

COMMERCIAL STUDIES

Paper 7101/01
Elements of Commerce

Section 1: Key Messages

Below are some general suggestions to help candidates do well in this examination.

- Revise all sections of the syllabus.
- Note the number of marks awarded on each question.
- Use time effectively. Time spent on answering questions should be directly related to the number of marks allocated.
- Read and re-read questions before answering. Weak responses were often characterised by not taking enough time to fully register both the general focus of questions and also the level of detail required.
- Look for the command and key command words in each question.
- Show working out in any calculation questions.
- Candidates should learn succinct and accurate commercial definitions.
- Do not forget to develop your answers with examples and/or application.
- Unqualified word comments such as 'easier', 'quicker' and 'cheaper' do not score marks.

Section 2: General Comments

The overall outcome of the examination was similar to that of the performance by candidates in this session in 2011. However, all candidates had difficulty in the compulsory **Section B Question 7** of the examination paper, where the vast majority of candidates found it difficult to gain good marks on each of the part questions on the topic of insurance. Notwithstanding this, It was evident to the Examiners that all Centres had continued to prepare their candidates well by providing wide coverage of the syllabus content, with candidates possessing generally sound knowledge and understanding of commercial vocabulary.

Some candidates continue not to always answer at the appropriate level of skill. In this connection, the command words on the examination paper are particularly relevant to Centres and candidates. Each question indicates the level at which it is based:

AO1 (Knowledge and understanding) This assessment objective tests candidates on their ability to demonstrate their knowledge and understanding of commercial terms, ideas or concepts mentioned in the question. For example, **Question 4(c)(ii)** asked candidates to 'Name and describe a method of payment used when buying goods using the Internet.' Command words such as 'Name', 'Describe', 'Give' and 'State' confirm that the question is at this level.

AO2 (Application) This assessment objective tests candidates' ability to relate their answer to the context. In this examination, the context to **Question 5** was about a multiple chain store. For example, **Question 5(a)(iv)** asked candidates to show 'how does the role of the Managing Director differ from that of a Store Manager' based on information supplied in the question. Command words such as 'How', 'Draw', 'Why', 'Give an example' and 'Calculate' confirm the question at this level.

AO3 (Analysis) This assessment objective requires candidates to select, interpret or otherwise analyse some points presented in the question. For example, **Question 1(e)** asked candidates to 'compare the work of brokers and factors in international trade.' Command words such as 'Identify', 'Compare' and 'Analyse' confirm the question is at this level.

AO4 (Evaluation) This assessment objective tests candidates' ability to formulate some judgements. For example, **Question 3(e)** asked candidates to 'explain why television is a very effective medium for many goods.' Command words such as 'Explain why', 'Do you consider', 'Discuss' and 'Evaluate' confirm the question is at this level.

One general weakness of candidates relates to ignoring the number of responses required by some questions. For example, in **Question 1(b)** candidates were asked to 'list three services provided by a wholesaler to a producer'. Some candidates gave one or two services and some gave more than three services. It should be emphasised to candidates that including less than the prescribed number reduces the maximum marks that a candidate can score for that particular question, and including more than the prescribed number does not gain any more marks and, in fact, may waste valuable examination time that could be used elsewhere on the paper to score marks.

