CAMBRIDGE
International Education

Cambridge O Level

COMMERCE **7100/23**

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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[Turn over

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)	**Define *consumer*.** Consumer is the final user (1) of goods/services/products (1) Consumers buy goods/products (1) from retailer/shop / for personal use / for their needs and wants / (1)	**2**	
1(a)(ii)	**Do you think old household appliances should be recycled? Give reasons for your answer.** Yes – good for the environment (1) rather than throwing goods away (1) reduces the carbon footprint (1) reducing landfill waste / waste (1) effective waste management (1) prevents toxic leaks (1) greenhouse gases (1) global warming (1) reduces pollution (1) conserves natural resources (1) some of these resources are valuable (1) to produce more/new goods (1) allow example (1) become reusable (1) more environmentally friendly than buying new goods (1) manufacturers can reduce costs (1) leading to increased profits (1) by using recycled metals (1) they become more sustainable (1) can create jobs (1) No – logistical problems (1) having to collect / transport heavy appliances (1) requires considerable fuel/vehicles/labour (1) difficult to separate the recyclable waste from unrecyclable waste (1) costly to do this (1) if buyer charges for disposal (1) extracting metal can be economically unviable (1) as it needs specialised plants (1) specialised equipment (1) recycling cannot generate profit unless adequate amount of appliances are available to extract considerable amount of metal (1)	**3**	
1(b)(i)	A warranty is a type of …**consumer/product** (1). protection	**1**	
1(b)(ii)	The buying and selling of goods is known as …**trade/trading** (1)	**1**	

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Question	Answer	Marks	Guidance
1(c)	**Describe <u>two</u> functions of a warehouse to a large-scale retailer.** • Goods are stored (1) to meet demand/before customer orders/selling to customers / waiting for delivery/transport (1) • Protection/safety (1) from damage/theft/weather (1) • To help in stockpiling (1) for seasonal goods / example (1) • Meet unexpected demand (1) stored goods can be made available to avoid shortages / satisfy customers (1) • Enables goods to be bought in bulk (1) at lower prices/needs large space (1) • Place for processing to be carried out / e.g. packaging/branding/labelling (1) for shipment (1) • To break bulk (1) into smaller quantities (1) • To even out supply (1) so prices are kept stable (1) • To deal with returned goods (1) from online sales (1) • Inventory management – to track stock levels in real-time / helping retailers optimize purchasing / avoid costly overstocking or stockouts • Reducing transportation/distribution costs (1) creating a hub where goods can be distributed in optimum quality /does not have to make many trips as warehouse is filled with goods (1) • Collection / distribution (1) goods can be despatched straight to buyers upon receiving orders (1) • Place for inspection (1) quality checks can be performed before goods are placed on the shelves (1) • Picking goods (1) for customer orders (1) • Use of cold storage (1) to perishable goods / example (1)	4	

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Question	Answer	Marks	Guidance
1(d)	**Discuss the importance of electronic communication in commerce.** Electronic communication is all forms of communication using electronic devices, such as computers or mobile phones. It can take the form of emails, SMS text, webchat. Important: • Enables quick sharing of information which can resolve disagreements quickly and lead to faster contracts • Global reach tools allow businesses of all sizes to transcend geographical boundaries, selling products internationally • Instant contact with banks and lenders makes transactions faster and resolves problems quickly • Constant contact with suppliers leads to enhanced productivity and efficiency • Will be able to better know customer wants online • Saves costs on traveling / administrative tasks • Saves time on going to meetings use of remote working • Customer service is vastly improved e.g. use of live chat and instant messaging leading to customer satisfaction and loyalty Not important: • Requires investment in special equipment and training of employees • There can be unique barriers to communication such as availability of network for transmission or receiving of messages / disruption to networks • Lack of accuracy by untrained employees can create confusion • Confidential information can be accessed by hackers or shared with competitors.	**6**	Up to 2 marks for **describing** what is meant by electronic communication and/or how it is different from traditional communication such as postal services. Up to a further 2 marks for **analysing** the importance of electronic communication in commerce. Up to a final 2 marks for **evaluating** the importance of electronic communication in commerce.

