



# Cambridge O Level

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**COMMERCE**

**7100/02**

Paper 2 Written

**For examination from 2026**

MARK SCHEME

Maximum Mark: 80

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**Specimen**

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This document has **22** pages. Any blank pages are indicated.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptions for the question
- the specific skills defined in the mark scheme or in the generic level descriptions for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptions.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptions in mind.

**Social Sciences-Specific Marking Principles  
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

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

**Assessment objectives****AO1 Knowledge and Understanding**

Candidates should be able to demonstrate knowledge and understanding of terminology, concepts, processes and trends in relation to commerce.

**AO2 Application**

Candidates should be able to:

- apply knowledge and understanding of terminology, concepts, processes and trends
- use relevant data and information in written, visual and numerical forms, including simple calculations.

**AO3 Analysis and Evaluation**

Candidates should be able to:

- select, analyse and interpret commercial information in written, visual and numerical forms, using appropriate techniques
- present reasoned explanations and use these to draw conclusions
- make reasoned judgements and recommendations.

Question	Answer	Marks	Guidance
1(a)(i)	<p><b>Define <i>supply chain</i>.</b></p> <p>The network used between a company and its suppliers to produce and distribute a product to the final buyer.</p>	<b>1</b>	
1(a)(ii)	<p><b>Identify the <u>one</u> aid to trade named in Fig. 1.1.</b></p> <p>Communication</p>	<b>1</b>	
1(a)(iii)	<p><b>State <u>two</u> possible risks involved in this supply chain.</b></p> <p>Award 1 mark for each risk.</p> <ul style="list-style-type: none"> <li>• Transport disruption (1)</li> <li>• Lack of storage / warehouse space (1)</li> <li>• Inaccurate communication (1)</li> <li>• Incorrect forecasts (1)</li> <li>• Natural disasters / climate risk (1)</li> <li>• Labour shortages (1)</li> <li>• Inventory problems (1)</li> <li>• Political (1)</li> <li>• Changes in exchange rates (1)</li> </ul>	<b>2</b>	
1(b)	<p><b>Describe <u>one</u> benefit of using a cargo liner to transport cars.</b></p> <p>Award 1 mark for a benefit and 1 mark for the description.</p> <ul style="list-style-type: none"> <li>• Flexibility (1) can transport a large amount / wide range of cars (1)</li> <li>• Efficiency (1) quick turnaround of cars speeds up delivery (1)</li> <li>• Cost-effective (1) cheap to transport cars over long distances (1)</li> </ul>	<b>2</b>	

Question	Answer	Marks	Guidance
1(c)	<p><b>Do you think it is a good idea for a company to outsource its logistics to freight forwarders? Give reasons for your answer.</b></p> <p>Award up to 3 marks for reasoning of yes and/or no responses.</p> <p>Yes: Outsourcing can free up a company to focus on its main tasks (1) no need to worry about warehousing / transport / insurance / customs (1) freight forwarders are experts in arranging transport / logistics leading to greater efficiency (1) they are equipped with the skills to deal with risks in the supply chain (1) they provide guaranteed delivery times (1) they have economies of scale / cost savings (1)</p> <p>No: Reduced control over operations (1) service delivery may fall below expectations (1) causing reputational damage (1) confidentiality / security can be at risk (1) need to pay additional costs for some services (1)</p>	<b>3</b>	