Section 3: Comments on specific questions

Question 1

- (a) In part (i) most candidates correctly identified X as a consumer. The best answers to part (ii) gave relevant points such as consumers were persons who bought or used goods to satisfy their needs and wants in order for production to continue. Named purchases were often given as a valid example. Most candidates scored at least one mark out of the two marks available.
- (b) Good answers stated three relevant wholesaler services to the producer such as purchasing in bulk, clearing production lines and enabling manufacturers to produce ahead of demand. Weaker answers gave irrelevant points such as providing credit and discounts. A minority of candidates thought that wholesalers provided insurance for producers.
- (c) Stronger answers applied good understanding of the role of the wholesaler to small-scale and large-scale retailers to this question. Such answers, for example, explained how large-scale retailers could afford to buy in bulk as they have the necessary finance to do so and whereas the small-scale retailer could not afford to buy in bulk and only required small quantities of goods as their turnover was small. In consequence, the role of the wholesaler was seen as most important for the small-scale retailer. Weaker answers did not analyse the role of the large-scale retailer at all but still managed to score some marks for the role of the wholesaler in supporting the small-scale retailer.
- (d) The best answers named and explained two functions of commercial documents sent after an order has been made such as the advice note and invoice. Weaker answers described inappropriate documents used before the order such as a quotation or named international documents.
- (e) This proved to be a challenging question for many candidates. The best answers stated that the broker does not have possession of goods and sought to bring buyers and sellers together whereas the factor does have possession of goods and sells in their own name. Some candidates lost marks by incorrectly giving the information on the two intermediaries the wrong way round.

Question 2

- (a) Comprehensive answers recognised that multinational companies had a headquarters in one country and branches in other countries, and gave an appropriate example. However, many candidates simply acknowledged that multinationals had branches in other countries for one mark.
- (b) There were many excellent answers to parts (i) and part (ii), with many candidates scoring full marks. However, some candidates lost marks by giving inappropriate answers to part (ii) such as face to face and letter post.
- (c) Strong answers explained various factors such as cost, urgency, distance and convenience. Other candidates lost marks by either giving inappropriate factors or insufficient explanations of valid factors.
- (d) Good answers compared postal services with telecommunications and realised that the former was still needed for sending bulky parcels of goods and formal contracts where proof of signature is required.
- (e) Answers to this part could have been improved by some candidates by making more direct reference to specific modes of transport used rather than simply giving general comments on the benefits of transport. Nonetheless, there were many high scores to this question.

Question 3

Question 3 was a popular choice, with many candidates demonstrating sound commercial knowledge about advertising.

- (a) Most candidates obtained one mark out of the two marks available by giving an example.
- (b) Many candidates could explain the difference between the two terms but often did not include an example, as required by the question. Weak answers such as 'persuasive advertising persuades' and 'informative advertising informs' did not score any marks.
- (c) The best answers were developed and explained that advertising attracted more customers, leading to an increase in sales/profits.
- (d) Strong responses focused on the question and explained how branding and packaging assisted with advertising. For branding, candidates stated that it helped customers to recognise goods, making it easier for them to find. For packaging, candidates stated that attractive packaging would encourage customers to buy, and that it contained useful information. Weaker responses simply described branding and packaging without referring to the relationship with advertising.
- (e) All candidates scored some marks on this question. The best answers scored highly by explaining that television had a large audience, used colour, had sound and could target customers at different times of the day or during different programmes. Weaker answers gave less relevant points or explanation of points.

Question 4

- (a) The best answers gave two clear differences between a bank current account and a bank deposit account. For example, current accounts used a cheque book and money could be withdrawn on demand, whereas a deposit account had a passbook/certificate and would obtain interest on savings. Points such as 'current accounts giving higher interest rates' are incorrect.
- (b) Good answers used the context to recognise that Danny used a cold storage warehouse to keep his meat in cold conditions so that it remained fresh as it was a perishable good. Weaker answers gave general storage reasons not related to the context of the question.
- (c) In part (i) there was generally good knowledge demonstrated by many candidates regarding the advantages and disadvantages of using the Internet to sell his meat products. In fact, some candidates scored four to five marks or the maximum of six marks for this part. Please note that unqualified word comments such as 'cheaper', 'faster' and 'easier' do not gain any marks. In part (ii), although some candidates gave valid answers they were often unable to develop their answers in sufficient detail to gain development marks.
- (d) The best answers recognised that through a bank loan Danny would receive the money needed straight away. Moreover, he could use it to pay back monthly from any profits made from sales. Weaker responses gave inappropriate reasons such as 'he does not need a current account' or 'will pay a low rate of interest'.

