

# Mark Scheme with Examiners' Report

## GCE O Level Commerce (7100)

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**Mark Scheme with Examiners' Report**

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## COMMERCE 7100, MARK SCHEME

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### Question 1

#### a) Primary production types

Mining, agriculture (or farming), fishing, quarrying, forestry, drilling, wind/wave energy.  
(1 mark allowed for 'extractive' or equivalent.

1 mark for each of 3 different types, plus

1 mark for 1 point of description or example of each.

6

#### b) Necessity for manufacturing

Sources of power needed to drive machinery – coal, wind energy.  
Raw materials – needed as basis for making/processing (finished goods).  
Without these, nothing to work on – no goods produced.

##### Examples –

Timber is needed to make wooden furniture.

Iron is needed to make steel to make cars.

Coal is needed to generate electricity to drive lathes and computers.

1 mark per point of general explanation, plus

1 mark for development plus 2 marks for each of two explained answers.

8

#### c) Value-added at primary stage

Raw materials are worked upon – to make available.  
Coal has to be dug from the ground – no use where it is.  
Timber has to be grown and cut – no use in the forest.  
Labour and machinery has to be used to carry out primary production.  
Cost has to be taken into account – wages and fuel (and profit for enterprise).  
Raw materials have greater value after extraction.  
Sold at a price – no value "in the ground".  
Therefore value has been added by the primary process.

1 mark per point plus 1 mark for development of each.

6

**Total mark**

**20**

## Question 2

### a) Chain store/independent differences

**Chain** – many branches (10+), run by company (possibly a multinational), stores generally larger, located in main shopping centre, central buying (bulk), own distribution warehouses, buying from producers.

**Independent** – few branches (1 to 9), run by sole owner, shops generally small, located alone or in small shopping centres, buying through wholesalers, buying on small scale.

**1 mark** for each point of difference for each store – max. four differences x 2 marks **8**

### b) Advantages of large chain stores

Bulk buying – lower costs – higher profits.

Bargaining power – lower costs – lower prices.

Large size – wider range of brands – more choice.

Specialist staff – more effective in work

Eg. Specialist buyers and marketing staff.

Can raise finance more easily – greater security.

Better locations – more customers pass by the store.

Good facilities attract customers, eg. toilets, restaurants

Generally – economies of scale – definition.

**1 mark** per point plus **1 mark** for development of each **6**

### c) Independent survival methods

More personal service – attention to individual needs.

More convenient locations – no travelling for customers.

Opening longer hours – convenience for “sudden” needs.

Membership of voluntary chain – cheaper goods.

Buying from cash and carry warehouse – no delivery charge.

Self-service – reduction in staffing needs.

Start accepting credit cards – customers likely to buy more.

Delivery – may start to deliver orders to customers.

Advertising more – eg use of leaflets distributed door-to-door locally, or newspaper inserts.

**1 mark** per point plus **1 mark** for development of each **6**

**Total mark 20**

### Question 3

#### a) Home trade/Foreign trade

Home – between consumers/businesses within same country (internal) – wholesale/retail.

Foreign – between consumers/businesses located in different countries (external) – abroad/overseas – imports/ exports.

**2 marks** for a good definition of each; **1 mark** for partial of each

**4**

#### b) Bills of lading/bills of exchange

##### (i) Bill of lading

Document of title – providing a claim to ownership of goods.

Shipping contract – between shipping company and exporter.

Freight receipt – for amount paid for transporting goods.

Receipt for goods – when shipping company takes possession.

Drawn up by exporter/agent – signed/returned by shipping company.

Copy sent to importer – to claim goods on arrival by ship.

Quasi-negotiable instrument – can be transferred to others.

##### (ii) Bill of exchange

Method of payment by importer to exporter

Means of providing credit – importer pays later.

Means of security of payment – for the exporter.

Drawn up by exporter – signed acceptance by importer.

Importer pays against bill – on due date

Can be 'discounted' by exporter – money advanced by bank.

Negotiable instrument – can be transferred to third party.

Importer may require bill of lading – before accepting bill of exchange.