Question	Answer	Marks	Guidance
1(d)	<p><b>A multinational car manufacturer has asked a government if it can open a large manufacturing factory in the government’s country. However, the government has expressed concerns about the impact that a multinational company may have on their country.</b></p> <p><b>Evaluate the positive and negative impacts of a multinational company locating its car factory in the country.</b></p> <p>A multinational is a business with its head office in one country and its operations (e.g. factories / outlets) in other countries / in more than one country.</p> <p>A car factory such as Ford, Nissan, etc. uses assembly lines which involve using raw materials to make finished goods.</p> <p>Positive impacts might include:</p> <ul style="list-style-type: none"> <li>• Provides jobs – so reduces country’s unemployment</li> <li>• Offers training to local workers – increases skills</li> <li>• Multiplier effect on economy – opportunities for new car-related businesses</li> <li>• Improves infrastructure – such as better roads</li> <li>• Encourages investment – pays for imports</li> <li>• Increases competition – lower prices for consumers</li> <li>• Introduces new technology – better productivity</li> </ul> <p>Negative impacts might include:</p> <ul style="list-style-type: none"> <li>• Multinational may exploit natural resources of a country – once resources are used up the multinational may move on, leaving the country without these resources, and sometimes pollution is left behind.</li> <li>• Multinational may pay higher wages than local businesses so it might attract the best of the local labour – entice people away from primary occupations so there is less production for local needs.</li> <li>• Multinationals often bring in employees from other parts of the world, usually managers – with local people left with the lower paid / unskilled jobs.</li> <li>• Profits often leave the host country and go back to the multinational’s home country – thereby reducing foreign currency reserves.</li> <li>• Local car firms may go out of business – as they cannot compete with the economies of scale a multinational can achieve.</li> </ul>	<b>8</b>	Award up to 6 marks for considering only positive or only negative impacts.

Question	Answer	Marks	Guidance
1(d)	Evaluation: Some impacts of multinationals may be due to other issues, such as governments failing to regulate pollution, and local firms may also be causing pollution. Multinationals may pay low wages but that may be better for the economy than high unemployment. Some multinationals may respond to concerns about working conditions and levels of pollution and improve them, even set standards that local firms might struggle to achieve. In the final analysis, the country's government has to decide whether the positive impacts of a multinational are greater than the negative impacts in relation to that country's specific needs.		

Use this table to give marks for each candidate response for Question 1(d).

Level	AO1 Knowledge and Understanding 2 marks	AO2 Application 2 marks	AO3 Analysis and Evaluation 4 marks
	Description	Description	Description
<b>2</b>			Uses developed analysis to make reasoned judgements and justified conclusions. [4 marks]  Uses developed analysis which weighs up some key arguments. [3 marks]
<b>1</b>	Demonstrates knowledge and understanding of <b>two</b> relevant points to answer the question. [2 marks]  Demonstrates knowledge and understanding of <b>one</b> relevant point to answer the question. [1 mark]	Application of <b>two</b> relevant points of terminology, concepts, processes or trends in the given commercial context. [2 marks]  Application of <b>one</b> relevant point of terminology, concepts, processes or trends in the given commercial context. [1 mark]	Uses limited analysis and gives a simple judgement and/or a conclusion. [2 marks]  Uses limited analysis with no attempt to weigh up arguments. [1 mark]
<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.



Question	Answer	Marks	Guidance
2(a)(i)	A mobile hairdresser is an occupation in the <b>tertiary</b> sector of production.	<b>1</b>	
2(a)(ii)	A website developer is an occupation in the <b>quaternary</b> sector of production.	<b>1</b>	
2(b)	<p><b>Explain <u>two</u> advantages to a business of using word-of-mouth advertising.</b></p> <p>Award 1 mark for each advantage and 1 mark for each explanation (×2).</p> <ul style="list-style-type: none"> <li>• Word-of-mouth advertising is free (1) this will keep costs down as it is expensive to advertise via other media such as radio (1)</li> <li>• Credibility / increases trust (1) hearing something positive about a product has more impact on and more importance to a potential customer than hearing it from the business itself (1)</li> <li>• Increases sales (1) research shows that consumers are more interested in buying a service when they have a verbal recommendation from a friend (1)</li> <li>• Helps build a brand (1) as it generates positive feelings about a brand (1)</li> <li>• Speed (1) in increasing awareness of a business (1)</li> </ul>	<b>4</b>	
2(c)	<p><b>State <u>two</u> characteristics of a sole trader.</b></p> <p>Award 1 mark for each characteristic.</p> <ul style="list-style-type: none"> <li>• One owner (1)</li> <li>• Usually a small business (1)</li> <li>• Controlled by the owner (1)</li> <li>• Unlimited liability (1)</li> <li>• All profits to the owner (1)</li> <li>• Capital raised from private resources (1)</li> <li>• No legal documents to complete when setting up (1)</li> <li>• No annual accounts published (1)</li> </ul>	<b>2</b>	

