CAMBRIDGE
International Education

Cambridge O Level

COMMERCE **7100/22**

Paper 2 Written **May/June 2026**

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-Specific Marking Principles
(for 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 DO 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 DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO 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
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. corrasion/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 (except Accounting syllabuses where they indicate negative numbers).

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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' 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 can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✓	Correct point
✗	Incorrect point
L1 L2 L3	Level one / Level two / Level three
BOD	Benefit of the doubt
BP	Blank page
OFR	Own figure rule
NAQ	Not answered question
REP	Repeat
SEEN	Indicates that the point has been noted, but no credit has been given.
TV	Too vague

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Question	Answer	Marks	Guidance
1(a)(i)	**Which method of appeal is shown in Fig.1.1?** • Rational / free coffee / free offer / every 5th coffee is free / love of a bargain / value for money / saving money / reward/incentive to buy / buy 4 get 1 free	**1**	
1(a)(ii)	**Identify <u>two</u> other sales promotion methods that Twenty20 could use?** • Competitions/lucky draw • Free samples • Discounts/deals • Money-off vouchers/coupons • Point of sale • Free gifts • Buy one get one free/BOGOF/buy one get two free • Loss leaders • Early bird offers/limited time offers • Product bundles • Sales period • Special offer • Loyalty points	**2**	

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Question	Answer	Marks	Guidance
1(b)	**Explain two advantages to Twenty20 of using social media advertising.** • Cost-effective / cheap (1) advertising via social media is cheaper than traditional advertising media such as TV/other advertising methods / saves money advertising / reduces costs (1) • Comments can be shared / reposted (1) Twenty20 can reach a larger market / global market / posts can go viral / reach other consumers (1) • Visual storytelling / use of video (1) platforms are perfect for showcasing / creating appeal / e.g. cakes / menus / ambiance of Twenty20 (1) • Instant updates (1) e.g. information on special events, opening times • Direct advertisement / fast way to reach consumers (1) Twenty20 can interact directly with consumers through platforms such as Facebook / it helps the business form a connection with its customers / can connect with customers in real time (1) • Reaches target market / young people (1) the business can advertise on platforms that they know their target market users / use of algorithms (1) • Brand awareness (1) millions of people/global/ use social media/many people/large audiences on social media / relevant content will make consumers interested in the brand (1) • Brand loyalty (1) can build relationships with social chats (1) • Brand reputation (1) due to people posting positive reviews (1)	4	

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Question	Answer	Marks	Guidance
1(b)	• Feedback (1) Twenty20 can get feedback from customers via comments/direct messaging on social media (1) • Increase sales / attract new customers/customers (1) with special offers/sales promotions (1) • Partner with influencers / celebrities (1) to create content / to encourage consumers to go to Twenty20 / promote the coffee shop (1)		
1(c)	**Do you think selling ethically sourced coffee is a good idea for Twenty20? Give reasons for your answer.** Yes – can be used as a marketing tool to promote their business (1) increasing ethical awareness (1) doing the right thing / moral code (1) giving them a competitive advantage (1) attracting customers / to buy the coffee (1) selling quality/sustainable/organic/fair trade coffee/green approach (1) having corporate social responsibility (CSR) (1) have a good brand image/reputation (1) increasing customer loyalty/brand loyalty (1) increasing sales/profits (1) leading to repeat customers (1) people willing to pay a premium price (1) there are environment benefits (1) no pollution (1) as there are less waste (1) uses up less plastic (1) reduces risk of boycotts (1) from pressure groups (1) will attract employees to work at Twenty20 (1) who will be motivated to work there (1) will attract investors (1) No – finding suppliers can be difficult (1) reducing the product choice sold (1) can be costly / these suppliers can charge more money (1) leading to increases in Twenty20 costs (1) have to increase prices (1) making them less competitive (1) less demand/less sales (1) especially as some consumers can be sceptical of ethical approach (1)	**3**	

