

Example Candidate Responses Paper 2

Cambridge O Level Commerce 7100

For examination from 2018

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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge O Level Commerce 7100, and to show how different levels of candidates' performance (high, middle and low) relate to the subject's curriculum and assessment objectives.

In this booklet candidate responses have been chosen from June 2018 scripts to exemplify a range of answers.

For each question, the response is annotated with a clear explanation of where and why marks were awarded or omitted. This is followed by examiner comments on how the answer could have been improved. In this way, it is possible for you to understand what candidates have done to gain their marks and what they could do to improve their answers. There is also a list of common mistakes candidates made in their answers for each question.

This document provides illustrative examples of candidate work with examiner commentary. These help teachers to assess the standard required to achieve marks beyond the guidance of the mark scheme. Therefore, in some circumstances, such as where exact answers are required, there will not be much comment.

The questions and mark schemes used here are available to download from the School Support Hub.

These files are:

[June 2018 Question Paper 22](#)

[June 2018 Paper 22 Mark Scheme](#)

Past exam resources and other teacher support materials are available on the School Support Hub:

www.cambridgeinternational.org/support

How to use this booklet

This booklet goes through the paper one question at a time, showing you the high-, middle- and low-level response for each question. The candidate answers are set in a table. In the left-hand column are the candidate answers, and in the right-hand column are the examiner comments.

Example Candidate Response – Question 1, high	Examiner comments
<p>Use Fig. 1 to help you answer the following questions.</p> <p>(a) Which method of transport would a business use to move each of the following?</p> <p>(i) flowers to a customer in the same town Vans [1]</p> <p>(ii) offshore oil to the mainland Pipelines [1]</p> <p>Answers are by real candidates in exam conditions. These show you the types of answers for each level. Discuss and analyse the answers with your learners in the classroom to improve their skills.</p>	<p>1 The correct answer has been selected. Mark for (a)(i) = 1 out of 1</p> <p>2 The correct answer has been selected. Mark for (a)(ii) = 1 out of 1</p> <p>Examiner comments are alongside the answers. These explain where and why marks were awarded. This helps you to interpret the standard of Cambridge exams so you can help your learners to refine their exam technique.</p>

How the candidate could have improved their answer

The candidate achieved full marks. However, they could have made greater analysis to each point of knowledge given.

This section explains how the candidate could have improved each answer. This helps you to interpret the standard of Cambridge exams and helps your learners to refine their exam technique.

Common mistakes candidates made in this question

(b)(i) Some candidates only gained one or two marks by simply identifying the \$60bn and \$40bn without adding the two figures together.

Often candidates were not awarded marks because they misread or misinterpreted the questions.

Lists the common mistakes candidates made in answering each question. This will help your learners to avoid these mistakes and give them the best chance of achieving the available marks.

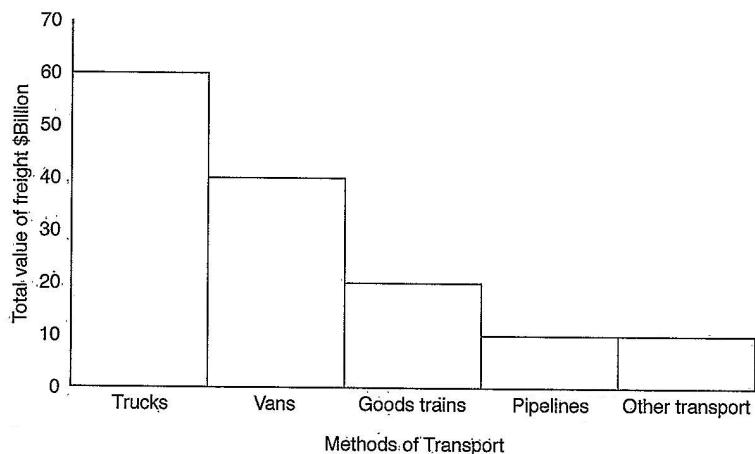
Question 1

Example Candidate Response – high

Examiner comments

- 1 Fig. 1 shows the total value of freight moved by different methods of transport in home trade.

Fig. 1 Home trade freight



Use Fig. 1 to help you answer the following questions.

- (a) Which method of transport would a business use to move each of the following?

- (i) flowers to a customer in the same town

..... Vans [1]

- (ii) offshore oil to the mainland

..... Pipelines [1]

- (b) (i) Calculate the total value of freight carried by trucks and vans. Show your working.

Freight carried by trucks + Freight carried by vans

..... 60 + 40

..... = \$100 billion [2]

1 The correct answer has been selected.

Mark for (a)(i) = 1 out of 1

2 The correct answer has been selected.

Mark for (a)(ii) = 1 out of 1

3 The candidate has correctly calculated the accurate answer, with the correct method shown.

Mark for (b)(i) = 2 out of 2

Example Candidate Response – high, continued

Examiner comments

- (ii) Explain **one** environmental effect of the increased use of road transport for deliveries of goods ordered online.

Increased use of road transport has caused air pollution. **4** The emissions from the trucks, vans and heavy transport used for deliveries mixes up in the air and dilutes it which is very dangerous and can lead to many diseases. **5** [3]

- (c) (i) Suggest **one** method of transport used to carry freight that is **not** named in Fig. 1.

Ship. **6** [1]

- (ii) Circle the correct answer to complete each of the following sentences.

Transport is

a direct service **OR** a commercial service.

A commercial document used in the home trade is

a bill of lading **OR** a consignment note. **7** [2]

- (d) Evaluate whether or not a business should have its own fleet of vans to make deliveries.

8 If a business has its own vehicle for transportation, it can have full control on them. It can despatch goods according to the customers' **need** **9** and satisfy them more easily. Most importantly, there will be less chance of theft and fraud as the driver will be a trusted person of the business. The business will provide reliable deliveries to the customer and possibly earn customer loyalty. **10** However, not having personnel method of transport will add to the cost as there will be a daily need for transport. Hiring others to transport deliveries might result in fraud, unreliability and extra costs. There's no way to track the deliveries. **11** and late deliveries will cause resentment to the customer. **12** I think having own fleet of transport is beneficial as the business has full control and costs are also saved. [Total: 16]

4 The first sentence correctly identifies a valid environmental effect.

5 The answer explains sufficiently the environmental effect with relevant points of development.
Mark for (b)(ii) = 3 out of 3

6 A valid transport method is provided.
Mark for (c)(i) = 1 out of 1

7 The candidate has circled the two correct answers.
Mark for (c)(ii) = 2 out of 2

8 There are 6 marks available: 2 marks for knowledge and understanding, 2 marks for analysis and 2 marks for evaluating whether or not the business should have its own fleet of vans to make deliveries.

9 The argument begins with relevant knowledge and understanding of the benefits to a business of owning their own transport.