Question	Answer	Marks	Guidance
2(d)	<p><b>Explain <u>one</u> possible disadvantage to a business of using social media for advertising.</b></p> <p>Award 1 mark for a disadvantage and 1 mark for the linked explanation.</p> <ul style="list-style-type: none"> <li>• Receiving negative feedback (1) having negative feedback can be shared with other social media users hindering a business from gaining new clients (1)</li> <li>• Expensive (1) speeding up a campaign needs more social media adverts which increases costs (1)</li> <li>• Time-consuming (1) need to constantly update contact / engage with audience (1)</li> <li>• Security risk (1) risk of breaches of security by online hackers (1)</li> <li>• Hard to measure results (1) it can be difficult to know how social media affects sales (1)</li> </ul>	<b>2</b>	

Question	Answer	Marks	Guidance
2(e)	<p><b>Evaluate the benefits to Zain of using internet advertising to promote his business.</b></p> <p>Award up to 2 marks for a description of internet advertising that provides context for the answer.</p> <p>Award up to a further 2 marks for analysing the benefits of using internet advertising to promote Zain’s mobile hairdressing business.</p> <p>Award up to a further 2 marks for evaluating the use of internet advertising to promote Zain’s mobile hairdressing business.</p> <p>Internet advertising is a set of tools for delivering promotional messages to people worldwide, using websites and search engines.</p> <p>Benefits of using internet advertising:</p> <ul style="list-style-type: none"> <li>• Cost – compared to TV and newspapers, internet advertising is inexpensive</li> <li>• Wide coverage – easy to reach a wider market</li> <li>• Measurement – easy to track how effective the internet advertising is using online surveys, etc. so Zain knows how to increase effectiveness</li> <li>• Target consumers – can target particular groups of consumers based on customer profiling</li> </ul> <p>Evaluation: Internet advertising can be very effective for Zain, especially if his own website can be easily found by a search engine. Zain will be able to measure the responses to his internet advertising and if it is not effective, create a better or different style of advertisement. However, as Zain has a small local customer base he might be better using traditional advertising, such as leaflets and word-of-mouth.</p>	<b>6</b>	

Question	Answer	Marks	Guidance
3(a)(i)	<p><b>Calculate the total annual fire and theft premium for the warehouse and the inventory of furniture. Show your working.</b></p> <p>Allow own figure rule (OFR).</p> <p>Amount of annual fire and theft premium = \$4248 (3) Method: <math>1 \times \\$960 = \\$960</math> (1) <math>4 \times \\$822 = \\$3288</math> (1)</p>	<b>3</b>	
3(a)(ii)	<p><b>Explain why the insurance premium for the inventory of furniture is higher than for the warehouse.</b></p> <p>Award 1 mark for a reason and up to 2 marks for the analysis.</p> <ul style="list-style-type: none"> <li>• Premiums are affected by the level of risk using statistics (1) the higher the risk, the higher the premium (1) there is a greater risk of fire and theft to inventory (1)</li> <li>• Inventory is easier to steal (1) less risk than warehouse / there may have been more previous claims on inventory (1) higher compensation to pay out (1)</li> </ul>	<b>3</b>	
3(b)	<p><b>Do you think businesses should sell Fairtrade products? Give reasons for your answer.</b></p> <p>Award up to 3 marks for reasoning of yes and/or no responses.</p> <p>Yes – Fairtrade makes the business look socially responsible (1) encourages sustainability (1) support for ethical products from customers (1) likely to lead to greater sales (1) the Fairtrade model is developing to expand the range of goods produced for sale (1) increases supply of products which are more socially acceptable (1)</p> <p>No – Fairtrade products have a premium price associated with them (1) some consumers are unwilling to pay higher prices for similar goods (1) especially if they lack quality (1) not enough Fairtrade goods are produced (1) so consumer choice is restricted (1)</p>	<b>3</b>	