**1 mark** per point plus **1 mark** for development of each  
(Max. 6 marks for either type of bill)

**10**

#### c) Documents different in foreign trade

Examples: certificate of origin, Customs specification, Customs entry, export invoice, health certificate, etc

Foreign trade crosses national boundaries – regulations apply.

Imports/exports have to be recorded – Customs requirement.

Some may be charged duties (at different levels) – others not.

Duties may vary also according to origin – free trade areas.

Greater distances – more chance of problems, eg. loss of goods.

Different legal systems – debts more difficult to recover.

Greater risk of loss off goods – more need for insurance cover.

**1 mark** per document plus **2 marks** for explanation of each  
(Max. 4 marks if no documents named)

**6**

**Total mark**

**20**

#### Question 4

##### a) Suitable form of credit for buying:

Houses – loan secured by mortgage.  
New cars – hire purchase, credit sales (instalment credit)  
(allow bank loan)  
Restaurant meal – credit card (not cheque or debit card)

1 mark for each of three suitable forms

3

##### b) Distinguishing features

###### Eg. Mortgage loan

Usually very long-term – 10 to 25+ years  
Loan secured against property value – usually up to 95%  
Bank/building society provides loan – charges interest usually on annual balance  
Can sell property if borrower defaults – to recover loan.  
(NB Reference to 'mortgage' not required, but description of credit must be relevant to house purchase.)

###### Eg. Hire purchase

Usually medium-term – two to three years normally.  
Buyer is only hiring car during loan repayments – has right to purchase when fully paid.  
Finance house provides loan – has right to repossess vehicle if buyer defaults on payments.  
Needs court order – if one third or more repaid.  
Interest charged on full amount – over full loan period

###### Eg. Credit card

Usually short-term – monthly repayments.  
Only around 5% minimum needs to be paid monthly – but can repay up to full amount.  
Additional goods can be bought – up to set credit limit.  
Interest charged on outstanding balance – each month.  
Bank/finance company issue card – take court action to recover debt if holder defaults.

1 mark per point of difference plus 1 mark for development of each  
(max. 4 marks for any one method)

12

##### c) Why buy on credit?

Not enough money to pay for expensive goods – would have to save/wait.  
Might not have will to save – unless required by lender.  
Can have goods at once – and can enjoy them earlier.  
Earlier enjoyment – compensates for interest paid.  
Need to keep cash reserve – for 'rainy day'.  
Can take advantage of price reductions (sales) - even if not sufficient cash.  
Compulsive buying - can use credit without having to have cash on you.  
Can beat inflation – buy now to avoid future price increases.  
May use credit to obtain freebies (gifts) – eg. free flights.

1 mark per point plus 1 mark for development of each.

5

**Total mark**

**20**

## Question 5

### a) Goods frequently sent by air (4)

Letters, documents, flowers, soft fruits, medical supplies, gold, jewellery, designer clothing, precision instruments, glass/china goods, computer equipment, spare parts for machines, body parts for transplants, small animals (plus any other valid types).

**1 mark** for each of **four** types of goods sent by air for **different** reasons **4**

### b) Reasons why goods in a) sent by air

Eg. Flowers because very perishable – speed of delivery  
Precision instruments because very valuable in relation to weight – freight charge a low proportion.  
Gold because very valuable – greater security possible by air.  
Jewellery because takes limited space compared to value – air has limited capacity.  
Glass/chinaware because careful handling needed – less chance of breakage.

**1 mark** per different reason plus max. **2 marks** for development of each.  
(Max. 6 marks if less than 4 reasons) **8**

### c) Air transport developments (2)

Larger aircraft/special cargo planes – greater carrying capacity  
More efficient engines – lower fuel costs.  
More airports – closer to final destination.  
Faster aircraft – greater use of planes.  
Improved terminals – faster handling of cargo.  
Lightweight containers – fast/efficient loading/unloading.  
Greater competition – more airlines, pushing prices down.  
Improved safety – reduced insurance costs.

**1 mark** per point plus **1 mark** for development of each. **4**

### d) Air transport – expensive (2)

High cost of operation/fuel/maintenance – in relation to capacity.  
Limited payload – higher cost per unit carried.  
Aircraft expensive – in relation to space available.  
Airports need large land area – and expensive facilities.  
Monopoly of speedy delivery – no other choice for fast delivery over long distances.

