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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# COMMERCE

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## GCE Ordinary Level

Paper 7100/01

Paper 1

### General comments

The Commerce paper for November 2004 was the last paper set using this syllabus. Candidate performance was variable, with a wide spread of marks and clear differentiation between the good candidates and the very poor candidates. Candidates in some Centres performed extremely well, but in other Centres the performance of individual candidates was mixed.

There were many very well prepared candidates whose standard of work overall was notable and who were able to demonstrate sound commercial knowledge. They wrote detailed answers and were able to express themselves very clearly. They applied their knowledge to the questions chosen and related their understanding of commercial topics to the problems, scenarios and terms set in the questions.

On the other hand, a large number of weaker candidates tended to write in very vague terms with little understanding of the topics chosen. They often wrote out the question. They frequently lost marks because they did not read the questions or omitted parts of their chosen questions. It was also noticeable that there were candidates with an uneven grasp of the topics. They scored well in two or three questions on particular topics and then scored very low marks in their remaining answers.

An adequate command of English had an important bearing on candidate ability to understand and interpret the questions. Some candidates had a very poor command of English and Examiners saw scripts which were unintelligible, with perhaps some commercial words used at random.

Candidates often illustrated their answers with relevant local examples of commercial practice and the better candidates made good use of commercial terminology. Many candidates, even those with poor language skills, gained marks on the calculations set in some questions.

Answers were usually well presented with good use of paragraphing and clear handwriting. Some candidates did not follow the rubric and wrote answers for more than the five questions required. Most candidates had adequate time to answer the five questions required.

As has been mentioned in previous examination reports, many candidates still need more practice in examination technique. They tended to write at length when statements or words were required and there was a low mark allocation for a question. They did not always present developed answers where there was a higher mark tariff. Candidates should look at the command words which begin questions in relation to the mark allocations for those questions. If a question says "State" or "Identify", such as in **Question 2 (a)(i)** and **Question 5 (a)**, it means that a short answer is required and the answer is usually worth one mark per point. Some candidates wrote short paragraphs for these answers and so wasted time. If a question requires a candidate "To explain", and the majority of questions require such an approach, there needs to be a more developed answer to gain a greater mark allocation. It is, however, noticeable that the very good candidates noted the command words and mark allocations for the questions and adjusted their responses to the parts of the questions far more appropriately, thus earning most of the marks.

Most questions attracted a large number of responses. **Questions 8** and **9** were, maybe, the least popular and **Question 8** was often not well answered.

**Comments on specific questions****Question 1**

Most candidates attempted this question and all parts of the question were accessible. Answers to part **(a)** were often vague and written in general terms with little substance. Mention of advertising was accepted in this part and also, to some extent, in part **(b)**. In part **(b)**, candidates often scored well and had no difficulty in mentioning three methods of communication. The problems arose when candidates tried to identify circumstances when they might be used. Answers such as easy, quick and cheap were not accepted, and descriptions of the methods of communication were also not accepted.

Part **(c)** proved more difficult for candidates. Many failed to focus on difficulties of trading in world markets such as distance, currency, payments, transport or customs and concentrated on the advantages of trading in the home market. Better candidates identified world markets as being much more competitive.

**Question 2**

This question discriminated well. Candidates often scored well in some parts of the question and achieved few marks in other parts. Part **(a)(i)**, was particularly well answered with many candidates achieving the three marks. Unfortunately in part **(a)(ii)**, many candidates misread the question and wrote as if Mr Mohammed was the culprit in presenting the dishonoured cheques, suggesting that he should correct the mistakes listed in part **(a)(i)**. Answers that gained marks were asking for cash payment, only accept cheques guaranteed with a cheque card and checking the cheque carefully to make sure it was correctly completed.

Few candidates scored the mark for fidelity bond/guarantee in part **(b)(i)**. Answers to part **(b)(ii)** were somewhat disappointing with candidates often writing generally about insurance, mentioning insurance principles but not saying how Mr Mohammed would take out insurance. There were, however, many candidates who scored full marks here.

In part **(b)**, some candidates thought that Mr Mohammed had opened the multiple chain store. Others were able to see the threat of the new shop to Mr Mohammed's business and gained marks for such actions as cutting costs, selling new lines or moving to another location.

**Question 3**

This style of question requires specific knowledge of particular topics. Candidates choosing this kind of question should make sure that they have sound understanding of most parts of the question. Otherwise they would be well advised to select an alternative question. Responses to this question were mixed, with many excellent answers written in context and also many candidates who had sound knowledge of only one element of the question, usually packaging, and knowing very little about the other topics.

Some candidates had a good understanding of the term 'agents' but others described travel or insurance agents. The air waybill was sometimes confused with the bill of lading and answers were not related to exporting computers. In part **(c)**, candidates often wrote generally about containers rather than mentioning the use of container lorries to send the computers to the docks or across land borders. Again in part **(d)**, candidates often failed to relate their answers to computers but they were able to score full marks by concentrating on the need for protection, aiding storage, enabling branding and information to be put on the packaging and helping to attract customers.

**Question 4**

Answers to part **(a)** were often descriptive. Many candidates failed to focus on the key words in the question – importance and the business traveller. Candidates could show why credit cards were used by business travellers but their answers about the mobile phones were often limited to keeping in touch. Better candidates mentioned text messaging (short message service).