Question	Answer	Marks	Guidance
3(c)	<p><b>This wholesaler is considering selling furniture directly to individual consumers as well as to retailers. Evaluate whether this would benefit the wholesaler.</b></p> <p>Award up to 2 marks for a description of a wholesalers retailers/chain of distribution that provides context for the answer.</p> <p>Award up to a further 2 marks for analysing whether (or not) a wholesaler should sell directly to the public.</p> <p>Award up to a further 2 marks for evaluating whether (or not) it is a good decision for the wholesaler to sell directly to the public.</p> <p>Benefits might include:</p> <ul style="list-style-type: none"> <li>• It will cut out the retailer’s mark-up enabling the wholesaler to increase their profit / sell at lower prices which will attract customers.</li> <li>• It will allow the wholesaler to control the whole operation, promote the furniture more / have brand control and not have to wait for the retailer to order goods from them.</li> <li>• It will give the wholesaler faster access to the market, leading to increased sales. Improving relations with customers could lead to increased customer loyalty / direct customer feedback leading to increased sales.</li> <li>• Customers will receive furniture directly, as there is no retailer involved, so the wholesaler will receive revenue more quickly.</li> <li>• There will be direct contact with customers which improves long-term relationships.</li> <li>• The wholesaler can obtain information on customers’ wants and so can target customers better.</li> </ul>	<b>6</b>	

Question	Answer	Marks	Guidance
3(c)	<p>Drawbacks might include:</p> <ul style="list-style-type: none"> <li>• The wholesaler will not want to compete with their own customers, the retailers, who then might decide to use the services of other wholesalers instead.</li> <li>• The wholesaler might need to have two different kinds of premises, a consumer retail outlet in a shopping area and a warehouse on an industrial estate. This will increase costs, which the wholesaler might not be able to afford.</li> <li>• Operating both will increase the workload, requiring different / more skills with extra staff needed. Staff will require training in retail customer service.</li> <li>• More deliveries will be required resulting in higher transport costs.</li> <li>• It will be time-consuming for wholesalers to provide personal services, such as an after-sales service, e.g. furniture repairs.</li> </ul> <p>Evaluation: On one hand it is a good idea for wholesalers to sell furniture direct to individual consumers as wholesalers are under increasing pressure to survive and compete against large-scale and online retailers. However, it can be a risky decision as they may lose their existing retailer customers who regularly buy from them.</p>		

Question	Answer	Marks	Guidance
4(a)(i)	<p><b>Identify the brand shown in Fig. 4.1.</b></p> <p>Yomans</p>	<b>1</b>	Allow Yomans coffee shop.
4(a)(ii)	<p><b>Calculate how much it costs to make each cup of coffee.</b></p> <p>Answer = \$1.80</p> <p>Method: <math>\\$0.52 + \\$0.04 + \\$1.01 + \\$0.13 + \\$1.10 = \\$1.80</math>  <math>\\$3.60 - \\$1.80 = \\$1.80</math></p>	<b>1</b>	

Question	Answer	Marks	Guidance
4(a)(iii)	<p><b>Calculate the mark-up percentage made by the coffee shop on each cup of coffee sold. Show your working.</b></p> <p>Answer = 100% (2) Method: Mark-up percentage = <math>(\\$3.60 - \\$1.80)/\\$1.80 = 1</math> (1)</p>	<b>2</b>	
4(b)	<p><b>Describe <u>one</u> action that a coffee shop can take to become more sustainable.</b></p> <p>Award 1 mark for an action and 1 mark for the linked description.</p> <ul style="list-style-type: none"> <li>• Select coffee beans from an eco-friendly source (1) e.g. organic coffee beans</li> <li>• Switch to recyclable (1) coffee cups (1)</li> <li>• Replace plastic straws (1) with paper straws (1)</li> <li>• Reduce waste (1) e.g. compost leftover coffee grounds (1)</li> <li>• Save energy (1) e.g. use energy-efficient lighting / low-energy coffee machine (1)</li> <li>• Provide discounts (1) to customers who use their own reusable mugs (1)</li> <li>• Use recycled materials for furniture and decoration (1) e.g. tins for plant pots (1)</li> </ul>	<b>2</b>	