Question 5

Overall, **Question 5** was soundly attempted although it was the least popular of **Section A** questions that were answered.

- (a) Many candidates gave the correct answer of number of people/employees to part (i) but many candidates lost the mark for part (ii) by choosing 'managing director' instead of 'board of directors'. Better answers to part (iii) realised that the organisation chart showed a number of levels, with the Managing Director at the top where the most important decisions were made. Although many candidates, in part (iv) recognised that the Managing Director was in overall charge they had more difficulty in describing the role of the store manager.

- (b) There were many disappointing answers to this question part. Only a minority of candidates achieved 3 or 4 marks out of the 4 maximum marks available. One good answer is shown below:
- ‘Advantage – they give a good perspective on how the business is run and who each person should report to. Disadvantage – they easily become out of date as people leave so need to be frequently changed.’
- (c) Strong answers defined multiple chain stores as having at least ten stores throughout the country with centralised control and purchasing by head office.
- (d) Strong answers explained various features of multiple chain stores that accounted for their growth such as buying in bulk, leading to cheaper supplies and then passing that on to customers with lower prices. Other answers gave less detailed points or explained the growth in terms of population growth and general living standards.

Question 6

- (a) For parts (i) and (ii) the majority of candidates scored the maximum two marks in these parts. In part (iii) some candidates lost marks by adding up, instead of subtracting, the correct figures. The correct answer was 100.
- (b) There were many good answers by candidates who clearly understood the difference between the visible trade and invisible, using appropriate examples. Weaker answers suggested vaguely that ‘visible trade could be seen and invisible trade not seen.’
- (c) Strong answers gained high to full marks by stating a range of international trade benefits such as earning foreign currency to pay for imports, creating jobs thereby lowering unemployment and increasing friendly relations between countries so reducing conflict/wars.
- (d) There was generally good knowledge demonstrated by many candidates to part (i) about the functions of custom authorities with many candidates knowing that their role includes preventing smuggling and collecting customs. Most candidates scored one mark out of the two marks available to part (ii) concerning bill of lading details.

Question 7

- (a) Despite the answers to parts (i) and (ii) being included on Fig. 4 there were only a minority of candidates who identified both correct answers. Also, there were many irrelevant answers supplied to part (iii). In part (iv) stronger answers correctly named three insurable risks such as fire, theft and public liability insurance. Weaker answers gave incorrect answers such as personal insurance or non-insurable risks.
- (b) Many candidates knew what the concept of pooling of risk was but had difficulty in applying it to the point of the question that it allows policy holders to insure for a small premium.
- (c) Many valid actions in making an insurance claim were given by better candidates such as contacting the insurance company, inform the police, have documents, complete a claim form with full details in utmost good faith. Weaker answers identified less actions in their answers.
- (d) There was some good knowledge and understanding demonstrated as to why the \$25 000 claim may not be paid. For example, some candidates chose the principle of utmost good faith. Good answers explained that policyholders had to tell the truth on the proposal form because the insurer could refuse to pay out on the claim if this was not done. Other candidates chose the principle of insurable interest. Many candidates recognised that, under the principle of insurable interest, one can insure their own car but not someone else’s car. Another point that could have been included was that the damage might not total \$25 000 and therefore the policy holder would be making a profit if they obtained the full amount.

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Paper 7101/02
Arithmetic

Key Messages

- Candidates must show the arithmetic operations that they are carrying out if credit is to be given when their answer is incorrect. They must avoid writing statements which have no mathematical meaning such as

$$\begin{array}{r} 5 \quad \text{£1} \\ \times \quad \quad 35 \\ \hline \end{array}$$

- Giving answers to the accuracy specified in the question was a problem again this year and many candidates lost marks as a result.
- Candidates should be aware that all the commercial terms contained in the syllabus may be used on this paper.