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Question	Answer	Marks	Guidance
1(d)	**Evaluation:** Technology is fast becoming a part of modern trade and commerce. Whether individual consumers or business enterprises, everyone is steadily adopting electronic communication. The speed of communication through electronic methods such as email or chat or videoconferencing increases productivity, improves business performance and enhances customer service. It saves money for the business and the consumers. Despite the risks, it is still much more efficient than traditional methods of communication.		

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Question	Answer	Marks	Guidance
2(a)	**Explain one reason why businesses import raw materials.** • Some businesses do not have the land / raw materials (1) needed to produce finished / manufactured goods (1) example (1) • It may be cheaper to buy / not cost-effective (1) than could be produced in their own country / not cost-effective to invest in / e.g. low wages/labour costs in other countries (1) • They are not self-sufficient in their own production / not enough supply (1) need to import to meet demand / satisfy consumer needs (1) • Quality of raw materials imported is better (1) e.g. better foreign car parts (1) • To give consumers a greater variety of choice (1) e.g. fruits to choose from / increase standard of living / to feed their population (1) • Seasonal (1) may not be able to grow fruit at certain times of year (1) • Entrepot trade (1) to re-export • Need to import to create other products (1) e.g. banana juice from bananas (1)	2	
2(b)	**State one aid to trade used by a business, other than transport.** • Advertising • Communication • Warehousing • Insurance • Banking and finance	1	

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Question	Answer	Marks	Guidance
2(c)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of transporting coal using freight trains.** **Advantages:** • Cheap (1) than air/sea/road transport / other methods / over long distances / when carry bulk/large quantities (1) • Can carry heavy/bulky goods (1) e.g. cement (1) • Often provides direct access (1) to ports/factories (1) • Fast/quick (1) over long distances (1) • Reduces congestion (1) on roads (1) • Train wagons can be specially designed to carry coal (1) e.g. coal/gravel trains (1) • Reduces pollution (1) created by heavy goods vehicles (1) • Larger capacity (1) for bulky loads / can add wagons on to train (1) • Use of containers (1) to prevent damage (1) • Fewer delays (1) not affected by traffic jams/weather / likely to • arrive on time (1) • Environmental benefit (1) reduces CO2 emissions (1) • Connectivity (1) availability of network that accesses remote industrial locations (1) • Handling (1) designed for rapid loading and unloading (1) • Very economical (1) the cost of transporting large bulk is low compared to road transport (1) **Disadvantages:** • Transshipment (1) there is usually a need for other transport methods, especially if e.g. coal is imported (1) • Disruption (1) can be affected by track maintenance / accidents leading to delays as re-routing is not possible (1)	**4**	

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Question	Answer	Marks	Guidance
2(c)	• Theft (1) coal being a commodity transported in open wagons may be stolen enroute (1) • Inflexibility / lack of door-to-door access (1) trains rely entirely on fixed rail networks / need for supplementary road transport (1) • Not cost-effective/uneconomical (1) for short distances or smaller volumes / compared to truck transport (1) • Schedules/delays (1) freight train schedules are Inflexible in timetables / network bottlenecks can create delays (1) • Noise pollution (1) to local communities (1)		

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Question	Answer	Marks	Guidance
2(d)	**Evaluate whether or not a public corporation is the best type of enterprise to supply electricity.** A public corporation is a public sector company in a nationalised sector. It is owned by the government. Advantages of public corporations: • Universal access – Public utilities prioritize grid expansion to rural or low-income areas over profitability, ensuring equal access to power • Long-term planning: They are better positioned to execute large-scale, generational infrastructure projects (like nuclear or large hydro dams) without being pressured by short-term shareholder returns • Profit elimination – without dividend requirements, surplus revenues can be reinvested directly into infrastructure upgrades or used to lower consumer rates • High capital needed – power generation plants require huge capital investment such as construction of dams or thermal or nuclear plants which only a government can afford • Help to avoid duplication of services – compared to having many electricity companies Disadvantages of public corporations: • Capital constraints – funding massive capital expenditures rely on tax revenues or government debt, which can crowd out other public spending priorities or lead to politically difficult rate hikes • Political interference – pricing policies are sometimes manipulated for political gain rather than economic reality, leading to utility debt or underfunded maintenance or poor management.	8	