Question	Answer	Marks	Guidance
4(c)	<p><b>Do you think it is a good idea for a coffee shop to provide free wi-fi? Give reasons for your answer.</b></p> <p>Award up to 3 marks for reasoning of yes and/or no responses.</p> <p>Yes: Attracts customers (1) provides a remote work option (1) if not available, these consumers will go elsewhere (1) increases sales (1) can increase online brand presence (1) can send targeted online messages to customers in coffee shop (1) customers can be encouraged to share social media photos at the coffee shop (1) can increase customer loyalty (1) with voucher codes / special offers sent to them online (1)</p> <p>No: Need to invest money in reliable Wi-Fi (1) if not reliable / speeds are low, consumers will go elsewhere (1) threat to customer security from hackers (1) can affect brand image of the coffee shop (1) some customers will stay longer (1) this will affect the amount of seating available for other customers (1)</p>	<b>3</b>	



Question	Answer	Marks	Guidance
4(d)	<p><b>Yomans coffee shop plans to introduce a subscription commerce service to improve its sales. This service will allow subscribers to receive a variety of coffee beans for a monthly fee of \$20. The first month’s subscription is free of charge.</b></p> <p><b>Evaluate whether introducing a subscription commerce service is a good idea for Yomans coffee shop.</b></p> <p>Award up to 2 marks for a description of a subscription commerce service that provides context for the answer.</p> <p>Award up to a further 2 marks for analysing whether (or not) Yomans should provide this service.</p> <p>Award up to a further 2 marks for evaluating whether (or not) this is a good idea for Yomans.</p> <p>A subscription commerce service is a form of direct mail where rather than providing services or goods and charging for each item individually, businesses charge for a subscription and subscribers get regular deliveries of a product without the inconvenience of repeated searching or ordering.</p> <p>Arguments for providing a subscription commerce service might include:</p> <ul style="list-style-type: none"> <li>• Predictable income – as there is a regular monthly payment made by each customer.</li> <li>• Wider market – as Yomans can expand into new customer territories.</li> <li>• Improved customer relationships – as Yomans can develop communications on a more regular basis.</li> <li>• Lower advertising / retention spending – as customers automatically buy the coffee beans each month and there is no need to bring customers back through advertising.</li> <li>• Amplifies the brand – as customers are receiving coffee beans each month, they can recommend to others as word-of-mouth advertising.</li> </ul>	<b>6</b>	

Question	Answer	Marks	Guidance
4(d)	<p>Arguments against providing a subscription commerce service might include:</p> <ul style="list-style-type: none"> <li>• Risk of high turnovers of subscribers / cancellation – some customers may have signed up for the opening offer / may be disappointed with the coffee beans received.</li> <li>• Difficulty maintaining customer interest – if the same coffee beans are being delivered each time.</li> <li>• Competition – as there is a low barrier of entry, an increasing number of competitors may undercut Yomans on prices charged.</li> <li>• Cost of finding new suppliers of coffee beans – to offer a variety of coffee beans.</li> <li>• High overhead costs – e.g. rent for extra storage, IT costs, packaging costs, delivery costs.</li> <li>• Reputational risk – if coffee beans are not delivered on time each month.</li> </ul> <p>Evaluation: Yomans moving from one-off transactions to a subscription model means it will move from a selling relationship to a service relationship with its customers. This means its customers will have a greater expectation that it will deliver – Yomans needs to be a trusted supplier rather than just being a shop. If it can provide a good service and customers do not unsubscribe after the opening offer, Yomans can have a regular revenue stream from subscribers, providing the potential for higher profits than the \$20 monthly subscription fee.</p>		

Question	Answer	Marks	Guidance
5(a)(i)	<p><b>Complete the missing information and calculations in Fig. 5.1.</b></p> <p>Award 1 mark for each correct answer. OFR</p> <p>Trade</p>	<b>1</b>	
5(a)(ii)	<p><b>Complete the missing information and calculations in Fig. 5.1.</b></p> <p>Award 1 mark for each correct answer. OFR</p> <p>55 (220 – 165)</p>	<b>1</b>	

