiply the annual interest i.e. \$48 000 by the 3 years of the loan in **part (d)(i)** and to divide the total by 12 instead of 36 (months) in **part (d)(ii)**.

Question 7

Many candidates chose this question and scored quite good marks.

(a)   Most candidates were able to identify two correct documents from the diagram. Some candidates thought that a credit note was used for requesting payment.

(b)   Precise information was required here. Many candidates identified the return of goods when they are faulty. Others mentioned overcharges, short quantities or chargeable containers. Some candidates confused a credit note with buying on credit or with the debit note.

(c)   **(i)** and **(ii)** Accurate answers were given for both documents. The fact that they are both sent from seller to buyer gained no marks.

(d)   Candidates could have described fax, letter or email to answer this question. More expensive mail services such as registered post were not accepted as they would not be used. Some candidates misread the question and gave descriptions of other commercial documents.

(e)   Many candidates were able to show how a delivery note safeguarded the buyer and seller and presented a variety of answers. Some candidates still think that the delivery note shows the prices of the goods.

(f) This question on the use of credit produced a variety of answers. Many candidates interpreted the question as informal credit between a customer and a retailer. Others talked about trade credit between a trader and a retailer. Consequently many different answers were accepted but answers relating to the benefit to the seller of a customer buying on credit were not rewarded.

Question 8

Few candidates attempted this question. However, some very good responses were seen.

(a) Although it was explained in the preamble to the question, the term re-export trade may have deterred some candidates. Answers to explain its importance included providing employment, earning foreign currency, preparing goods for sale and overcoming difficulties of trade with trading blocs.

(b) (i) Answers needed to be in the context of the re-export trade so candidates should have concentrated on the work of customs officials in supervising bonded warehouses and checking goods rather than general customs functions.

(ii) Some candidates could identify the functions of forwarding agents as specialists in arranging transport for goods. Others thought, wrongly, that they brought buyers and sellers together for trading purposes.

(c) Candidates were able to identify and explain two difficulties that exporters may have when sending goods to another country. Language, currencies and distances were often considered.

(d) This question proved to be quite difficult. Many candidates wrote about the advantages of using containers rather than container terminals. Container terminals are provided because much of global trade is shipped in containers, shipping companies want quick turnaround of ships, the cost of dock labour is saved and they provide a secure environment for stacking containers awaiting transport.

(e) One or two candidates confused ports with airports. Most candidates had no difficulty presenting a list of services provided by ports such as deep water access, warehousing, office buildings, repair facilities, refuelling, provisioning, wharves and jetties, pilots, lighthouses and tugs as well as security.