General Comments

The level of the paper was such that all candidates were able to demonstrate their knowledge and ability. The paper was challenging for the most able, with very few candidates scoring full marks. However, it was pleasing that there were a large number of very good scripts seen. There was no evidence at all that any candidates were short of time as some even attempted all 4 questions in **Section B**.

Examiners reported seeing much fewer candidates using log tables this year. Log tables will cause accuracy problems in some questions such as **Question 5** and **Question 7** as they will not deal with all the significant figures involved in the questions.

The general level of performance was about the same as last year and there were very few candidates scoring under 20%.

Comments on Specific Questions

Question 1

Very well answered with the exception of part (a).

The candidates who made errors in part (a) failed to convert the 6 months into $\frac{1}{2}$ a year. Part (b) was generally well done. Part (c) was very well done with the order of operations well understood.

Answers: (a) 8.33 (b) 297.48 (c) 0.13

Question 2

Reasonably well answered with the exception of the least able part of the entry.

In part **(a)** the definition of percentage profit as $(\text{profit} / \text{cost price}) \times 100$ was not clearly understood and many variations on the theme of the two numbers in the question were reported by Examiners.

In part **(b)** many candidates seemed not to understand that 1 tonne = 1000 kg.

In part **(c)** large numbers of candidates ignored the accuracy requirement, having correctly evaluated the division.

Answers: **(a)** 25.5 **(b)** 332 000 **(c)** 1.108

Question 3

The most able half of the candidates scored high marks on this question.

In part **(a)** the weaker candidates used the simple interest formula or used the depreciation principle instead of the growth one when using compound interest. Loss of accuracy in the working due to premature approximation was another source of lost marks for many candidates.

Part **(b)** was not as well done with large numbers of candidates having no concept of the likely size of the answer. It was not uncommon to see insurance premiums higher than the value being covered.

Answers: **(a)** 11055.57 **(b)** 9400

Question 4

Part **(a)** of this question was as poorly done this year as it was last time it was set in 2009. The general method required is a unitary one of finding the income at 100 and then finding the interest.

$20000 \times (100/78) \times (3.7/100)$ is the required calculation though it is best done in steps as shown in the mark scheme.

The arithmetic in parts **(b)** and **(c)** was very well done by most candidates, with the exception once again of large numbers of candidates ignoring or not understanding the accuracy requirement in the last part.

Answers: **(a)** 948.72 **(b)(i)** $1\frac{1}{4}$ **(ii)** 1.25 **(c)** 2.41

Question 5

In general candidates were unable to score well on this question. There was much confusion between the various measures of average. The concept behind the drawing of bar charts was not well known and many candidates tried to impose a scale on the horizontal axis instead of labelling the bars. In part **(e)** large numbers of candidates multiplied the price by the length of the trees.

Answers: **(b)** 7 **(c)** 6 **(d)** 6.07 **(e)** 1080

Question 6

Overall this question reflected the ability of the candidate quite well, although various parts caused great difficulty for many.

In part **(a)** the first three parts were very well done but in part four only the most able scored well. Similarly in part **(b)**, the first part was very well done by all but the weakest candidates and part two only well done by the able candidates, the remainder assuming the method of part **(b)(i)** applied to this part as well.

Answers: **(a)(i)** 3 **(ii)** 6.6 **(iii)** 3.5 **(iv)** 1.2 **(b)(i)** 480 **(ii)** 600

Question 7

This was the worst answered question on the paper with only the top 25% of the entry understanding what was required.

In part **(a)** it was very common to see candidates applying the Orion Bank dividend to all the companies.

In part **(b)** there is still a very common belief that commission is added to the profit instead of being a cost and therefore subtracted from the profit.

In part **(c)** the term "rights issue" was not generally understood as being a bonus. Most candidates failed to appreciate that the 161 shares in the rights issue were being sold to the investor at a much reduced price and that this did not have any connection with the price of the 1610 shares that the investor had already purchased.