Question	Answer	Marks	Guidance
5(a)(iii)	<p><b>Complete the missing information and calculations in Fig. 5.1.</b></p> <p>Award 1 mark for each correct answer. OFR</p> <p>7 (84 – 77)</p>	<b>1</b>	
5(a)(iv)	<p><b>Complete the missing information and calculations in Fig. 5.1.</b></p> <p>Award 1 mark for each correct answer. OFR</p> <p>47 (55 – 8)</p>	<b>1</b>	
5(b)	<p><b>Define <i>invisible imports</i>, giving an example.</b></p> <p>Award 1 mark for a definition and 1 mark for a suitable example.</p> <p>Services bought from other countries (1) example such as banking / insurance / tourism (1)</p>	<b>2</b>	
5(c)	<p><b>Country B specialises in agriculture. Do you think specialisation benefits Country B? Give reasons for your answer.</b></p> <p>Award up to 3 marks for reasoning of yes and/or no responses.</p> <p>Yes: Allows more food to be available to local people (1) gives population employment (1) raises standard of living (1) leading to greater agricultural output (1) lower / reduced costs (1) food surpluses can be exported (1) improved balance of payments (1) leads to greater development of country (1) more income / revenue (1) increases foreign currency (1) greater GDP (1)</p> <p>No: It may be too dependent on agriculture (1) lack of industry to produce manufactured goods (1) lack of services to distribute goods (1) world food prices may fall (1) leading to declining revenues (1) and structural unemployment (1)</p>	<b>3</b>	

Question	Answer	Marks	Guidance
5(d)	<p><b>The government of Country A wants to reduce the trade deficit. It is considering applying import quotas or organising international trade fairs. Discuss each of these two options. Justify which one of these two options country A should choose.</b></p> <p>An import quota is a limit on the total quantity of a product that can be supplied to a market.</p> <p>International trade fairs are events where manufacturers from different countries place their products on display for current and prospective customers and suppliers.</p> <p>Country A is spending more than it is earning from international trade and therefore has a negative balance of trade.</p> <p>Import quotas:</p> <ul style="list-style-type: none"> <li>• will reduce the need to import goods so helping the balance of trade</li> <li>• will help to stimulate home production so the country is less dependent on foreign goods being imported</li> <li>• can lead to higher prices for consumers as the supply of goods is limited.</li> </ul> <p>International trade fairs:</p> <ul style="list-style-type: none"> <li>• raise awareness of new products such as new machinery which can be difficult to sell without displaying them</li> <li>• allow the exporter to take export orders resulting in an increase of export sales</li> <li>• allow the exporter to meet possible intermediaries about supplying their services to improve their supply chain</li> <li>• are not a guarantee to gain export sales as there is potential for a low turnout of interested buyers</li> <li>• can mean that an exporter is overlooked if its exhibition stand or product is not as good as the competition's.</li> </ul> <p>Evaluation: Quotas will reduce the level of imports but the exporting countries may retaliate and refuse to buy goods from Country A.</p>	<b>8</b>	

Question	Answer	Marks	Guidance
5(d)	International trade fairs are important in giving exporters face-to-face interactions with interested buyers to promote a country's exports but may not result in large export sales.  Country A has a large trade deficit so it should consider both options.		

Use this table to give marks for each candidate response for Question 5(d).

Level	AO1 Knowledge and Understanding 2 marks	AO2 Application 2 marks	AO3 Analysis and Evaluation 4 marks
	Description	Description	Description
<b>2</b>			Uses developed analysis to make reasoned judgements and justified conclusions. [4 marks]
			Uses developed analysis which weighs up some key arguments. [3 marks]
<b>1</b>	Demonstrates knowledge and understanding of <b>two</b> relevant points to answer the question. [2 marks]	Application of <b>two</b> relevant points of terminology, concepts, processes or trends in the given commercial context. [2 marks]	Uses limited analysis and gives a simple judgement and/or a conclusion. [2 marks]
	Demonstrates knowledge and understanding of <b>one</b> relevant point to answer the question. [1 mark]	Application of <b>one</b> relevant point of terminology, concepts, processes or trends in the given commercial context. [1 mark]	Uses limited analysis with no attempt to weigh up arguments. [1 mark]
<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.

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