In part **(b)**, candidates often misread the question and related their answers to moving goods by air, rather than the business traveller travelling by air. In part **(c)**, some candidates were able to identify circumstances when a business might pay a debt by cash – small payments, when cheques are not accepted or when the business has plenty of cash available. Others misread the question and wrote about payments by cheque. Direct debit was usually not known and the question was frequently very poorly answered. Direct debit is used to make variable or fixed payments to a regular supplier. It saves on clerical work and time and the payee often demands that debts are paid in this way as the transaction can be computerised and the amount paid can vary.

**Question 5**

Most candidates knew the difference between competitive and informative advertising, but some candidates used the data to answer all parts of the question. In part **(b)**, some candidates gave their answers from the point of view of the producer, but better candidates gave well reasoned responses usually referring to lower prices, quality products and additional services with accurate examples. Answers to part **(c)** were usually correct, with most candidates realising that cheapness and wide coverage are the main benefits of using newspaper advertising. In part **(d)**, candidates either understood the term 'collective advertising', gave definitions of persuasive advertising or omitted this part of the question.

**Question 6**

The quotation or the enquiry were usually described in part **(a)**, but some candidates gave documents used after the order had been placed. The differences between the order and the invoice were well understood and some candidates gained marks by using the data in their answers. Most candidates also understood that an order is signed as proof of its authenticity in part **(c)**. It was pleasing to note that many candidates calculated part **(d)** correctly. It should be noted that the Own Figure Rule applied here and those candidates using \$1120 instead of \$840 in part **(d)(ii)** gained some marks. Answers to part **(e)** were disappointing, with candidates failing to appreciate the benefits of bulk buying and omitting the wholesaler's costs. Some candidates commented on the likelihood of less damage to goods, but few appreciated that goods might be obtained more quickly.

**Question 7**

This was a very popular question, with sound knowledge of partnerships being shown by many candidates. Many candidates scored full marks on part **(a)**, but some described a partnership rather than explaining advantages. Part **(b)(i)** was usually correctly calculated and part **(b)(ii)** produced some interesting answers. Part **(c)** gave an opportunity for developed answers, but some candidates showed little understanding of sleeping partners (partners who are asleep most of the time!), and of private limited companies. In part **(c)(ii)**, repeated points from **(i)** were allowed.

**Question 8**

Candidates choosing this question often had difficulty with parts of the question, particularly part **(c)**. Part **(a)** was generally well answered with examples of goods carried well expressed. Many candidates restricted their answers in part **(b)** to statements about safety, security and low cost, rather than explain the advantages of transshipment and the mechanisation of handling containers. Answers to part **(c)** were disappointing. Many candidates did not understand the term 'ro-ro ferries', but attempted to answer the question from the point of view of a small passenger ferry. In order to gain high marks for this question, a candidate had to appreciate that vehicles are driven on board without unloading them which speeds up the handling of cargo, increases the use of containers, reduces transport costs across short sea channels and expands international trade. The disadvantages of using ro-ro ferries are; possible unemployment among dock workers, the increased risk of terrorism; illegal immigrants using the ferries, import of illegal goods via the ferries and risks associated with the weather.

**Question 9**

Many candidates are still not clear about the distinction between government owned organisations and those privately owned. A public limited company is in the private sector and so is privately owned. Many candidates thought that it was a government department and so had much difficulty in answering parts **(a)**, **(b)** and **(c)**. Other candidates showed sound understanding of privatisation – the conversion of a public sector business to a private sector business by selling shares and of features of a public limited company. Answers to part **(c)** were disappointing, with many candidates writing about modernisation of the water supply, rather than how it might be financed e.g. by loans, share issue, debentures and retained profits. Turnover was often described as sales (one mark), but it was also confused with net profit and with rate of turnover. In part **(d)(ii)**, few candidates produced a correct calculation, usually using the wrong formula. The correct answer was \$50 bn –  $\$55 \times 100 - 110$ . A short term liability was often stated, but many candidates did not gain full marks on part **(d)(iv)**. They failed to appreciate that increasing stock will reduce cash in hand or that reducing stock will decrease the total amount of working capital. Answers that mentioned reducing costs, increasing sales, obtain a long-term loan, selling off unwanted assets and reducing creditors gained marks.

**Question 10**

Candidates found parts of this question quite demanding. Most candidates gained some marks for part **(a)**, but often wrote from the perspective of the wholesaler, rather than the purposes of a wholesale warehouse. They mentioned delivery and risk taking – functions of a wholesaler. These points gained no marks. They should have mentioned storage, protection, display, cash and carry, keeping retailers supplied, bulk breaking and preventing shortages and price fluctuations. In part **(b)(i)**, candidates often confused seasonal demand with seasonal production. They gained marks for examples, but failed to appreciate that manufacturers produce all the year round to meet a demand at one particular time e.g. umbrellas for the monsoon season. In part **(b)(ii)**, many candidates omitted comment on a bonded warehouse but recognised the need for preparation for sale. In part **(c)**, most candidates did not note the word 'small' and so repeated functions of a wholesale warehouse. The small storage was needed for instant stock replenishment of the supermarket shelves, not long-term storage.