**1 mark** per point plus **1 mark** for development of each. **4**

**Total mark 20**

## Question 6

- a) (i) **Brokers** – sell policies to the public (find customers) – on behalf of insurance companies/underwriters at Lloyd’s.  
Working for customers – finding ‘best’ policy for individuals/businesses.  
Collect premium income for insurance companies – receive commission.  
Middlemen (1 mark).

**Actuaries** – calculate the level of risk – estimate potential loss.  
Calculate insurance premium rates – to cover losses.

**Assessors** – check that claims are covered by policies – and are genuine.  
Assess the correct value of claims – to ensure that insured are correctly compensated.

**1 mark** for each point of role description (max. 3 for each role) **9**

(ii) **Importance in ensuring profitability**

**Brokers** – relied on to sell policies – the more sold the higher the premium income.

**Actuaries** – relied on to fix premium rates correctly – losses if too low/fewer customers if too high.

**Assessors** – relied on to ensure that excessive claims are not made – if too high, pay-outs will be too great.

**1 mark** per point plus **1 mark** for development of each (max. 2 for each) **6**

b) **Reasons for overall loss (2)**

Future losses/claims may be greater than expected from past experience, eg. more floods/storms.

Premium income may be lower because of less demand, eg. greater competition from other companies.

Premium income may be lower because of less demand for insurance policies in general, eg. economic downturn.

Underwriters may miscalculate premiums/risk levels, eg. claims higher than figures used.

Poor investment of funds – will result in lower income, eg. low company dividends/share prices, closure of companies.

**1 mark** per point plus **2 marks** for development /example.  
(max. 2 points and 3 marks per point) **5**

**Total mark** **20**

## Question 7

### a) Advantages from using wholesalers

#### (i) Retailers –

Can buy goods in smaller quantities – not bulk.  
Less storage space needed – money not tied up in stock.  
Greater variety available from one source – range of goods.  
Variety of brands – not just one manufacturer's.  
Warehouses more local – stock can be quickly replaced.  
Specialised knowledge available – best lines recommended.  
Credit provided – can pay after goods sold.  
No need to contact many manufacturers – range from one source.

**1 mark** per point plus **1 mark** for development of each (max. 6)

#### (ii) Manufacturers

Bulk quantities sold at one go – not small quantities to small retailers.  
Less money tied up in stock and less storage needed.  
Also, less paperwork/administration needed eg. fewer invoices.  
Market information received – wholesaler closer to consumers.  
Provided storage for goods which have seasonal demand, eg. heating fuels  
Avoidance of losses, eg. through fashion/price changes, soiling.

**1 mark** per point plus **1 mark** for development of each (max. 6)

**10**

### b) Reasons for wholesalers never important in some trades

Large goods taking much storage space eg. furniture, cars.  
Specialised goods – made to individual requirement eg. glasses.  
Goods where very small market – insufficient trade eg. climbing gear.  
Technical goods – specialist advice needed, eg. boiler installation.  
Bespoke tailoring – made to individual measure as demanded.

**1 mark** per point plus **1 mark** for development/example

**4**

### c) Reasons for general decline

Increased branding by manufacturers – wish to control flow to retail outlets  
Growth of large-scale retailing – can buy in bulk.  
Large-scale retailers can negotiate on price – strong position.  
Number of small shops has declined – fewer buying from wholesalers.  
More direct selling by manufacturers, eg. mail order, internet, own shops.

**1 mark** per point plus **1 mark** for development of each

**6**

**Total mark**

**20**

## Question 8

### a) Methods for reducing buying-in costs (2)

Looking for other suppliers – offering lower prices/higher discount.  
Buying cheaper goods – different brands.  
Buying in large quantities at one time – bulk discount.  
Joining a voluntary group/chain – greater buying power.  
Cash and carry warehouse – no delivery charge (reducing carriage inward costs).  
Paying involves earlier – gaining cash discount.

**1 mark** per point plus **2 marks** for development of each (x2 max.) **6**

### b) Operating expenses reduction (2)

Working more in shop yourself – fewer staff/lower wages.  
Reducing credit given – fewer bad debts.  
Moving premises – to area where rates are lower.  
Introducing self-service – lower staff costs.  
Collecting goods from suppliers – no delivery charges.  
Buying stock 'just-in-time' – lower storage costs.  
Training for staff – increasing efficiency.