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Question	Answer	Marks	Guidance
2(d)	• Reduced innovation – state-owned monopolies often lack the competitive pressures that drive operational efficiency, technological innovation, and responsive customer service • Lack of competition – less choice for consumers • Lack of profit motive – implies that money for investment and operations comes from the taxpayers **Evaluation:** Electricity is an essential service. For this reason, it cannot be subject to profit-driven prices. Even if taxpayers contribute to the provision of this service, it is for the overall benefit of economic growth without which the country will not enjoy a high standard of living. However, this does not mean that a public corporation should not provide a service of high standard and try to become more efficient. Overall, if a public corporation cannot be an efficient distributor of high-quality service, then electricity distribution can be under private sector to avoid any disruption.		

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Question	Answer	Marks	Guidance
3(a)(i)	**Explain one advantage to Rip-Roar of offering a loyalty programme.** • Encourages repeat purchases/customer retention (1) increases relationship with customers / increases sales/revenue / as people want to go back to collect the points/discounts (1) • Encourages word-of-mouth marketing (1) will recommend the park to other people (1) attracts people to go to the park / have more customers (1) • Collects customer data (1) the park gains information on customers so they can market more effectively (1) • Customer loyalty (1) reward points provide an incentive to customers to revisit (1) • Brand loyalty (1) less likely to switch brands / helps the park to stand out from the competition / customers will continue to support the brand (1) • Competitive advantage (1) incentives stop customers from switching to other form of leisure activities /competitors / more people will want to join (1)	2	

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Question	Answer	Marks	Guidance
3(a)(ii)	**Explain one advantage to Rip-Roar of advertising in a national newspaper.** • Wide coverage / attract a larger audience (1) newspapers are sold across a country/published online (1) • Flexible (1) advertisements can be repeated in any size (1) • Reach target audience (1) a newspaper is read by general public and families who are typical consumers of an amusement park (1) • Can be kept for reference (1) advertisement can be retained by the potential visitor for future reference and planning a visit to the park (1) • Informative (1) can provide detailed information on park's services (1) • Offers (1) a newspaper advertisement can be used as a tool for sales promotion such as discounts for families or accompanying children / increase sales (1) • Appeal (1) attractive images can trigger emotional interest in a potential visitor leading to a desire to visit the park (1) • Will promote / persuade consumers / make consumers aware (1) to visit the amusement park (1)	2	

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Question	Answer	Marks	Guidance
3(b)	**Do you think it is appropriate for a business to only accept cashless payments? Give reasons for your answer.** Yes – less cash handling (1) lowers administrative costs (1) reduces risk of theft (1) hard to trace / track missing money (1) no need to transport cash to the bank (1) staff would have to count / process cash (1) incorrect counting of money (1) would cause more administration / paperwork (1) saves time / money (1) no need to store cash / have cash on premises (1) better security / lowers security costs (1) debit cards / credit cards allow immediate transfer of money (1) quicker at checkout (1) some other payment methods can take longer / be more costly to process (1) e.g. taking a cheque (1) could lead to bad debts (1) sometimes fake notes are presented (1) some businesses do not accept cash / less common to accept cash (1) having a cashless society is the trend (1) as using digital is more environmentally friendly (1) No – Amounts to be paid could be cheap (1) some people prefer cash for a low amount / small payment (1) business does not want to wait for payment/it is immediate (1) compared to offering credit (1) do not want to pay for credit card charges (1) cash helps business's cash flow (1) cash is legal tender (1) can be accepted everywhere / cannot be refused (1) may mean lost business by refusing to accept cash / consumers cannot pay for the item to be bought (1) from people without credit / debit cards / mobile wallet / online access to pay for tickets (1) e.g. children / teenagers (1) some people only carry cash / some people / teenagers prefer to pay by cash (1) some people / senior citizens (1) may lack knowledge of use of technology/devices (1) may not like the idea of paying by card (1) could lead to decreased sales / lose customers. (1)	**3**	