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Question	Answer	Marks	Guidance
1(d)	Twenty20 is planning to expand the business. It is considering two options: Option 1: buying existing coffee shops Option 2: selling Twenty20 franchises to new businesses. **Discuss both options. Which option would you recommend? Give reasons for your answer.** **Arguments for and against buying existing coffee shops:** • It will have an established infrastructure and an existing customer base. This could save Twenty20 is considerable time and resources required to go out and purchase new coffee shop locations. They can use existing staff to serve customers • An established coffee shop often has a brand reputation and goodwill in the market. Customers recognise and trust the coffee shop, which can help a new owner retain existing customers and attract new ones • Acquiring an existing coffee shop can mean immediate cash flow and revenue generation. The business is already operational, generating income, and has an existing customer base This can provide a steady revenue stream from day one, reducing the risk and uncertainty of starting a new venture • Because they are in the same type of business, it can reduce competition.	**8**	

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Question	Answer	Marks	Guidance
1(d)	• However, acquiring an existing coffee shop requires an upfront investment. The purchase price of the business, along with any associated fees, legal costs, and due diligence expenses, can be significant. This financial commitment maybe stretching Twenty20's finances • The existing employees, customers, or suppliers may resist change after a business acquisition, especially if the new shops do not have sell ethical products. **Arguments for and against offering franchise opportunities:** • For each franchise that is opened Twenty20 will receive a fee to use their name/logo, so every time a franchise opens Twenty20 can use the fees to expand by opening more shops themselves • Franchising the business can be a cost-effective way to grow her business as they will not have to cover the cost of investing in new premises or staff • Additional sales lead to additional profit and in the long-term, so that Twenty20 should have a saleable asset for your future • Easier management as the franchisees run their businesses therefore reducing the management demands placed on Twenty20 • Franchises develop the brand so the more franchisees the better known the brand becomes • A larger business is more secure and additional turnover and profit can provide access to better deals for equipment, vehicles and other business purchases		

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Question	Answer	Marks	Guidance
1(d)	• However, there are many costs involved to get a successful franchise model in place for future growth of the business including investment in preparing legal documents, paying the license fee, operations manuals, marketing materials and recruitment/training • Franchising will take a lot of time and investment especially when initially setting up the franchise model as Twenty20 will have to take the time to ensure they attract the right franchisees and control what they do • Twenty20 will have to develop training and support for the franchisees to successfully sell their brand which can be expensive and time-consuming • The franchisor's business will be at risk if the franchisee is unsuccessful or makes a bad decision or an example of poor hygiene as this could damage its brand/reputation. **Evaluation:** Overall, I recommend that Twenty20 buys one or two existing coffee shops. Ultimately, purchasing existing coffee shops should be based on a thorough assessment of the value, growth potential, and compatibility with the Twenty20's ethical approach. The costs and time setting up the franchise model may be too expensive for Twenty20 and it may take too long to expand. Also, the more franchises Twnety20 sets up the greater the workload to manage and monitor what they do.		

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Question	Answer	Marks	Guidance
2(a)(i)	Farming is concerned with the **primary** (1) sector of production.	**1**	
2(a)(ii)	Wholesaling is concerned with the **tertiary** (1) sector of production.	**1**	
2(b)	**State <u>two</u> ways road transport might be used by Rayan's business.** • Deliver potatoes/goods to wholesalers / local independent retailers/retailers • In order to meet the wholesalers / local independent retailers • To advertise on the side of vehicles/own transport • To travel around the farm • To transport machinery / tractors • To obtain farm supplies/e.g. fertilisers/seeds/resources to grow potatoes • Transporting/moving potatoes to warehouse • To carry potatoes to sell at the farmers' market/market.	**2**	
2(c)(i)	**Describe how wholesalers support Rayan's potato business in breaking bulk**. • Wholesalers buy large quantities of Ryan's potatoes (1) and sells/packs in smaller quantities (1).	**2**	
2(c)(ii)	**Describe how wholesalers support Rayan's potato business in risk bearing.** • The wholesaler buys ahead of demand (1) risk of losses/selling at a loss (1) if potatoes rot/go bad/stolen/damaged (1) and if demand falls (1) cannot sell the potatoes (1) they will bear the loss of unsold potatoes/stock/stock build up/price fluctuations (1)	**2**	

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Question	Answer	Marks	Guidance
2(d)	**A national supermarket chain has offered to buy all the potatoes that Rayan produces for the next four years. The supermarket's offer is at a slightly lower price than Rayan charges the wholesalers and local independent retailers.** **Discuss whether Rayan should sell to the national supermarket chain. Give reasons for your answer.** A national supermarket chain means a retail food chain, brand name, or business operating more than 100 retail branches. They are a large-scale retailer selling a variety of goods A wholesaler is a company or individual which buys products in large quantities from a manufacturer then sells them to retailers A local independent retailer is a small business that is privately owned and operated, often by an individual or a family.	**6**	Up to 2 marks for **describing** national supermarket chain / wholesalers / local independent retailers Up to a further 2 marks for **analysing** whether (or not) Rayan should sell to the national supermarket chain Up to a final 2 marks for **evaluating** whether (or not) Rayan should sell to the national supermarket chain