**1 mark** per point plus **2 marks** for development of each (x2 max.). **6**

### c) Lower gross profit margins

Reduce profit for each article sold, but lower prices attract more custom/sales, so overall profit rises.

**2 marks** for good answer; **1 mark** for partial answer **2**

### d) Advertising method (affordable)

(i) Local newspaper, display boards/posters, leaflets delivered locally (not TV/radio)

**1 mark** for one method **1**

(ii) Eg. local paper – read by many people not living too far away, reasonably cheap.

**1 mark** per point plus **1 mark** for development **2**

#### (iii) Net profit increase

GP	$£33\,000 \times 10\% = £3\,300$
Expenses	$£18\,000 \times 5\% = £\,900-$

Increase in net profit  $£2\,400$

**3 marks** for correct answer; max. **2 marks** for correct workings only **3**

**Total mark** **20**

## Question 9

### a) (i) Work as Government's bank

Issues coins and notes (prints) – legal tender.  
Holds government accounts – for day-to-day transactions.  
Lends to government – only short-term for temporary imbalances.  
Issues government bills/bonds – longer term borrowing.  
Fixes interest rates (base rate) – to influence borrowing/lending.  
Controls the supply of money – implements monetary policy.  
Influences foreign exchange rates – market intervention/exchange controls.  
Represents country in international monetary matters – eg. IMF meetings.  
Gives general advice to government on state of economy.

**1 mark** per point plus **1 mark** for development of each (up to **8 marks**)

### (ii) Work as Bankers' bank

Provides banks with new notes and coins – for customers.  
Holds accounts of main commercial banks – acts as reserve.  
Settles accounts between banks – following daily clearings.  
Provides funds for banks when money "tight" – through discount market (lender of last resort).  
Ensures that other banks operate within rules – eg. keeping adequate reserves/liquidity.

**1 mark** per point plus **1 mark** for development of each (up to **8 marks**)

(Max. **8 marks** for either within overall max. of **14 marks**)

**14**

### d) Importance of its work to economy (2)

Keeping interest rates at right level – to control inflation – to prevent deflation/recession – encouraging/discouraging spending – control of money supply.

Ensuring that banking system does not have problems – avoiding possible collapse of banks – causing business bankruptcy.

Keeping foreign exchange value of pound at a suitable level  
– not too high for exporters  
– not too low to encourage too many imports  
– preventing balance of payments problems.

**1 mark** for each of 2 points plus **2 marks** for development of each

**6**

**Total mark**

**20**

# COMMERCE 7100, CHIEF EXAMINER'S REPORT

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## General Comments

The number of candidates entering this examination was similar to that of the previous two years. This year's candidates performed slightly better than candidates in previous years. The paper was considered to be slightly more accessible compared with that for May 2003, and grade boundaries were raised to compensate for this. The overall result of these changes was an encouraging rise in the pass rate for all grades from A to D.

The standard of English continued in general to be good, and ability in the language was not a barrier to performance for most candidates. Errors of English are not penalised as such; what is important is an ability to be understood.

The following were broad weaknesses across many centres. Teachers and candidates may find it useful to consider ways of avoiding these, in order to score higher marks in future examinations.

1. Candidates frequently had difficulty in answering one or two parts of three- or four-part questions, thus severely limiting the number of marks which they could score. This appears to suggest that candidates had not prepared broadly enough on each topic chosen.
2. Following from point 1, candidates had considerable difficulty in applying their knowledge, as in previous examinations. Instead of using their knowledge as requested, they often simply repeated that knowledge and gained no additional marks. A good example of this was in Q2 (see individual question comments) where candidates were asked in Q2(b) to use the knowledge from Q2(a) to explain why large chain stores had increased their trade at the expense of independent shops. For example, they buy in bulk from manufacturers (fact) and receive bigger discounts (fact), so that they can afford to charge lower prices which will attract more customers to their stores (application).
3. As in previous examinations, candidates often ignored the context in which some questions were set. This applied particularly in Q8 (see individual question comments) which was about a small local foodstore. Any points in answers which were not valid in that context were not awarded marks, for example, advertising on TV.
4. Key/command words in questions continued to present some problems for candidates, coupled with ignoring the number of marks allocated to a question part. For example, Q4(a), for three marks, required only the names of three types of credit to be given for the three types of goods stated. Any description given in Q4(a) was unnecessary and no marks were awarded. A second example was Q5(a), which required four types of goods to be listed for four marks, with no detail required.
5. Candidates often misread or misinterpreted the questions, missing key words in the questions. For example, Q1(c) asked about value-added by **primary** production, not by secondary production; Q5(a) asked about types of goods carried by air for **different** reasons, not the same reasons; and Q6(b) asked about the cause of insurance companies' **overall** losses, not about losses relating to individual customers.