10 The candidate develops their knowledge points with analysis; by highlighting the benefits to a business of having its own transport.

11 The candidate has shown knowledge and analysis of the commercial arguments against a business owning their own transport.

12 Here is a justified evaluation based on effective reasoning of aforementioned points.
Mark for (d) = 6 out of 6

Total mark awarded =
16 out of 16

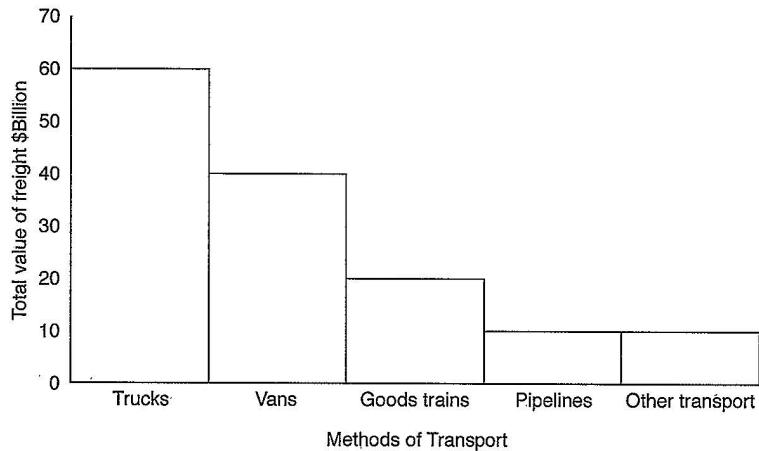
How the candidate could have improved their answer

The candidate achieved full marks. However, they could have provided greater analysis of each point of knowledge given.

Example Candidate Response – middle

Examiner comments

1. Fig. 1 shows the total value of freight moved by different methods of transport in home trade.

Fig. 1 Home trade freight

Use Fig. 1 to help you answer the following questions.

- (a) Which method of transport would a business use to move each of the following?

- (i) flowers to a customer in the same town

Vans 1..... [1]

- (ii) offshore oil to the mainland

Trucks or Pipelines 2..... [1]

- (b) (i) Calculate the total value of freight carried by trucks and vans. Show your working.

40 + 60 = 100 Billion 3..... [2]

1 The candidate has selected the correct method of transport.
Mark for (a)(i) = 1 out of 1

2 The candidate has selected two methods of transport instead of one method, as required by the question. The ruling, in this situation, is only the first answer is allowed. It is unfortunate that the second response given was in fact the correct one.
Mark for (a)(ii) = 0 out of 1

3 The candidate has correctly calculated the accurate answer, with the correct method shown.
Mark for (b)(i) = 2 out of 2

Example Candidate Response – middle, continued

Examiner comments

- (ii) Explain **one** environmental effect of the increased use of road transport for deliveries of goods ordered online.

The increased use of road transport for deliveries of goods ordered online will let to massive air pollution, noise pollution or this might can increase road accidents. [4]

- (c) (i) Suggest **one** method of transport used to carry freight that is **not** named in Fig. 1.

Air transport [5] [1]

- (ii) Circle the correct answer to complete each of the following sentences.

Transport is

a direct service OR a commercial service.

A commercial document used in the home trade is

a bill of lading OR a consignment note. [6] [2]

- (d) Evaluate whether or not a business should have its own fleet of vans to make deliveries.

Yes, In my opinion a business should have its own fleet of vans to make deliveries as it will help to reduce costs otherwise business have to pay the rent for vehicles (vans). Moreover if business have its own fleet of vans it can be given for rent in off working days. [6]

[Total: 16]

- 4 The candidate has correctly identified the environmental effect of air pollution but has not developed their answer with relevant explanation.
Mark for (b)(ii) = 1 out of 3

- 5 A valid transport method is provided.
Mark for (c)(i) = 1 out of 1

- 6 The candidate has circled the two correct answers.
Mark for (c)(ii) = 2 out of 2

- 7 The candidate has given a valid reason for owning their own transport, that is, the vans can be hired with the analysis of reducing costs.

- 8 Here the candidate describes a further reason for a business having its own fleet of vans for deliveries.
Mark for (d) = 3 out of 6

**Total mark awarded =
10 out of 16**

How the candidate could have improved their answer

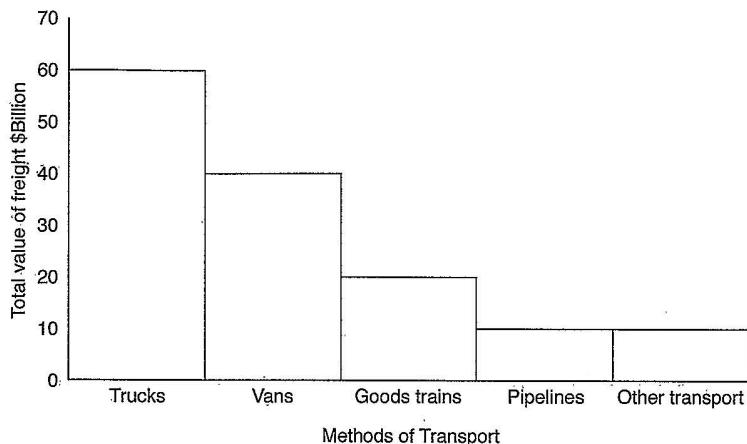
- (a)(ii) The candidate should have provided **one** answer and not given more than the required number of methods of transport.
(b)(ii) The candidate could have explained the effect of air pollution with supporting information.
(d) The candidate could have provided greater analysis to each point of knowledge given.

Example Candidate Response – low

Examiner comments

- 1 Fig. 1 shows the total value of freight moved by different methods of transport in home trade.

Fig. 1 Home trade freight



Use Fig. 1 to help you answer the following questions.

- (a) Which method of transport would a business use to move each of the following?

- (i) flowers to a customer in the same town

.....
By Road. 1 [1]

- (ii) offshore oil to the mainland

.....
By Sea. 2 [1]

- (b) (i) Calculate the total value of freight carried by trucks and vans. Show your working.

The Total freight carried by Trucks
and vans are 100 Billion. 3 [2]

$$\begin{array}{r}
 60 \text{ Billion} \\
 + 40 \text{ Billion} \\
 \hline
 100 \text{ Billion}
 \end{array}$$

1 The candidate has not used Fig. 1 to identify a method of transport shown in the diagram. Mark for (a)(i) = 0 out of 1

2 The candidate has not used Fig. 1 to identify a method of transport shown in the diagram. Mark for (a)(ii) = 0 out of 1

3 The candidate has correctly calculated the accurate answer, with the correct method shown. Please note that it was not necessary to indicate the currency of dollars. Mark for (b)(i) = 2 out of 2

Example Candidate Response – low, continued

Examiner comments

- (ii) Explain **one** environmental effect of the increased use of road transport for deliveries of goods ordered online.