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Question	Answer	Marks	Guidance
2(d)	Advantages of selling to the supermarket chain rather than to wholesalers and local independent retailers: • Fixed price so that Rayan can plan his income more easily • Selling at a lower price to a supermarket will increase his sales • A national supermarket chain will be well established so payment will be certain • Delivery will be to one place so saving money/fuel costs and time going to various destinations • Rayan knows that he is guaranteed to sell all of his potatoes/output so will give him confidence in his business • Supermarket will buy in bulk/large amounts/all of the stock so preventing unsold stock/reduced sales • Supermarket will have continuous demand/attract large numbers of consumers so increasing sales • As potatoes are being sold direct there is no need to use wholesalers for warehousing • The potatoes will not deteriorate as they be sold directly to the supermarket • Guaranteed market for four years/long term agreement so giving Rayan certainty / business confidence for four years • Supermarket can promote his brand so turnover increases.		

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Question	Answer	Marks	Guidance
2(d)	Disadvantages of selling to the supermarket chain rather than to wholesalers and local independent retailers: • The contract is at a lower/cheaper price, which will mean less income / lower profits/profit margins for Rayan • The local independent retailers may go out of business faced with supermarket competition and a lack of supply which could make Rayan unpopular in the community. • It could also mean that, when it is time to renew the contact, there are less alternatives to the supermarket chain, who will then be able to dictate lower prices as wholesalers/retailers may not be interested in buying from him • The supermarket may close so he will need to find new businesses to trade • He will not be able to receive the wholesaler benefits such as knowledge on market trends • Prices cannot be altered to allow for any new external factor such as a recession • Wholesalers give Rayan a higher price so he would have gained higher profits **Evaluation:** The steady contract with the supermarket is attractive but may have negative long-term implications such as Rayan losing the goodwill of the wholesaler and the local community. One solution would be to enter into a contract with the supermarket chain for say 50% of his potatoes and retain the other 50% for the wholesalers and local independent retailers.		

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(a)(i)–(iii)</td><td>
<table>
<tr><td></td><td>Pushchairs ($)</td><td>Prams ($)</td></tr>
<tr><td>Revenue</td><td>$752 800</td><td>$985 600</td></tr>
<tr><td>Cost of sales</td><td>$424 575</td><td>(i) 663 150</td></tr>
<tr><td>Gross profit</td><td>(ii) 328 225</td><td>$322 450</td></tr>
<tr><td>Expenses</td><td>$168 750</td><td>$114 320</td></tr>
<tr><td>Net profit</td><td>$159 475</td><td>(iii) 208 130</td></tr>
</table>
</td><td>3</td><td></td></tr>
<tr><td>3(b)</td><td>State the formula for the calculation of revenue.

• Selling price per unit/price per unit/sales price × number of units sold/units sold/quantity sold/number of sales OR
• Cost of sales + gross profit.</td><td>1</td><td></td></tr>
<tr><td>3(c)</td><td>Give <u>one</u> way to reduce cost of sales.

• Finding cheaper suppliers / negotiate better rates
• Cheaper raw materials /discounts
• Buying in bulk
• Substitute lower cost materials/source cheaper high-quality alternatives
• Reduce waste / use lean production
• Improve inventory control/avoid over-stocking/avoid carrying discontinued stock
• Increase efficiency / automate processes/use of technology.</td><td>1</td><td></td></tr>
</table>