In addition to these general weaknesses, the following specific syllabus areas tended to produce poor answers, indicating that they need more attention from candidates:

1. The meaning of 'value-added' in the production chain, with reference in particular to primary production (Q1(c)).
2. The reasons why multiple (chain) stores are more competitive than independent shops (Q2(b)).
3. The use of bills of lading and bills of exchange in foreign trade (Q3(b)).
4. The buying situations in which different forms of credit are used and the key differences between those forms (Q4(b)).
5. Developments in air freight transport which have helped to lower costs (Q5(c)).
6. How brokers, actuaries and assessors contribute to the success of insurance companies (Q6(a) (ii) and Q6(b)).
7. The reasons why wholesaling has never been important in some trades (Q7(b)).
8. Ways in which businesses improve their profitability (Q8).
9. The importance of a central bank's work to the success of a country's economy (Q9(b)).

However, candidates tended to perform well in their answers on the following topics:

1. The reasons why particular types of goods are carried by air transport (Q5(b)).
2. The advantages gained by retailers and by manufacturers from using wholesalers (Q7(a)).
3. The reasons for decline in wholesale business (Q7(c)).
4. The role of the central bank as the government's bank (Q9(a) (i)).

### **Individual Question Comments**

#### **Question 1**

- (a) A significant proportion of candidates did not recognise that the question required at least three of the broad types of primary production, such as farming, mining and fishing, and consequently focused only on specific examples of primary products, for example coal, fruit and fish. No more than three out of six marks could be awarded without reference to the broad types.
- (b) Common examples chosen were timber for chairs and cotton for dresses, and candidates generally showed understanding that the manufacturing of finished goods is not possible without the raw materials, although the need for power was less frequently mentioned. Some candidates did not realise that steel and plastic are not primary raw materials.
- (c) The most difficult part of the question on 'value-added' was problematic for many candidates, although there were some excellent answers gaining the full six marks. Candidates often saw it simply as higher prices being charged at each stage of production, without understanding what lay behind such price rises. Also, many candidates did not recognise that the question asked about value-added only at the

- (d) primary stage, and wrote irrelevantly about value being added by the secondary and tertiary branches of production.

What was required was reference to the idea that products in their purely natural state and location have no value and that they need to be extracted and made available to gain utility and therefore value, for example coal underground and coal on the surface. By adding to this some reference to resources having to be used to extract from the earth, and therefore costs being incurred, candidates would have earned the full six marks.

## Question 2

- (a) Answers were often disappointingly poor for such a standard topic as this. Key differences relating to the number of branches, scale of buying, ownership, size and location were all that were needed for good marks, but many candidates focused on peripheral issues and on points which did not distinguish or were incorrect. For example, candidates often said that independents did **not** sell a range of goods whereas multiples did, which is an incorrect distinction. Other errors were that multiples had parking facilities whereas independents did not, and that independents gave credit whereas multiples did not (NB Store cards and credit cards).
- (b) In this part, many candidates were unable to distinguish between the facts given in Q2(a) and the need for the **application** of those facts in Q2(b), ie the reasons why the features of multiples made them more competitive than independent shops. A simple example is bulk-buying direct from manufacturers leading to lower costs (facts) and therefore lower prices for customers, who are attracted to buy (a reason why multiples are more successful).
- (c) This part, on why many independents continue to survive, was better answered than Q2(b), and there were many good points regarding convenience of location, personal service, informal credit, membership of voluntary chains, and cash and carry warehouse buying.