Sunny environmental effect can be the increasing point because other like rain can disturb very much due to the delivery process. [3]

- (c) (i) Suggest **one** method of transport used to carry freight that is **not** named in Fig. 1.

Air Planes [1]

- (ii) Circle the correct answer to complete each of the following sentences.

Transport is

a direct service OR a commercial service.

[6]

A commercial document used in the home trade is

a bill of lading OR a consignment note.

[7]

[2]

- (d) Evaluate whether or not a business should have its own fleet of vans to make deliveries.

A business should have its own fleet of vans to make deliveries because it will cost less than to ~~rent~~ the rent vans. It may cause a bit more in the first months but after a year or so it will cost less. Having own van helps that even if a delivery place is not very far it will cost less but rent car would take more money. [6]

[Total: 16]

- 4 The candidate has not correctly identified an environmental effect, such as air pollution, to be awarded any marks.
Mark for (b)(ii) = 0 out of 3

- 5 A valid transport method is provided.
Mark for (c)(i) = 1 out of 1

- 6 Instead of circling one answer to each sentence this candidate has circled both answers to the first sentence. Therefore, no marks can be awarded.

- 7 No answer has been attempted.
Mark for (c)(ii) = 0 out of 2

- 8 The candidate has repeated the same simple point, without supporting knowledge or analysis, that it will be cheaper for a business to own a fleet of vans rather than leasing them.
Mark for (d) = 1 out of 6

**Total mark awarded =
4 out of 16**

How the candidate could have improved their answer

- (a)(i) and (ii) The candidate should have applied their answers to Fig. 1.
- (b)(ii) The candidate needed to demonstrate knowledge of this new syllabus topic.
- (d) The candidate should have followed the question instructions which required **one** answer to be circled in each of the two sentences.
- (e) The candidate could have included more knowledge points, relevant analysis and evaluation to part (d).

Common mistakes candidates made in this question

- (b)(i) Some candidates only gained one mark by simply identifying the \$60bn and \$40bn without adding the two figures together.
- (c)(i) Some suggested, by misreading the question, a method of transport in Fig 1.
- (d) The weaker answers were narrower in focus and lacked analysis.

Question 2

Example Candidate Response – high	Examiner comments
<p>2 The advertisement in Fig. 2 has been placed in a local newspaper.</p> <p style="text-align: center;">Fig. 2 Local newspaper advertisement</p> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>ABC SHOPPING CENTRE</p> <p>1 July 2018</p> <p>GRAND OPENING</p> <p>at 9.00am</p> <p><i>Many opening day sales promotions</i></p> <p>DO NOT MISS OUT!</p> </div> <p>Use Fig. 2 to help you answer the following questions.</p> <p>(a) State two features of a shopping centre.</p> <p>1 They are large buildings usually situated in the center of cities</p> <p>2 They provide a wide range of goods including grocery 1 [2]</p>	<p>Examiner comments</p> <p>1 The candidate has correctly stated two features of a shopping centre. Mark for (a) = 2 out of 2</p>

Example Candidate Response – high, continued

Examiner comments

(b) Should the owner of ABC Shopping Centre have advertised its opening in a local newspaper?

As ABC is a shopping centre and wanted to announce its opening, the local newspaper was the best method to advertise. Local newspaper is read by the local community and is best to cover large audience. Mostly people are likely to buy newspaper and read it. It is a cheap method and is also kept by people. As it is a written advertisement, it is easy to remember. I think ABC's owner took the right decision because this method will do its work in less amount of money. [4]

(c) Describe, using an example, one type of sales promotion that would be suitable to use at the grand opening.

The best sales promotion to use at the grand opening would be the 'buy-one-get-one-free' (bagof). For example, buy one T-shirt and get one for free. This will attract huge number of customers and sales will boost. [2]

(d) Many of the shopping centre's customers use both debit and credit cards to pay for goods and services. Evaluate which method of payment would be better to purchase a fridge freezer.

Debit card enables instant payment but the user has to have balance in his account. It is a quick method for payment, especially for low price bills, such as at the restaurant or small scale grocery shopping but not suitable for buying consumer durables such as a fridge freezer in this case. Credit card will allow payments to be made on credit. Customers can purchase expensive products but have a certain credit limit. They will receive a monthly bill to pay at the end of the month, which is convenient. I think credit card would be used to buy a fridge freezer because it is an expensive consumer durable and definitely a debit card won't work here. [6] Customers also wouldn't have to carry large amount of cash. [9]

[Total: 14]

2 There is an unsupported judgement in the first sentence. This is one valid approach that candidates can use instead of making their judgement at the end.

3 The candidate has explained a range of reasons to support their earlier judgement.

4 Here the candidate supports their reasoning with a justified conclusion.

Mark for (b) = 4 out of 4

5 The candidate has given a relevant example of a sales promotion but has not described the type of sales promotion, that is, of a special offer.

Mark for (c) = 1 out of 2

6 There are 6 marks available: 2 marks for knowledge and understanding, 2 marks for analysis and 2 marks for evaluating whether or not a debit card or a credit card should be used to purchase a fridge freezer.

7 The candidate begins by demonstrating clear understanding of a debit card. This is supported by analysing its use by applying their answer to the context.

8 The answer is followed by demonstrating clear understanding of a credit card. This is supported by simple analysis of its use.

9 This is an evaluation based on some reasoning. The point concerning the carrying of cash would apply to both types of cards and was not credited. The candidate needed to add further relevant development to gain the second evaluation mark.

Mark for (d) = 5 out of 6

Total mark awarded =
12 out of 14

How the candidate could have improved their answer

In the answer to part (d) it would have been useful to clearly define both credit and debit cards at the start of the answer. Then to provide application of their usage in the context of the fridge freezer with supporting analysis linked to each reason given. The evaluation needed to be fully justified.

Example Candidate Response – middle

Examiner comments

- 2 The advertisement in Fig. 2 has been placed in a local newspaper.

Fig. 2 Local newspaper advertisement



Use Fig. 2 to help you answer the following questions.

- (a) State **two** features of a shopping centre.

- 1 ... Can get all the shopping Shop in
..... as it contain Variety of
.....
2 less waste of time and easy way of
..... Shopping and it trusted as it can been seen and purchased [2]
.....
..... all the product are placed in one place no need
..... to travel from place to place 1

1 The candidate has correctly identified one of two shopping centre features. The second feature identified is vague, and is essentially an advantage of visiting a shopping centre rather than a feature.
Mark for (a) = 1 out of 2

Example Candidate Response – middle, continued

Examiner comments

- (b) Should the owner of ABC Shopping Centre have advertised its opening in a local newspaper?