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Question	Answer	Marks	Guidance
3(c)	**Explain <u>two</u> advantages to a business of operating as a franchisee of a fast-food enterprise.** • The franchisee has bought an established product/service (1) which may already enjoy widespread brand name recognition / less advertising needed (1) • It gives the franchisee the benefit of a ready-made market (1) which would normally take years to establish (1) • A franchise increases the chance of business success/profits (1) because of association with proven products / methods / quality of food is trusted / less risk of failure (1) • Less risky (1) no need to establish brand (1) • The franchisee is offered support/expertise (1) e.g. location/design/finance/grand opening (1) • Some initial costs may be paid by the franchisor (1) e.g. advertising (1) • Training may be provided by franchisor (1) less investment needed by franchisee (1) • Easier to obtain finance (1) as there is less risk to lender/bank (1) • Supplies may be cheaper (1) if provided by the franchisor who buys in bulk for all franchises (1) • Benefits from economies of scale (1) as part of a large organisation (1) • No prior experience needed (1) as franchisor gives managerial support (1) • Certain standard of food/hygiene (1) as detailed in the franchise agreement (1) • Will have exclusive rights in an area (1) as the franchisor will not sell another franchise in the same area (1) • Shared advertising (1) reduces the cost of brand promotion (1)	**4**	

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Question	Answer	Marks	Guidance
3(d)	**Discuss the importance of suppliers as a factor when deciding on a suitable location for a new amusement park.** Suppliers are enterprises that provide raw materials, finished goods and spare parts to another enterprise. Important: • Perishable foods and beverages – these make up a massive portion of park revenue. Sourcing reliable suppliers, such as local bakeries, cuts transportation costs and guarantees freshness • An amusement park with recreational equipment – requires a considerable number of supplies such as spare parts for servicing, services for maintaining digital infrastructure. Locating close to specialized manufacturers, engineers, and safety inspection companies ensures rapid response times for repairs, reducing costly ride downtime If these supplies are not available on time, the business cannot function and could lead to a fall in sales revenue • Just-In-Time (JIT) inventory – for seasonal merchandise and high-turnover consumables, a centralized location that allows for JIT deliveries prevents overstocking and maximizes in-park storage capacity • Logistics – moving oversized, heavy equipment, for example roller coaster tracks, requires specific infrastructure. A location with excellent freight and highway access minimizes delivery bottlenecks and logistical challenges Not important: • While suppliers are crucial, they must be weighed alongside other location factors: • Market demand – The site needs to be within a sensible radius of high-density populations or major tourist hub	6	Up to 2 marks for **describing** what is meant by suppliers as a location factor Up to a further 2 marks for **analysing** the importance of suppliers as a location factor Up to a final 2 marks for **evaluating** the importance of suppliers as a location factor

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Question	Answer	Marks	Guidance
3(d)	• Accessibility Infrastructure – need for proximity to major transport networks, such as highways and public transport • Infrastructure – adequate local utilities (power, water, waste management) is essential for handling large daily crowds • Land Availability – the park must have a large enough footprint to accommodate current rides, support facilities, and room for future expansion. **Evaluation:** It is not easy to conclude which location factor is more important and which is not. Each location factor has its own importance. A careful evaluation must be made and there also may be a need for trade-off when looking at the factors. For example, if a site has considerable number of suppliers nearby but is not well connected by road it will not be able to attract enough consumers. If there is another amusement park nearby giving competition, it may not be a suitable location, despite the nearness of suppliers.		

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Question	Answer	Marks	Guidance
4(a)	**Define *speciality shop*.** • A type of retailer/retail store (1) which sells a narrow range/specific/restricted/limited/niche goods/one kind/type of goods (1) example (1)	**2**	
4(b)	**Explain one reason why BC should outsource its manufacturing.** • Reduced costs (1) outsourcing eliminates the need for massive upfront investments in physical plants/machinery/software (1) • Lower labour expenses (1) by using a contract manufacturer, BC avoid the burdens of recruiting/training/managing large internal production staffs (1) • Flexibility (1) outsourcing enables BC to easily scale production up or down of bicycles to meet fluctuating market demands/or seasonal spikes (1) • Access to expertise (1) contract manufacturers often possess advanced machinery/industry accreditations that BC might not have in-house (1) • Faster time to market (1) Specialized manufacturing partners are equipped to begin production immediately, allowing BC to launch new products quickly / respond faster to market changes (1) • Can focus on core competencies / free up their time (1) from the manufacturing and can redirect its time toward activities like research/brand building (1) • Spread risk (1) instead of setting up a manufacturing facility, the supply chain risk decreases by taking services of many dispersed contract manufacturers (1)	**2**	