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Question	Answer	Marks	Guidance
3(d)	**Do you think selling online is the best way to sell baby strollers and prams?** **Give reasons for your answer.** Yes – There are reduced operating costs (1) such as rent (1) less labour required (1) as the retailer does not need physical premises (1) less storage problems (1) e.g. no limits on brands/strollers/prams that can be held (1) so higher profit margins (1) prices can be made lower (1) making them more competitive than high street shops (1) customers can shop at any time / when they want (1) 24/7 (1) global reach / large amount of consumers (1) attracts more customers (1) more likely to buy online (1) in different places (1) increase in sales/profits (1) can use videos/mages to promote the products (1) to make it more persuasive/appealing to consumers (1) can review comments/likes (1) to engage with customers (1) can target mothers (1) pregnant women may not want to travel to shops / are too busy (1) prefer to have it delivered (1) reduces stress (1) all information is processed automatically (1) e.g. order / delivery /payment (1) less paperwork (1) enabling quick completed transaction / use of digital payments (1) for customer sitting at home (1) immediate cash flow for the retailer (1) website can be easily updated / to make is more appealing (1) and can retarget ads to promote toddler gear as baby grows (1)	**3**	

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Question	Answer	Marks	Guidance
3(d)	No – High shipping/logistics costs (1) as prams are large/heavy/bulky (1) increasing retailer costs (1) There can be high development costs for creating the website/app (1) It is not as easy for the customer to speak directly to the business (1) e.g. if they have any queries about the product or need to make a complaint (1) may have delays to delivery (1) could lead to poor social media reviews if customer is not happy with the service (1) affecting business reputation (1) not all customers have access to the internet (1) so less potential sales (1) customers cannot see or touch the 'actual' stroller/pram (1) for features of the stroller/pram (1) need to check the quality/durability (1) for any defects (1) otherwise, they may not trust the website (1) may lead to less sales (1) may lead to increased return rates (1) better to go to a physical shop (1)		
3(e)	**SP would like to increase their revenue from selling baby strollers by offering a digital resale marketplace on its website.** **Discuss whether this a good idea for SP. Give reasons for your answer.** A digital resale marketplace allows consumers to buy/resell second-hand/used/pre-owned goods / to other consumers / at lower prices / by offering opportunities for them to do so through their website A website is a collection of publicly accessible, interlinked Web pages / that share a single domain name / accessible via the internet.	**6**	Up to 2 marks for **describing** digital resale marketplace / website Up to a further 2 marks for **analysing** whether it is a good idea for SP to increase their revenue by offering a digital resale marketplace on its website. Up to a final 2 marks for **evaluating** whether it is a good idea for SP to increase their revenue by offering a digital resale marketplace on its website.

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Question	Answer	Marks	Guidance
3(e)	Advantages of offering a digital resale marketplace: • Already have an established website so it is easy to add another section tab not costing much money or time • A second-hand pram business gives people a reason to visit the website leading to increased website traffic • SP can monetise returned strollers or refurbished strollers as another revenue /income stream without writing them off • SP will receive money from listing fees / transaction fees / charging commission so increasing revenue • More likely to reach customers or new demographics who cannot afford to buy an expensive new stroller increasing their customer base • Attract environmentally conscious consumers as second-hand products have a positive environmental impact as they reduce carbon emissions and save resources, water and energy. They keep the items from going to landfills and incinerators and replace the need for new items as they are extending the life of the product • Consumers will be attracted in buying brand new strollers if they have a facility of reselling them back to SP Disadvantages of offering a digital resale marketplace: • Customers may choose cheaper pre-owned goods instead of full-priced, newly manufactured items, potentially decreasing SPs revenue		

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Question	Answer	Marks	Guidance
3(e)	• There will be competition from social media digital platforms where consumers are more likely to look for second-hand strollers • Lower profit margin as SP has the added expenses of authenticating refurbishing items; profit margins are generally much smaller than those of new merchandise • Brand/quality control risks as if a consumer has poor user experience / damaged goods can directly tarnish SP's brand's reputation • SP cannot dictate the volume, timing, or condition of used items being traded, often leading to stockouts and shopper disappointment when desired items are unavailable • There may be internet disruptions / poor website design affecting SP's image • May be expensive to redesign the website leading to extra costs for SP • There will be extra administrative costs in making sure the website is maintained correctly • Extra health and safety checks will have to be made e.g. whether they comply with fire precautions / brakes are in working order. **Evaluation:** In terms of the environment, more consumers are now thinking about the sustainability and future resale market of goods when making a new purchase. So, there is potential increase in revenue, but much depends on the condition of the stroller sold and whether SP can attract people to trade on their website.		