No
Yes, ABC Shopping Centre should not advertise in a local newspaper as many people don't read it. Instead she can advertise through social media which can boost her sales of shops which are in it and it will be famous and her image will be created for this shopping center the many bands will try to open the shops as many people come to buy in this place which will increase their profit and it's cheap though [4]

- (c) Describe, using an example, one type of sales promotion that would be suitable to use at the grand opening.

Boycott this allows a customer to do multiple purchasing which will increase sales as well profit or so they can reduce the price in order to increase their sale of good [4] [2]

- (d) Many of the shopping centre's customers use both debit and credit cards to pay for goods and services. Evaluate which method of payment would be better to purchase a fridge freezer.

The method of payment would be better to purchase a fridge freezer can be a credit card because it allows the customer to take away the fridge freezer or a card and pay it in a later date which help a customer to buy many stuff from for him self. Using debit card will not be good way of purchasing as a customer has to pay directly from that card but also a credit and debit card both card holder pay interest on them so any how it depends some time & the better way of paying is cash although I agree with credit card [7] [6]

[Total: 14]

2 The candidate justifies why a local newspaper should not be used to advertise the shopping centre with an alternative media suggested instead.

3 There is further analysis on why social media marketing should be used instead of a local newspaper.

Mark for (b) = 3 out of 4

4 The candidate has given a relevant example of a sales promotion but has not described it.

Mark for (c) = 1 out of 2

5 The candidate describes a relevant reason for using a credit card to purchase a fridge freezer with some analysis of why this is of benefit to the customer.

6 Some relevant information given on the use of a debit card but no analysis or evaluation skills demonstrated.

7 The candidate incorrectly states that interest is paid on the use of the both cards. There is no interest paid on a debit card and interest is only paid on a credit card if the total due on the statement is not paid on time. The evaluation given in the last sentence has no supported reasoning to gain any credit.

Mark for (d) = 3 out of 6

**Total mark awarded =
8 out of 14**

How the candidate could have improved their answer

In their answer to part (d) it would have been useful to clearly define both credit and debit cards at the start of the answer. Then the candidate could have provided application of their usage in the context of the fridge freezer with supporting analysis linked to each of the two reasons given. The evaluation needed to be fully justified.

Example Candidate Response – low	Examiner comments
<p>2. The advertisement in Fig. 2 has been placed in a local newspaper.</p> <p>Fig. 2 Local newspaper advertisement</p> <div data-bbox="112 399 992 1044" style="border: 1px solid black; padding: 10px;"><p style="text-align: center;">ABC SHOPPING CENTRE</p><p style="text-align: center;">1 July 2018</p><p style="text-align: center;">GRAND OPENING</p><p style="text-align: center;">at 9.00 am</p><p style="text-align: center;"><i>Many opening day sales promotions</i></p><p style="text-align: center;">DO NOT MISS OUT!</p></div> <p>Use Fig. 2 to help you answer the following questions.</p> <p>(a) State two features of a shopping centre.</p> <p>1. All the shops are located in one centre which makes it easier for customers. 2. Air conditioned area in which shops are next to each other. [2]</p>	<p>1 The candidate has correctly identified one of two shopping centre features. The first point made is vague and defines a shopping centre rather than describing a feature. Mark for (a) = 1 out of 2</p>

Example Candidate Response – low, continued

Examiner comments

- (b) Should the owner of ABC Shopping Centre have advertised its opening in a local newspaper?

Yes, because many locals still read newspapers.² and people prefer going to centres. More than shops because there are more than one shops in a centre. They even said that there will be sales promotions so they the locals might not miss that.³

[4]

- (c) Describe, using an example, **one** type of sales promotion that would be suitable to use at the grand opening.

If the centre does a buy one get one free sale, it will attract⁴ many customers to buy more things.⁵

[2]

- (d) Many of the shopping centre's customers use both debit and credit cards to pay for goods and services. Evaluate which method of payment would be better to purchase a fridge freezer.

Using credit cards will be a better⁵ option because a fridge is expensive and if you don't have cash with you, buy the freezer through credit card and give the payment at the end of⁶ the month through billing.

[6]

[Total: 14]

2 The candidate justifies with one reason why advertising in a local newspaper would be beneficial.

3 The answer focuses on the shopping centre rather than the use of the local newspaper. This detail is irrelevant and does not add anything to the candidate's answer.

Mark for (b) = 1 out of 4

4 The candidate has given a relevant example of a sales promotion but has not described it.

Mark for (c) = 1 out of 2

5 The candidate provides useful application to the question by recognising that purchasing a fridge freezer would be expensive.

6 Here the candidate analyses why a credit card would be a preferred option to a debit card.

Mark for (d) = 3 out of 6

Total mark awarded =
6 out of 14

How the candidate could have improved their answer

- (b) The candidate could have developed their initial point by explaining further reasons for using a local newspaper.
(d) It would have been useful to clearly define both credit and debit cards at the start of the answer. Then to provide greater supporting analysis linked to more reasons given. An evaluation needed to be included.

Common mistakes candidates made in this question

- Many candidates assumed that (b) was concerned with national newspapers when the question specifically stated local newspapers.
- There was a general lack of application in part (d) to the specific context of fridge freezer. It is important that the focus should be on the type of goods stated in the question rather than goods in general.

Question 3

Example Candidate Response – high

Examiner comments

- 3 Fig. 3 shows part of the balance sheet for AAA Ltd, a toy manufacturer. AAA Ltd is a private limited company.

Fig. 3 Balance Sheet

BALANCE SHEET FOR AAA LTD AS AT 31 DECEMBER 2017	
	\$000s
Fixed (non-current) assets	350
Current assets	150
Current liabilities	90
Working capital	?
	410
Financed by:	
Bank loan	120
Share capital	?

Use Fig. 3 to help you answer the following questions.

- (a) (i) Define liabilities.**

Liabilities...are what is owed by the business to someone. They have to be paid and result in cash outflow [1]

- (ii) Calculate the value of the following as at 31 December 2017. Show your working.

working capital

$$\text{Working capital} = \text{current assets} - \text{current liabilities}$$

..... 15.0 - 9.0

= \$6.0

share capital

$$\text{Share capital} = 410 - 120 \\ = \$290 \quad 2$$

1 A correct definition of liabilities was provided.

Mark for (a)(i) = 1 out of 1

2 The candidate has given correct answers to both working capital and share capital with the working methods shown.
Mark for (a)(ii) = 4 out of 4

Example Candidate Response – high, continued

Examiner comments

- (b) Do you think current assets are more important than fixed (non-current) assets to a business? Justify your answer.

Current assets such as debtors, cash in bank and inventories are liquid assets and can be turned into cash easily unlike non-current assets. Fixed assets are expensive and have a fixed cost. They depreciate over time and adds to the costs of the business as depreciation is calculated as expense. Current assets are more important to a business because they help in cash flow. The more the current assets and the less the liabilities, the more the working capital. [4]

- (c) AAA Ltd wants to promote one of its toys using competitive advertising. Explain why competitive advertising might be used.