## Question 3

- (a) For the full four marks, candidates needed to refer only to home trade being within a country, often involving retailers and wholesalers, and to foreign trade being between countries, generally involving importers and exporters. Instead, many wrote in great detail about differences (often inaccurate) such as the types of goods imported/exported, the types of transport used and the different languages involved. Candidates should note the number of marks allocated, to help them respond with an appropriate length of answer.
- (b) Weaker candidates had little, if any, knowledge about bills of lading and bills of exchange, but even the better candidates often ignored the question requirement to explain the **use** of those bills rather than the detailed content. A pure list of contents did not gain any marks. In the case of bills of lading, references to their use as documents of title, a shipping contract, a freight charge receipt and a goods receipt were required. In the case of bills of exchange, references to their use as a method of payment, a means of giving credit, a form of security and a negotiable instrument were required.
- (c) Candidates were often able to name two other documents used in foreign trade, but were sometimes unable to relate these clearly to the reasons for them being needed in foreign trade. General answers about language and currency differences were often irrelevantly given. A simple reference to the certificate of origin and the need to identify

the source of goods because of varying import duty rates and other restrictions would have gained three marks. Similar reference to another document would have gained the second three marks.

#### Question 4

Many candidates found this question to be difficult because they were unable to relate a correct form of credit to each of the three items given: houses, new cars and restaurant meals.

- (a) For houses, very few candidates had knowledge of mortgage loans or building societies. Hire purchase was commonly given for buying new cars, but vague references to instalment buying were not given marks. Leasing was also excluded because one is not **buying** the car by this method. 'Credit cards' was the intended answer for restaurant meals, and it should be noted that cheques and debit cards are not forms of credit.
- (b) If candidates failed to identify mortgage loans or building societies, marks were still awarded for distinguishing features of lending in this market, for example long-term loans for ten to twenty-five or more years. For hire purchase, candidates often failed to identify the key distinguishing features, for example hiring until ownership with the final repayment and the lender's repossession rights. General references to instalment payments and interest did not gain marks. Credit cards were often well-explained and distinguished from the other forms of credit, but weaker candidates often lapsed into irrelevant detail about the card machines, slips and signatures.
- (c) Candidates generally made a reasonable attempt at explaining why people buy on credit in general. However, there were some irrelevant points, such as reduced chances of theft, and also some incorrect points such as credit raising the living standards of poorer people. One may obtain goods earlier, but they still have to be paid for (plus interest).

#### Question 5

- (a) Candidates had some difficulty identifying the types of goods frequently sent by air. Letters, documents, flowers, medical supplies and gold/jewellery were some of the types allowed. General references to expensive, fragile, urgent or perishable goods were not given marks in Q5(a), but were credited in Q5(b) as 'reasons' for sending goods by air. 'Passengers' was not allowed, as the question referred to 'goods'.
- (b) Candidates who identified goods correctly in Q5(a) were generally able to give satisfactory answers to Q5(b), for example flowers are perishable and therefore need the speed of the aircraft to get them to the market quickly (two marks). However, the question asked for four goods which were carried by air for **different** reasons, so, for example, flowers and soft fruits were not both allowed because the reason for both relates to perishability and the need for speed.
- (c) Candidates often did not show any knowledge of air transport developments, such as the use of containers, larger loading bays and more airports. Weaker candidates often repeated, irrelevantly, the advantages of air transport.
- (d) Many candidates were not prepared for this question, so their responses, such as air transport being expensive because it has high costs (why?) and because sea transport is cheaper, did not answer the question. Basic points such as limited payload, high purchase cost and high fuel costs per load were all that was required for four marks.

## Question 6

- (a) There were many good answers to Q6(a) (i), but candidates in general had a much better knowledge of the role of brokers than of actuaries and assessors. Weaker candidates thought that brokers were **employed** by insurance companies and had not heard of actuaries or assessors.

Instead of applying in Q6(a) (ii) their knowledge show in Q6(a) (i), many candidates often repeated, in different words, what they wrote in Q6(a) (i), thus gaining no extra marks. Taking brokers as an example, for two marks candidates only had to say that insurance companies relied on them for selling policies and generating premium income.