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Question	Answer	Marks	Guidance
4(a)	**Define *logistics.*** • The planning or management framework/from producer (1) flow/movement of goods (1) storing/warehousing the goods (1) and transporting them (1) to the consumer (1)	**2**	
4(b)	**Identify one document that DD Ltd would use when moving goods to its customers.** • Delivery note / consignment note / packing list/slip / proof of delivery.	**1**	
4(c)	**Explain two advantages to the customers of DD Ltd of receiving goods by road transport.** • Door-to-door delivery (1) taken directly from the DD to the final destination / no transshipment / no need to travel to the store (1) • It is easy to locate / track goods (1) can know where the goods / when they will arrive (1) • Better supervision of goods / safer (1) less theft / damage to goods (1) • Fast/quick (1) over short distances / for local customers / due to highways / than sea transport / has flexibility to go on the shortest route/change routes / for perishable goods / less paperwork (1) • Cheaper (1) for short distances / than rail/air/sea transport / other transport methods (1) • More economical /cost effective (1) if regular customer / regular loads (1) • Different types of containers / more flexibility (1) can carry a range of customer goods (1) • Able to reach remote areas (1) which rail cannot reach (1)	**4**	

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Question	Answer	Marks	Guidance
4(d)	**A main competitor of DD Ltd has decided to start delivering goods in containers by rail.** **Do you think DD should be worried about this decision? Give reasons for your answer.** Yes – Rail transport can carry many containers/greater capacity on one train (1) and generally there are no weight restrictions (1) no traffic congestion (1) and less weather-related road closures/accidents (1) It can carry heavy/bulky goods (1) e.g. coal (1) in large quantities/amounts (1) cheap for long distances (1) fast over long distances (1) environmentally more friendly (1) with less pollution/carbon footprint than using road (1) can carry/safe for dangerous goods (1) e.g. nuclear material (1) No – Usually increased handling (1) can increase security concerns / risk of damage / theft (1) lack of door-to-door service (1) as transshipment is required (1) can cause delays (1) unless customer has own rail spur (1) road network is more accessible than rail (1) as rail restricted to track networks (1) unsuitable for short distances (1) and small loads (1) lack of flexibility in timings (1) as rail operate on fixed timetables (1)	**3**	

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Question	Answer	Marks	Guidance
4(e)	**Discuss the importance of insurance to logistics companies.** Insurance is a way to protect a business from financial losses (L1) like compensation claims (L1) from e.g. motor accidents, property damage or theft (L1) Examples of insurance risk includes consequential loss, employer's liability, fire, motor, premises, public liability (L1) Importance: • Drivers of vehicles must be insured by law against liability for damage to third party property and death of or injury to any person • Employers must be insured against death or injury to all employees and should also have insurance to cover loss of or damage to the goods they carry for hire and reward as this is specifically excluded from the vehicle insurance • In the logistics industry, insurance provides essential peace of mind to businesses by mitigating the financial risks associated with potential losses, damages, or disruptions within the supply chains. This gives confidence to the company. This ultimately safeguards a company's bottom line and ensures continuity of operations • Comprehensive insurance coverage enhances the reliability of logistics services, fostering trust among customers and supply chain partners and enhancing a company's reputation within the industry	**6**	Up to 2 marks for **describing** purposes of insurance Up to a further 2 marks for **analysing** the importance of insurance to logistics companies Up to a final 2 marks for **evaluating** the importance of insurance to logistics companies.

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Question	Answer	Marks	Guidance
4(e)	• Protection against losses as it covers the cost of stolen goods ensuring that the company does not face heavy losses • Protects the public by paying for medical bills if a person is injured during logistic operations • Risk mitigation – insurance acts as a safety net, mitigating the financial impact of unforeseen events. It lowers risk and enables logistics companies to navigate risks confidently, knowing they have a protective shield • Customer trust – having comprehensive insurance demonstrates a commitment to safeguarding customers' interests. It builds trust and enhances their reputation as a reliable logistics partner • Compliance/regulation – insurance is often a regulatory requirement in the logistics industry. Compliance with insurance standards ensures that your operations meet legal obligations so it can operate delivery vehicles • Continuity of operations – in the face of disruptions, insurance helps logistics companies maintain continuity. They can focus on their own business while claim settlements enable them to recover and resume operations promptly.		

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Question	Answer	Marks	Guidance
4(e)	**Evaluation:** Without insurance, logistics companies like DD Ltd are exposed to a great deal more business risk. In the logistics industry, insurance isn't just an option; it's a lifeline. From safeguarding cargo against unforeseen events to protecting businesses from liabilities and ensuring the continuity of operations, insurance plays an integral role in the logistics maze.		