AAA Ltd is a toy manufacturer and might have competitors. Competitive advertising will counter the competitor's advertising and attract more customers by encouraging them that AAA's product (toys) are better than any other. Other reason might be that, that the particular toy might be declining and AAA might want to extend its life cycle. [6]

3 The candidate has accurately explained the two concepts mentioned in the question.

4 The candidate has sufficiently justified the importance of current assets compared with fixed assets.

Mark for (b) = 4 out of 4

5 The candidate has explained the need to combat the advertising of another producer in order to increase their share of the toy market.

6 One other relevant reason, for using competitive advertising, is explained.

Mark for (c) = 3 out of 3

Example Candidate Response – high, continued

Examiner comments

- (d) Some of the directors of AAA Ltd want to convert to a public limited company. Discuss whether or not AAA Ltd should remain as a private limited company or convert to a public limited company. What course of action would you recommend? Give reasons for your answer.

7 Public limited company can raise very large sums of capital easily by issuing shares and selling them to the public. It becomes a very huge organisation which then obtain benefits from economies of scale, have influence over suppliers and customers and also uses ~~not~~ mechanisation which increases its output eventually leading to higher sales and profit. But it is very difficult to control and often costs are high because of the high salaried skilled workers and thousands of low wage workers. There are thousands of shareholders and the real ownership does not matter much. Private limited companies also take benefit from discount prices because of bulk buying. They can also afford fixed assets and still have the control of the company because shares are not sold to the public. I would recommend AAA to become a public limited company so it will [Total: 20] be easier to compete and grow. Sales will grow and profit will increase. However, AAA might not be successful in controlling the organisation. Also there are more documentation involved. But it will benefit from economies of scale and AAA can reduce its costs which can also be passed to the ¹¹ wholesale, retailer or customer as low prices.

- 7 There are 8 marks available: 4 marks for knowledge and understanding, 2 marks for analysis and 2 marks for a recommendation evaluating whether or not the business should convert from a Limited (Ltd) to a public limited company.

- 8 The candidate begins their argument with relevant knowledge and understanding of the benefits to a business of being a public limited company.

- 9 The candidate links their knowledge and understanding with supporting analysis. The analysis considers both the benefits and problems that can result from conversion. This means that the candidate has gained marks in level 2 of the mark scheme.

- 10 The argument is developed by showing some knowledge and understanding of staying as a private limited company.

- 11 A recommendation is made by the candidate enabling this answer to access level 3 of the mark scheme. As there is limited reasoning, the candidate was unable to obtain maximum marks. Mark for (d) = 7 out of 8

**Total mark awarded =
19 out of 20**

How the candidate could have improved their answer

The answer to part (d) could have been improved by stronger knowledge on the organisation of private limited companies. There were also some irrelevant points made, such as economies of scale, that did not add to the answer. The recommendation needed to be built upon stronger knowledge and analysis to justify maximum marks.

Example Candidate Response – middle

Examiner comments

- 3 Fig. 3 shows part of the balance sheet for AAA Ltd, a toy manufacturer. AAA Ltd is a private limited company.

Fig. 3 Balance Sheet

BALANCE SHEET FOR AAA LTD AS AT 31 DECEMBER 2017	
Fixed (non-current) assets	\$000s 350
Current assets	150
Current liabilities	90
Working capital	?
	60
	410
Financed by:	
Bank loan	120
Share capital	?
	290

Use Fig. 3 to help you answer the following questions.

- (a) (i) Define *liabilities*.

Liabilities are the money repaid either by ~~expenses~~ bank loan to the business. 1

- (ii) Calculate the value of the following as at 31 December 2017. Show your working.

working capital

$$\begin{aligned} &\text{Current assets} - \text{Current liabilities} \\ &= \$150\,000 - \$90\,000 \\ &= \$60\,000 \end{aligned}$$

share capital

$$\begin{aligned} &\text{Bank loan + Share capital} = \$110\,000 \\ &= \$120\,000 + (\text{S}) = \$110\,000 \\ &= \$110\,000 - \$120\,000 \\ &= \$290\,000 \quad 2 \end{aligned}$$

[4]

- 1 The candidate lacks understanding of the term liabilities.

Mark for (a)(i) = 0 out of 1

- 2 The correct answers to both working capital and share capital have been given with the working methods shown.

Mark for (a)(ii) = 4 out of 4

Example Candidate Response – middle, continued

Examiner comments

- (b) Do you think current assets are more important than fixed (non-current) assets to a business? Justify your answer.

Non-current assets are the assets of the business such as building, fixtures & fittings, equipment, this plays a key role in a business whereas current assets are its payables values only \$180 000. Current asset may be for e.g. closing inventory. Thus Non-current assets are more important as without that, the business won't be able to work properly as in the balance sheet itself it is worth \$250 000. [4]

- 3 The candidate has given relevant examples of both fixed and current assets.

- (c) AAA Ltd wants to promote one of its toys using competitive advertising. Explain why competitive advertising might be used.

- Competitive advertising is used so as to compete against competitors or face competition. [5]
- That form of advertising may be used to gain greater market share and make his competitors shut down. [6]
- It may be used by offering very competitive price and thus increase sales revenue. [7]

- 4 The justification is vague without clear supported reasoning. Mark for (b) = 2 out of 4

- 5 The candidate starts off their answer well with a statement showing clear understanding of what competitive advertising is.

- 6 Some relevant reasoning why competitive reasoning would be used is given.

- 7 The candidate informs the reader 'how' competitive advertising can be achieved rather than commenting on 'why' it might be used.
Mark for (c) = 2 out of 3

Example Candidate Response – middle, continued

Examiner comments

- (d) Some of the directors of AAA Ltd want to convert to a public limited company. Discuss whether or not AAA Ltd should remain as a private limited company or convert to a public limited company. What course of action would you recommend? Give reasons for your answer.

8 A private limited company has a separate legal entity and consist of more than 2 shareholders.
 Shares are usually sold among members and may publish his financial position on request. 9
 By converting it to ^{public} limited company, first benefit will be that he will be able to raise capital by selling shares to the public on stock exchange. By being a public limited company, the one who bought share won't have the right to interfere in the business decisions. At public limited company will also have to publish his financial position and then potential buyer may know the exact position of the business. 10
 I would recommend converting into PLC as the business will be more likely to increase its capital. [Total: 20] 11

8 There are 3 levels of response used for the marking of this question. Level 1 is concerned with the candidate demonstrating knowledge and understanding. Level 2 requires the candidate to analyse the knowledge presented. Level 3 requires candidates to offer a recommendation with evaluation that is supported by reasoning.