- (b) This part was generally not well answered. The main problem was that candidates often focused on insured individuals rather than noting that the word 'overall' loss was placed in bold in the question. Common examples of this were for candidates to focus on a person having a car accident which cost the insurance company more than the annual premium or on a person who gave wrong information on the proposal form. Unpaid premiums was another answer for which no marks were given. At the same time, there were some excellent answers, referring, for example, to competition between insurers, economic recession and exceptional weather conditions.

## Question 7

- (a) Candidates generally showed good knowledge and understanding in this question part, and there were frequent references to the breaking of bulk, variety from one source, storage and specialised knowledge. However, there was a considerable amount of out-dated information about the work of wholesalers, for example, the advertising of manufacturers' products, branding the goods and carrying out packaging. These functions have now been largely absorbed by the manufacturers themselves.
- (b) Candidates were poorly prepared for this four-mark question, which asked why wholesalers had **never** been important in some trades. Answers were often about why wholesaling was in decline, therefore repeating the content of Q7(c) responses. Reference to items such as furniture which require much storage space, and to goods such as climbing gear which have limited demand, was all that was required for full marks.
- (c) This was answered much better, and the impact of large retailers was well explained in particular, in both terms of bulk-buying and putting small retailers (the wholesalers' customers) out of business. References to manufacturers' own shops were also common, but the growth of franchising and brand loyalty were not considered relevant to the question asked.

## Question 8

Candidates should note the context in which a question is set. This question was set in the context of a small local foodstore, and any points in answers not relating to this context were considered irrelevant.

- (a) Weaker candidates confused the costs of buying-in new goods with general expenses, often then repeating points in answer to Q8(b). Examples of points required were looking for alternative suppliers, buying cheaper brands and joining voluntary chains.
- (b) This part specifically stated 'without having any bad effects on your business', but often candidates did not take this into account, making unrealistic points like reducing your

staff's wages or sacking them all. Reading this question carefully would have also helped avoid responses such as 'reducing prices', which does not relate to operating expenses.

- (c) This two-mark question could not be answered by very many candidates, because they did not understand the phrase 'lower gross profit margins' or the possible implication for selling prices. A much better understanding is needed of how the various figures in business calculations inter-relate.
- (d) Again, candidates needed to look closely at the requirements of the question. Candidates often chose an inappropriate advertising method, such as TV, which could not be afforded by a small foodstore or which was unsuitable. Justification of such a method was therefore also irrelevant. However, many candidates completed the calculation correctly, although a common error was to give the new net profit total of £17,400 rather than the **additional** net profit of £2,400 as required by the question, causing one mark to be lost.

### Question 9

This question was surprisingly popular and there were many good answers.

- (a) As the Government's bank, there were frequent references to issuing coins and notes, holding government accounts, managing the National Debt, fixing interest rates, and foreign exchange intervention. However, a common error was for candidates to see the bank as funding government expenditure and as controlling government income and expenditure (rather than the Exchequer).

As the bankers' bank, candidates were less sure about the role of the central bank, and weaker candidates wrote about the work of the commercial banks for **their** customers. However, there were still many good answers, with frequent references to the role as lender of last resort, holding banks' reserves and settling daily clearings.

- (b) Answers here were less satisfactory, and weaker candidates saw the central bank as running the country's economy. More well-informed candidates often referred to the importance of determining the money supply and interest rates to control inflation (and deflation), and the need to keep a stable currency to prevent balance of payments problems.

### Summary Comments

1. The overall performance of candidates was slightly higher than in May 2003, taking into account the fact that the paper was marginally more accessible.
2. Candidates need to understand more clearly what it means to **apply** one's knowledge and to have more practice in such application.
3. The meaning and importance of command/question words continue to need more attention.
4. Candidates must ensure that they answer questions only within any context which may be given.
5. Candidates must ensure that they study topics sufficiently broadly to enable them to respond to all parts of questions.
6. Candidates must learn to respond only to a question as asked.

## **COMMERCE 7100, GRADE BOUNDARIES**

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<b>Grade</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Lowest mark for award of grade</b>	<b>62</b>	<b>50</b>	<b>39</b>	<b>34</b>	<b>25</b>

**Note:** Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.

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