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Question	Answer	Marks	Guidance
4(c)	**Should countries, such as country X, increase tariffs on imports? Give reasons for your answer.** Yes – Increasing tariffs have a favourable effect on the balance of trade of the importing country (1) they reduce imports/trade (1) and increase the export surplus so can improve a deficit in the balance of payments (1) putting a country in a stronger financial position (1)Tariffs protect domestic industries (1) from foreign competition (1) so an infant industry can grow into an economically strong industry (1) which can fully compete in the world market (1) This helps the country's economy to grow (1) as more jobs/wealth will be created (1) Tariffs provide revenue to the government(1) which can be spent on e.g. infrastructure/ education / healthcare (1) to improve a country's standard of living (1) It will protect the country from dumping (1) thereby avoiding unfair competition (1) No – will make imports more expensive to buy (1) reduces trade (1) reduces output (1) reduces economic growth (1) makes it difficult for producers to compete (1) not the right way to protect inefficient domestic industry (1) needs to be supported with grants (1) increases prices (1) imported raw materials (1) due to higher import duty (1) risk of retaliation by other countries (1) causing bad relations (1) which may cause other countries to impose tariffs in response (1) which may lead to reduction in exports / affecting exporters (1) job losses in the export led industries (1) reduction in living standards (1) as people have less choice (1)	**3**	Up to 3 marks for justified reasoning of yes and/or no responses.
4(d)	BC sells 1.5 million bicycles in the home market. **Calculate the total number of bicycles manufactured by BC.** • Answer: 6 million (2) Method: (1.5 m / (0.25) (1)	**2**	1 mark for the correct answer. 1 mark for correct method but calculation error. Allow OFR on correct method.

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Question	Answer	Marks	Guidance
4(e)	BC needs to increase its working capital. It is considering two options: Option 1: debt factoring Option 2: overdraft **Discuss both options. Which option would you recommend? Give reasons for your answer.** Debt factoring is also called invoice factoring. It involves selling the debts owed to a business to a financial institution, usually a bank, who will then provide a lump sum to the business on the basis of the total amount owed to it against the invoices raised. It is a quick way to raise cash for replenishing the working capital. An overdraft is a form of flexible short-term borrowing with a limit. This short- term loan is attached to the current account of a business and varies for every business. **Debt factoring:** • There is no limit to funds that can be raised – therefore can cover most of the debt owed to BC and improves cash flow • Saves time – BC does not have to spend time on collecting the debt which is done by the factor. This can help focus on core tasks • Saves resources – no BC personnel are required to collect the debt. This helps in reducing the cost • Facilitates business growth – there is no lack of cash flow caused by working capital held up in receivables, therefore the manufacture of bicycles can continue as usual	**8**	

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Question	Answer	Marks	Guidance
4(e)	• BC is in temporary debt – if the factor is unable to recover the debt because the debtor disputes the invoice or delays payment, the business is responsible for repaying the sum received to the factor • Profit is reduced – a factor charges a fee therefore BC will never receive 100% of the invoice value, therefore increasing expenses **Overdraft:** • Would enable BC to spend more than they have in the bank, up to an agreed limit. Interest is charged on the amount overdrawn. • Overdrafts tend to be used in the short term for working capital • requirements – such as buying more stock. • Can be obtained quickly – there is not much paperwork involved in obtaining cash from the bank in which BC holds a current account • Cost-effective borrowing – if repaid within the stipulated time period as stated in the terms and conditions for the current account, the amount borrowed as overdraft is free of interest • Can be costly – if the overdraft amount is not paid on time, it carries interest charges which can increase BC's expenses and reduce its profits • Burden of repayment – the bank can demand the overdraft amount to be repaid at any time putting pressure on the working capital of BC • Limited amount – the sum of money available under overdraft service is not unlimited and therefore inadequate to compensate for the working capital tied up in receivables.		