9 The candidate shows Level 1 knowledge and understanding of a private limited company.

10 The candidate has very limited knowledge and understanding of a public limited company.

11 Although the candidate has made a recommendation with a reason, they are unable to access Level 3 marks as there is no Level 2 supporting analysis in their answer.
 Mark for (d) = 3 out of 8

**Total mark awarded =
 11 out of 20**

How the candidate could have improved their answer

- In answering parts (b) and (c) greater analysis was required.
- The answer to part (d) could have been improved by analysing the sound knowledge demonstrated. Moreover, the recommendation needed to be built upon Level 2 analysis in order to gain Level 3 marks.

Example Candidate Response – low

Examiner comments

- 3 Fig. 3 shows part of the balance sheet for AAA Ltd, a toy manufacturer. AAA Ltd is a private limited company.

Fig. 3 Balance Sheet

BALANCE SHEET FOR AAA LTD AS AT 31 DECEMBER 2017	
Fixed (non-current) assets	\$000s 350
Current assets	150
Current liabilities	90
Working capital	?
	410
Financed by:	
Bank loan	120
Share capital	?

Use Fig. 3 to help you answer the following questions.

- (a) (i) Define *liabilities*.

Something that should be done. 1

[1]

- (ii) Calculate the value of the following as at 31 December 2017. Show your working.

working capital

Fixed Assets - Current Assets = Working capital

$$350 - 150 = 200 \quad 2$$

share capital

Working Capital - Bank Loan = Share

capital

$$410 - 120 = 290 \quad 3$$

- 1 The candidate lacks understanding of the term liabilities.

Mark for (a)(i) = 0 out of 1

- 2 The incorrect formula has been used to calculate working capital so no marks awarded.

- 3 The candidate has given the correct answer to share capital and the values used in the working are correct, but the method stated is incorrect.

Mark for (a)(ii) = 2 out of 4

Example Candidate Response – low, continued

Examiner comments

- (b) Do you think current assets are more important than fixed (non-current) assets to a business? Justify your answer.

Yes because the current assets can be changed.

No because the current assets can be changed whereas the fixed assets that are non-current cannot be changed because they are fixed. [4]

- ④ The candidate shows no knowledge and understanding of either current or fixed assets. There are no marks for simply stating no or yes, as the judgement requires relevant evidence.

Mark for (b) = 0 out of 4

- (c) AAA Ltd wants to promote one of its toys using competitive advertising. Explain why competitive advertising might be used.

Competitive advertising may be used because there are many toy companies with good advertising that attract children. If a toy company compares their product with another company it becomes competitive and better for a company. [6]

- ⑤ The answer starts off well with a statement showing clear understanding of what competitive advertising is.

- ⑥ In this second sentence the candidate is repeating what competitive advertising is. The idea that it is better for the company is not qualified.
Mark for (c) = 1 out of 3

Example Candidate Response – low, continued

Examiner comments

- (d) Some of the directors of AAA Ltd want to convert to a public limited company. Discuss whether or not AAA Ltd should remain as a private limited company or convert to a public limited company. What course of action would you recommend? Give reasons for your answer.

Converting into a public limited company will mean that they will get more shares and offers from other interested companies. 7 AAA Ltd might get more recognition if other companies merge with them. On the other hand, remaining a private limited company will give the company more profit because the government won't have control on them. If AAA converts to a public limited company, the government will decide the amount of the product which might not be fair for the company because the quality might ~~be~~ be good but the price might be low. 8

[Total: 20]

7 Some attempt is made to point out that shares can be traded in the open market.

8 The candidate has made a number of incorrect statements such as a public limited company being under government control. It is common for candidates to confuse public sector and public limited company.

Mark for (d) = 1 out of 8

Total mark awarded =
4 out of 20

How the candidate could have improved their answer

- In answering part (c) greater analysis was required.
- The answer to part (d) could have been improved by the candidate knowing the differences between private limited and public limited companies. This lack of knowledge meant that it was difficult to score many marks for the 8 mark question.

Common mistakes candidates made in this question

- Imprecise definitions to part (a)(i).
- For the 8 mark question it is the quality of response that determines which level an answer achieves rather than the quantity of items of knowledge. Quality is determined by progression through the hierarchy of the assessment objectives. Many candidates made the error of simply describing a response rather than analysing or evaluating.

Question 4

Example Candidate Response – high

Examiner comments

- 4 There are many types of warehouses used in home and international trade.
- (a) Which of these statements about warehouses are TRUE and which are FALSE

Tick (✓) TRUE or FALSE in the correct column.

	TRUE	FALSE
Cash and carry warehouses offer self-service wholesaling.	✓	
Manufacturers' warehouses would be used to store raw materials and finished goods awaiting sale.	✗	
Regional distribution centres are located at seaports for efficient distribution of goods.		✓

[3]

- 1 The three correct columns have been ticked.
Mark for (a) = 3 out of 3

- (b) Explain how warehousing is used for

- (i) seasonal production

products such as maize which is produced seasonally but demanded throughout the year is stored in warehouse to cope with the demand. [2]

- (ii) price stability

When goods are more but demand is low, prices fall. Products are stored in warehouse and supply is stopped so when there are limited products left but demand is high, prices increase. [3]

- 2 Good understanding shown of how warehousing is used so that seasonal goods can be stored to meet demand throughout the year.
Mark for (b)(i) = 2 out of 2

- 3 Good understanding shown of how warehousing is used to keep prices stable and prevent shortages.
Mark for (b)(ii) = 2 out of 2

Example Candidate Response – high, continued

Examiner comments

- (c) (i) Many businesses use overseas agents to sell goods on their behalf. Discuss whether or not a business should use agents when selling overseas. Give reasons for your answer.

4 Agents overseas have better knowledge of the market, economy and prospects of the particular areas. He knows what is selling well and what is not. Business selling overseas need a person who can sell their products successfully. This is done by the agent for which he is given commission. Agent will advise the business which is helpful and can lead to changes in decision. Most importantly the selling becomes the responsibility of the agent. Businesses don't have to worry and can concentrate on other objectives. I think using agent overseas is very important because without him, business [6] cannot penetrate into new markets or can't sell abroad at all.

- (ii) Describe one trade restriction that might affect the work of an agent in international trade.

Tariff are taxes paid for importing goods and this can affect the agent as he will have to pay taxes which might result in decreased imports and sales. Tariffs will add to the cost of the agent. [2]

[Total: 15]

4 There are 6 marks available: 2 marks for knowledge and understanding, 2 marks for analysis and 2 marks for evaluating whether or not the business should use overseas agents.