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Question	Answer	Marks	Guidance
5(a)(i)	**Identify the year with the highest value of imports.** • 2025	1	
5(a)(ii)	**Identify <u>two</u> trends in Fig. 5.1.** • Increasing volume of imports / imports increase throughout 2021 – 2025 / imports keep increasing / rising during this period • Imports are higher than exports at beginning (2021) and end of years (2025) • Imports are rising in the last two years • Exports increase from 2021 to 2023 / until 2023 • Exports higher than imports in 2022 – 2024/middle three years • Exports decrease from 2024 to 2025 / after 2023 • Exports rise and fall/fluctuate/unsteady • Exports more than imports in three years / in most years	2	
5(a)(iii)	**Calculate the difference between total exports and total imports over the 5-year period.** Total imports = 824 000, 1 011 000, 1 137 000, 1 545 000, 1 658 000 = 6 175 000/6175 (1) Total exports = 638 000, 1 255 000, 1 661 000, 1 548 000, 1 305 000 = 6 407 000/6407 (1) (So, 6 407 000/6407 – 6 175 000/6175) Total difference = $232 000/232 (1)	3	
5(b)	**Give <u>two</u> ways a customs authority might enforce trade restrictions on imported goods.** • Tariffs/customs duties/import duties/duties • Quotas • Embargoes.	2	

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Question	Answer	Marks	Guidance
5(c)	**Define *in-house production*.** • All tasks/activities/production/produces goods/manufacturing/are completed/carried out/done (1) within the organisation/business/company itself/own facilities/own premises / using its own staff/equipment / using its own resources (1)	**2**	
5(d)	**Evaluate the benefits and drawbacks of using outsourced production for this company.** Outsourcing is a commercial practice in which services are hired out to a third party/external business / to perform tasks/perform services/produce goods / that were previously performed by the company itself/internally	**8**	

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Question	Answer	Marks	Guidance
5(d)	**Benefits of outsourced production:** • Improved focus on core business activities – outsourcing can free up the company time and resources to design / marketing of clothes • Able to meet an unexpected increase in demand and/or one-off order / speed to market – so it is not constrained by own factory limitations • Access to expertise / increased efficiency – choosing an outsourcing company that specialises in the process the company wants them to carry out for you can help them achieve a more productive, efficient service, often of greater quality / they will have better equipment to produce faster • Lower costs / lower overheads – cost savings, such as on wages for labour, expanding the factory, buying equipment, achieved by outsourcing can help the company release capital for investment in other areas of their company • Increased reach – outsourcing can give the company access to capabilities and facilities otherwise not accessible or affordable • Flexibility – can quickly adjust production based on seasonal demand without investing in permanent infrastructure • Resource allocation – saving on operational costs allows this company to reinvest in other areas such as advertising • Greater competitive advantage – outsourcing can help the company leverage knowledge and skills along with their supply chain		

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Question	Answer	Marks	Guidance
5(d)	• Economies of scale – outsourcers often produce in high volumes, giving the company access to cheaper raw materials so able to produce at low cost so this company can charge a lower price and gain a competitive advantage **Drawbacks of outsourced production:** • Service delivery – which may fall behind time or below expectation creating a poor image of the company • Less quality control – as manufacturing may not be directly supervised, it can lead to defective garments/inconsistent sizing • Confidentiality and security – could be a risk of theft of designs which could damage reputation • Lack of flexibility – contract could prove too rigid to accommodate change • Management difficulties – changes at the outsourcing company could lead to friction • Instability – the outsourcing business could become bankrupt, so the company is left with no one to produce the garments • Communication – can be a challenge if the outsourced provider is not on-site, can result in misunderstandings / the quality of the work may suffer / can slow down product development • Ethical risks – makes it challenging to monitor labour conditions. If a factory engages in unethical conditions, the company could bear damaged reputation		

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Question	Answer	Marks	Guidance
5(d)	**Evaluation:** Whether it is the right decision for this company depends on their current situation and whether they are confident that you can set up a solid network and rely on manufacturers to fulfil their orders consistently. Clothing manufacturing can be expensive, but outsourcing to specialised factories in regions with lower labour costs can significantly reduce production expenses. This would enable this company to allocate more resources to design and marketing.		

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