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Question	Answer	Marks	Guidance
4(e)	**Evaluation:** • Although overdrafts are simple to execute, they can only offer limited amounts of money which may not solve the cashflow created by receivables. Debt factoring has the advantage of being designed as a service that helps large businesses, like BC, replenish their working capital irrespective of the amount tied up in debt. It all depends upon how much overdraft limit a business has and what their debtors' turnover is. If the amount of working capital required is low and debtor turnover is high, then an overdraft is recommended.		

Question	Answer	Marks	Guidance
5(a)	**State <u>one</u> feature of a mortgage.** • Loan / long term loan/source of finance / long term borrowing / loan for buying property/payment for land/building / loan carrying interest / payment in instalments	1	
5(b)(i)	**Describe a banking service that Abdul might use when depositing money when the bank is closed.** • Night safe (1) a slot outside the bank /use of secure bag /has a chute • ATM (1) installed in the external wall of a bank / with an insert to deposit money / use of a pin (1)	2	

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Question	Answer	Marks	Guidance
5(b)(ii)	**Describe a banking service that Abdul might use when making a verbal complaint about an error on his bank statement.** • Telephone banking (1) a dedicated customer service number that connects with a banking employee (1) • Telephone customer service/support / call the bank (1) dial the phone number printed on the back of debit/credit card /bank statement / will • have specialist employees to deal with these types of enquiries (1) • Got to the bank (1) speak directly with a bank assistant (1) • Mobile/online banking app (1) has a digital chat facility (1)	**2**	
5(c)	**Calculate the compensation paid to Abdul, using Table 5.1. Show your working.** The formula for compensation paid for underinsured goods is: (Value of insurance / True value of goods insured) x replacement value Answer = $9600 (3) Replacement value of 40% of $30 000 = $12 000 (1) ($24 000 / $30 000) × $12 000 (2) $9600 (3)	**3**	3 marks for the correct answer. 2 marks for correct method but calculation error. Allow OFR on correct method. Note: No need for dollar sign

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Question	Answer	Marks	Guidance
5(d)	**Discuss the importance of wholesaling to a small-scale retailer.** A wholesaler is an intermediary enterprise in a supply chain that buys goods from other suppliers, such as manufacturers and sells to retailers. A small-scale retailer is usually an independent intermediary enterprise in a supply chain that buys goods from a wholesaler to sell to consumers. Wholesalers are important because they: • Purchases in bulk so the retailer does not need to pay out large sums for bulk quantities • Breaks bulk and sell smaller quantities to a retailer to suit their storage needs, therefore saving storage cost for the retailer • Provides a variety of goods from different manufacturers. This makes it easier for a small-scale retailer who may not have the resources to reach out to multiple manufacturers for buying stock • Has knowledge of the market / customer tastes which can be helpful to a small-scale retailer to buy goods that are in demand • Provides credit that helps a small-scale retailer with cash flow • Provides trade discount that creates a greater potential for earning profit for a small-scale retailer • Carries out important pre-sale activities such as packaging and labelling which provides a small-scale retailer with ready to sell goods • Takes the risk of damaged goods and bear the costs • Provides delivery service that saves transport costs • Enjoys economies of scale because of which the entire distribution system is able to keep prices affordable and demand consistent • Advertises so the retailer goods can be known.	**6**	Up to 2 marks for **describing** wholesalers. Up to a further 2 marks for **analysing** the importance of wholesaling to a small-scale retailer. Up to a final 2 marks for **evaluating** the importance of wholesaling to a small-scale retailer.

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Question	Answer	Marks	Guidance
5(d)	**Evaluation:** There is a growing threat to wholesaling because of ecommerce. The barriers are being broken as manufacturers become more flexible with supplying smaller quantities. However, mostly without wholesalers, small-scale retailers would have to purchase stock in bulk and store it in warehouses to keep up with customer demand and small-scale retailers cannot afford these costs.		

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