Answers: **(a)** 293.15 **(b)** 27.65 **(c)** 1869.21

SECTION B

Question 8

This was very well done by the top half of the candidates. The weaker candidates struggled to cope with all the data and just shared an amount, often 160 000, in the ratios given in the problem. The concept of tax on profits was not well understood. The poor presentation of the answers often gave Examiners difficulty in knowing what candidates were trying to do.

Answers: **(a)** 42 240, 28 160, 35 200 **(b)** 66 **(c)** 40

Question 9

This was a popular question with more than half the candidates attempting it. Unfortunately most of part **(a)** was not very well done. All the usual errors of dealing with time were present and in addition many candidates only used Monday and Saturday to calculate the total opening hours, ignoring the other days of the week to give an answer of 10 hours. Some candidates invented opening hours for Sunday.

Parts **(b)** and **(c)** were beyond the ability of half of those candidates who attempted the question. Most candidates failed to see that the opening hours had increased by 1 hour and got involved with complicated calculations to determine this value.

Answers: **(a)** 40 **(b)** 2.5 **(c)** 1042.72

Question 10

This question was very well done by those that attempted it and full marks were very common. The main error was to use 100 degrees in a circle instead of 360 degrees.

Answers: **(a)** 100 000 **(b)** 210 **(c)** 72 **(d)** 1200

Question 11

This question was also very well done by those that attempted it and high marks were very frequent. The only major common error was to get the date shift column wrong particularly as the time involved covered two months but the procedures in all parts were well known.

Answers: **(a)** May 29 **(b)** 795 **(c)** 110

COMMERCIAL STUDIES

Paper 7101/03
Text Processing

General Comments

This year a distinct improvement in accuracy and presentation was noted. This improvement indicated that candidates had taken time to read through the paper and become familiar with the theme. Another indicator was that a good percentage of candidates have developed good proof reading skills. There was also a marked improvement in the interpretation of instructions, handwritten notes and correction signs. However, poor presentation/display and knowledge of preparing a business letter meant that some candidates lost between 8-10 marks for this task.

Overall tasks were produced displaying a very high level of knowledge of text processing. All Centres and candidates are to be commended for the significant improvement in accuracy and presentation skills this year.

Task 1

A good percentage of candidates completed this task in the given time. Candidates were consistent in style and layout but marks were lost on accuracy due to the time restriction.

Task 2

Overall candidates produced a newsletter displaying an excellent level of presentation and accuracy. Most candidates achieved very good marks for this task.

Common errors included:

Inconsistent line spacing after headings
Inconsistent use of case with side headings
Lack of knowledge of abbreviation signs – w (with) and yr (your)

Task 3

The main aim of this task is to produce business documents from written instructions in a form which would be acceptable for signature. Overall candidates achieved good marks for accuracy, tone, punctuation and grammar. Most candidates composed a business letter which accurately conveyed the writer's meaning. However some Centres/candidates had a lack of understanding of business correspondence. This meant that the first eight marks could not be awarded which had an impact on their overall mark for this task. Centres should make note of the exemplar business letter prepared last year addressing the following problems/errors.

1. Lack of understanding/knowledge of fully blocked open punctuation
2. Inconsistent line spacing between parts of the letter
3. Incorrect salutation/complimentary close
4. Date and reference omitted
5. Signatory and designation omitted

Task 4(a)

This task was completed in a professional manner. Correct format was used across all Centres.

Names and designations of both sender and recipient were placed correctly but not always accurately. Many candidates were able to identify and include Enc at the end of the memo.

Task 4(b)

Excellent marks were awarded across all Centres. Layout, presentation and in particular display methods used in this task enabled candidates to achieve high marks.

Task 5(a)

The few candidates who completed this task did so with accuracy and good use of interliner. All information was correctly placed.

Task 5(b)

This year it was evident that candidates enjoy working with ruled tabulation. This was evident from the very good marks that were achieved across all Centres.