5 The candidate shows knowledge and understanding of reasons for using an overseas agent.

6 The candidate makes the initial point of the agent assuming responsibility for the goods and analyses this point.

7 There is a simple point of evaluation in the final sentence.
Mark for (c)(i) = 5 out of 6

8 The candidate identifies a trade restriction, that is a tariff, and accurately describes a tariff for the second mark.
Mark for (c)(ii) = 2 out of 2

**Total mark awarded =
14 out of 15**

How the candidate could have improved their answer

(c)(i) The candidate could have demonstrated greater analysis to each of the knowledge points that they gave. The evaluation needed to be fully justified.

Example Candidate Response – middle

Examiner comments

- 4 There are many types of warehouses used in home and international trade.
- (a) Which of these statements about warehouses are TRUE and which are FALSE

Tick (✓) TRUE or FALSE in the correct column.

	TRUE	FALSE
Cash and carry warehouses offer self-service wholesaling.	✓	
Manufacturers' warehouses would be used to store raw materials and finished goods awaiting sale.	✓	
Regional distribution centres are located at seaports for efficient distribution of goods.		✓

1

[3]

- (b) Explain how warehousing is used for

- (i) seasonal production

Warehousing may be used to store seasonal products such as certain fruits and make a stock to continue selling them the whole year.

2

- (ii) price stability

Without warehousing there won't have been price stability as we with a stock of goods and a proper supply on the market we are able to gain price stability.

3

- 1 The 3 correct columns have been ticked.
Mark for (a) = 3 out of 3

- 2 Good understanding shown of how warehousing is used so that seasonal goods can be produced throughout the year.
Mark for (b)(i) = 2 out of 2

- 3 The candidate has given a generalised response that shows insufficient knowledge of the concept.
Mark for (b)(ii) = 0 out of 2

Example Candidate Response – middle, continued

Examiner comments

- (c) (i) Many businesses use overseas agents to sell goods on their behalf. Discuss whether or not a business should use agents when selling overseas. Give reasons for your answer.

- One advantage of using agent when selling overseas is that the business will be more likely to increase its sales revenue.
 - Another may be that the business will operate in a greater market thus improve its financial position.
 - By selling overseas, the business economize of scale. ④

But the business should see if it is profitable or not to use agents as they are paid commission for that job. And there may be theft of the goods. ⑤ [6]

- (ii) Describe one trade restriction that might affect the work of an agent in international trade.

Quota may be a trade restriction as it is a limit put by the govt to limit the number of import or export of a certain type of goods thus the agent's sales will decrease. ⑥ [2]

[Total: 15]

④ The candidate needed to describe, analyse and evaluate reasons for or against using overseas agents. However, there is no evidence of knowledge and understanding of the role of overseas agents. The statements provided could apply to the benefits of a domestic business increasing their scale of operations rather than the benefits of specifically using overseas agents.

⑤ The conclusion is not built upon relevant knowledge and analysis. There is an irrelevant point on possible theft of goods, and the issue of commission needed exemplification.

Mark for (c)(i) = 0 out of 6

⑥ The candidate identifies a trade restriction, that is a quota, and accurately describes a quota for the second mark.

Mark for (c)(ii) = 2 out of 2

**Total mark awarded =
7 out of 15**

How the candidate could have improved their answer

There was insufficient knowledge and understanding of the topics of price stability and overseas agents in question parts (b)(ii) and (c)(i) to gain any marks.

Example Candidate Response – low

Examiner comments

- 4 There are many types of warehouses used in home and international trade.

- (a) Which of these statements about warehouses are TRUE and which are FALSE

Tick (✓) TRUE or FALSE in the correct column.

TRUE - FALSE		
Cash and carry warehouses offer self-service wholesaling:		✓
Manufacturers' warehouses would be used to store raw materials and finished goods awaiting sale.	✓	
Regional distribution centres are located at seaports for efficient distribution of goods.	✓	

[3]

- (b) Explain how warehousing is used for

- (i) seasonal production

The product that is only used in a certain season is kept in a warehouse until the season comes for its demand. [4]

- (ii) price stability

After time the price of the product increases or decreases so the product is kept in a warehouse if price decreases. [2]

1 As cash and carry warehouses provide self-service this answer is incorrect.

2 This is a true answer.

3 As regional distribution centres are located near to major road junctions this answer is incorrect.
Mark for (a) = 1 out of 3

4 Some understanding that produced goods are stored when not in season.
Mark for (b)(i) = 1 out of 2

5 The candidate shows understanding that goods are kept in the warehouse when prices are low.
Mark for (b)(ii) = 1 out of 2

Example Candidate Response – low, continued

Examiner comments

- (c) (i) Many businesses use overseas agents to sell goods on their behalf. Discuss whether or not a business should use agents when selling overseas. Give reasons for your answer.

When selling overseas, businesses should use agents because the products can be lost, misplaced or stolen. Agents will be able to deliver the package smoothly.⁶ On the other hand it is also a loss for the business because ~~the~~^{some} of the money that is earned from the product will go to the agent.⁷ It is also a risk because the agent might be a fraud and keep the product if it is expensive.⁸

- (ii) Describe one trade restriction that might affect the work of an agent in international trade.

One trade restriction that might affect the work of an agent in international trade is selling in bulk because there is a limit on how many products can be shipped.⁹

[Total: 15]

6 One function of an overseas agent, that of transporting goods, is given.

7 Some understanding that an overseas agent will be charging a fee for their services.

8 The candidate makes the irrelevant point concerning theft of goods. It is irrelevant as theft of goods can also occur if the business is not using overseas agents.

Mark for (c)(i) = 2 out of 6

9 The candidate has not correctly identified a valid trade restriction and therefore is unable to be awarded any marks. The candidate has also wasted time in repeating the wording of the question in their response.

Mark for (c)(ii) = 0 out of 2

Total mark awarded =
5 out of 15

How the candidate could have improved their answer

- There was insufficient knowledge and understanding of the topics of warehousing and overseas agents in question parts (a)(i) and (c)(i) to gain many marks.
- The topic of international trade, as in part (c)(ii) needs attention.

Common mistakes candidates made in this question

- Lack of reasons given to justify responses to (b).
- Simply describing duties of an overseas agent without analysing or evaluating them.

Question 5

Example Candidate Response – high

Examiner comments

5. Mena has bought a new car and needs motor vehicle insurance. She knows that she has to contact an insurance broker or an insurance company to arrange insurance.

- (a) Describe two suitable methods of communication Mena could use to find out more about insurance.

1 Mena could contact the insurance company through telephone which is a quick method and it will be easy for her to ask whatever she wants. It will be a two-way communication and message will be understood easily
 2 Mena could use the internet and access the website of the company. It is an easy and interactive method. Detailed information will be provided and Mena could also print the important information. [4]

- (b) Identify and explain one insurance document needed for motor vehicle insurance.

For motor vehicle, a vehicle insurance will be needed which will state the amount of premiums to be paid and the terms under which the company will compensate the damage to the car. The validity of the policy and signatures of both the insurer and insured will be on the document. [3]

1

1 The candidate provides a valid method of communication with relevant description.

2 Another valid method of communication with relevant description.
 Mark for (a) = 4 out of 4

2

3 The candidate has correctly identified an insurance document i.e. an insurance policy.
 Mark for (b) = 3 out of 3

Example Candidate Response – high, continued

Examiner comments

(c) Discuss whether Mena should use an insurance broker or contact an insurance company to obtain motor vehicle insurance. Which one should she use? Give reasons for your answer.

4 If Mena uses the insurance company, she will be provided with up-to-date knowledge and quickly... Any misunderstanding will be easily cleared directly and Mena can also negotiate the price of premium if she goes there by herself. There will be a face-to-face contact and it will be easy to discuss the policy, its terms and conditions and the risks and premium involved. 5 If Mena uses an insurance broker, she wouldn't have to go to the company, which might be far. All the documentation will be done by the broker. Most importantly, the broker will analyze and try his best to bring the best insurance package to Mena which might be cost-effective. Mena might save money but commission will have to be given to the broker. I think Mena should use insurance broker because he will do all the work and through him Mena might [8] get a cheap package. Mena's time won't be wasted and she can do other work 6 [Total: 15]

4 There are 8 marks available: 4 marks for knowledge and understanding, 2 marks for analysis and 2 marks for a recommendation evaluating whether or not Mena should use an insurance broker or an insurance company to obtain motor vehicle insurance.

5 The candidate demonstrates Level 1 knowledge and understanding of using an insurance company. There is some development but no analysis yet in the candidate's argument.

6 The candidate links their knowledge and understanding with supporting analysis. The analysis considers both the benefits and problems that can result from using an insurance broker. This means that the candidate has gained marks in Level 2 of the mark scheme.

7 A recommendation has been made.
Mark for (c) = 7 out of 8

**Total mark awarded =
14 out of 15**

How the candidate could have improved their answer

- The candidate should have clearly identified the insurance document that they were referring to in question part (b).
- The candidate could have improved their evaluation of Mena using an insurance company in question part (c).

Example Candidate Response – middle

Examiner comments

- 5 Mena has bought a new car and needs motor vehicle insurance. She knows that she has to contact an insurance broker or an insurance company to arrange insurance.

- (a) Describe two suitable methods of communication Mena could use to find out more about insurance.

1 ... firstly she could use mail as it is a written form thus less risk of misunderstanding and can be used as reference or proof. 1

2 ... Another method may be mobile phones, as it is reliable and can contact her insurance broker at any time. 2

[4]

- (b) Identify and explain one insurance document needed for motor vehicle insurance.

One insurance document needed may be the horsepower certificate of the vehicle as if it is not fit for the road, it cannot be insured. 3

[3]

1 The candidate provides a valid method of communication with relevant description.

2 The candidate provides a valid method of communication, that is mobile phones, but with no relevant description. The information on mobile phones is concerned with advantages rather than describing it. This is a common mistake describing the method.

Mark for (a) = 3 out of 4

3 There is no valid insurance document identified. Therefore, there can be no marks for any explanation.

Mark for (b) = 0 out of 3

Example Candidate Response – middle, continued

Examiner comments

- (c) Discuss whether Mena should use an insurance broker or contact an insurance company to obtain motor vehicle insurance. Which one should she use? Give reasons for your answer.

If Mena uses an insurance broker, the broker will do all the necessary formalities on her behalf whereas if contact the insurance company she will have to do all the formalities and may be time consuming.
 - by using a broker no need to move, the broker himself will bring the insurance and if Mena has a busy schedule it's the right option. 5
 - But while using an insurance broker, a commission has to be paid but if she Mena contact the insurance company herself no need to give commission thus making it more cheaper. 6
 Thus Mena can go for an insurance broker if she is a busy woman and doesn't have time for formalities. 7

[Total: 15]

4 There are 3 levels of response used for the marking of this question. Level 1 is concerned with the candidate demonstrating knowledge and understanding. Level 2 requires the candidate to analyse the knowledge presented. Level 3 requires candidates to offer a recommendation with evaluation that is supported by reasoning.

5 The candidate has described Level 1 reasons for using an insurance broker.

6 The candidate mentions that an insurance broker works on commission and analyses this point by stating that an insurance company could be cheaper because of this cost.

7 The conclusion is based on possible application to Mena's situation rather than on the argument already put forward. Mark for (c) = 5 out of 8

**Total mark awarded =
8 out of 15**

How the candidate could have improved their answer

- (b) The candidate needed to provide a valid insurance document such as an insurance policy to gain any marks.
 (c) The candidate could have improved their evaluation of Mena using an insurance broker by building upon the analysed reasoning in their argument.

Example Candidate Response – low

Examiner comments

- 5 Mena has bought a new car and needs motor vehicle insurance. She knows that she has to contact an insurance broker or an insurance company to arrange insurance.

- (a) Describe two suitable methods of communication Mena could use to find out more about insurance.

1 Insurance can be used if a car is damaged, has faulty parts or if it just has to be repaired.

2 Insurance is a safe option because you never know that your car needs to be repaired so your car should be insured. 1 [4]

- (b) Identify and explain one insurance document needed for motor vehicle insurance.

A document of the car with the model number, number plate information and the total miles a car has been driven and if it has been repaired before or not. 2 [3]

1 The candidate seems to be answering a different question to the one set. The candidate identifies possible purposes of insurance rather than considering methods of communication.
Mark for (a) = 0 out of 4

2 There is no valid insurance document identified. Therefore, there can be no marks for any explanation.
Mark for (b) = 0 out of 3

Example Candidate Response – low, continued

Examiner comments

- (c) Discuss whether Mena should use an insurance broker or contact an insurance company to obtain motor vehicle insurance. Which one should she use? Give reasons for your answer.

If Mena uses an insurance broker she might have a ~~chance~~ chance to obtain motor vehicle insurance but if she contacts an insurance company, she will have a better chance to obtain motor vehicle insurance. An insurance companies job is to fix a fault in a car or repair a damaged car because they get paid monthly by the people who have insurance. An insurance company is a much safer option because it is a ~~guarant~~ guaranteed fix for your car.

[Total: 15]

3 The candidate has provided opinion without any supporting knowledge.

4 There is no knowledge and understanding of the work of the insurance company or of an insurance broker to gain any Level 1 marks.

Mark for (c) = 0 out of 8

**Total mark awarded =
0 out of 15**

How the candidate could have improved their answer

In all question parts, the candidate needed to have knowledge of the topics of communication and insurance in order to score some marks.

Common mistakes candidates made in this question

- Confusing description in part (a) with explanation.
- Weak reasoning linked to evaluations in part (c).

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