

Cambridge O Level

COMMERCE**7100/23**

Paper 2 Written

May/June 2025**MARK SCHEME**Maximum Mark: 80

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **25** printed pages.

PUBLISHED**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 descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors 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 descriptors.

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 descriptors in mind.

PUBLISHED**Social Science-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.











Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point
	Incorrect point
	Level one / Level two / Level three
	Benefit of the doubt
	Blank page
	Own figure rule
	Not answered question
	Repeat
	Indicates that the point has been noted, but no credit has been given.
	Too vague

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Question	Answer	Marks	Guidance
(1)(a)(i)	Identify the method of sea transport used by the logistics company in Fig. 1.1. <ul style="list-style-type: none"> • Ro-Ro ship / ferry • Cargo ship 	1	
(1)(a)(ii)	State <u>one</u> document used when transporting goods by ship. <ul style="list-style-type: none"> • Bill of lading • Freight note • Shipping note • Mate's receipt 	1	
1(b)	Explain <u>two</u> location factors which would have been considered by this new taxi service business. <ul style="list-style-type: none"> • Market proximity (1) a taxi service needs constant flow of customers (1) • Transport infrastructure (1) taxi business cannot operate without good roads (1) • Competition (1) because there is low customer loyalty for taxi services (1) • Communication (1) because customers need to be able to contact the taxi service (1) • Land (1) to park taxis not on hire (1) • Labour (1) to supply taxi drivers to drive the vehicles (1) • Rent costs (1) so that expenses can be reduced (1) • Government influence (1) because too many regulations can increase cost of operations (1) • Near to car parts supplier (1) to repair taxis quickly (1) 	4	

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Question	Answer	Marks	Guidance
1(c)	<p>Circle the correct answer to complete each of the following sentences.</p> <ul style="list-style-type: none"> Transport is described as an aid to trade. An example of a motor insurance risk is third-party insurance. 	2	
1(d)	<p>This taxi company purchased 20 car mats at \$25 each from a wholesaler. The wholesaler offered 10 per cent trade discount. Terms were full payment within 30 days, or 5 per cent discount if paid within 15 days. This taxi company paid the amount in full within a week.</p> <p>Calculate the amount received by the wholesaler.</p> <ul style="list-style-type: none"> Answer = \$427.50 (3) Method $\\$500 \times .90 = \\450 (1) $\\$450 \times .95$ (1) OR $20 \times \\$25 = \\500, $\\$500 \times 10\% = \\50, $\\$500 - \\$50 = \\$450$ (1) $\\$450 \times 5\% = \\22.50, $\\$450 - \\22.50 (1) 	3	Award full marks for correct answer without working.

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Question	Answer	Marks	Guidance		
1(e)	<p>A manufacturer of cars must decide which channel of distribution to use. It has two options:</p> <p>Option 1: Selling directly to its customers through its website</p> <p>Option 2: Selling through an overseas agent.</p> <p>Discuss both options. Which option would you recommend? Give reasons for your answer.</p> <p>Selling directly to its customers through its website: The growth of the internet allows easy access to customers much easier</p> <ul style="list-style-type: none"> • Cashless payments have made transactions much easier • The growth in transport services helps in delivering over great distances • Better relationships with customers can be maintained and selling techniques for increasing customer loyalty can be implemented • The profits are greater because the margins are not shared with the overseas agent <p>Selling through an overseas agent: Overseas agents have a network of car retailers and car dealers</p> <ul style="list-style-type: none"> • Cars are expensive goods which customers may like to see physically before buying which can be better done through car retailers • Distribution all over the world may be more efficient through overseas agents who will import cars in bulk for their home market 	8	Level	Mark	Description
			3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of selling directly to customers through a website and selling through an overseas agent without recommendation.
			2	5–6	Candidate offers a satisfactory analysis of the impact of selling directly to customers through a website and selling through an overseas agent without recommendation.
			1	1–4	Candidate demonstrates knowledge and understanding of the features of selling directly to customers through a website and selling through an overseas agent.
			0	0	No creditable response.

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Question	Answer	Marks	Guidance
1(e)	<ul style="list-style-type: none"> It may not be cost effective to transport a small number of cars to individual customers Cars require after-sales service which may be provided better through retailers / dealers <p>Evaluation: Typically, products like cars require serious physical customer attention which may not be possible online. Overseas agents can buy and hold a large number of cars. This can help the car company to break bulk in a more efficient manner. Overseas agents would be more aware of the local market therefore appointment of retailers and advertising can be done better. Although the manufacturer gets the benefit of high profit margins by selling directly to customers, the cost of selling and delivery may be too high. It is therefore recommended that the manufacturer sells through an overseas agent.</p>	8	

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Question	Answer	Marks	Guidance
2(a)	<p>State <u>one</u> advantage of self-service checkouts to customers.</p> <ul style="list-style-type: none"> • Less queuing required • Can see spending as goods are scanned • Do not need to speak to human cashier • More efficient / saves time • Can scan at own pace 	1	
2(b)	<p>Explain <u>one</u> reason why supermarkets are important in the chain of distribution.</p> <ul style="list-style-type: none"> • Buy in bulk directly from manufacturers (1) lower prices for consumers (1) • Break bulk (1) convenient quantities for consumers to buy (1) • They provide enough stock (1) for consumers to buy (1) • They provide fresh stock (1) e.g. fruit for consumers to buy (1) • Better stock control from use of computers (1) less money wasted on surplus stock (1) • Employ specialist employees (1) so operations become more efficient (1) 	2	

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Question	Answer	Marks	Guidance
2(c)	<p>State <u>two</u> benefits to a retailer of using electronic invoices.</p> <ul style="list-style-type: none"> • Documents easily completed easily • Easier for record keeping • Documents can be edited / amended easily • Documents easy to retrieve • Statement of account can be prepared faster • Faster than using paper invoices • Records of regular customers can be maintained • Saves money compared to paper invoices / no postage costs / no need to purchase printer • Can be automated to send recurring bills • More accurate than paper invoices • Sent instantaneously • Provides proof / evidence • Better for the environment 	2	

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Question	Answer	Marks	Guidance
2(d)	<p>(d) Do you think customers prefer using debit cards rather than paying in cash? Give reasons for your answer.</p> <p>Yes – Portable (1) easy to carry around (1) cash can be bulky (1) secure (1) need for PIN (1) so less risk of loss or theft (1) more convenient to carry / pay (1) no need to count / look for change on person (1) provides easy access to cash if required (1) decreases the potential for impulse purchase (1) if contactless, payment is done quickly and easily (1) accepted by a large number of sellers (1) integrated with the bank's mobile app (1) so there is an instant update on expenses and balance (1) but card can be blocked to avoid loss (1) spending is controlled (1) because money if not borrowed (1) can be used to withdraw money from ATM / but no need to go to bank to withdraw cash (1)</p> <p>No – Cannot be used if no money in account (1) payment can be declined due to lack of funds in the bank (1) some retailers only prefer cash payments (1) cardholder may lose track of spending (1)</p>	3	

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Question	Answer	Marks	Guidance
2(e)	<p>Discuss the effects on a business of the increased use of credit by customers. Give reasons for your answer.</p> <p>Credit is when businesses allow their customers to buy now and pay later.</p> <p>Positive effects of credit:</p> <ul style="list-style-type: none"> • May increase sales / cashflow especially if competitors are not offering credit / gain competitive edge • When products are expensive, credit increases sales as it creates perception of affordability • Credit sales result in high stock turnover which reduces the risk of loss from expiry and obsolescence • To encourage impulse buying customers without cash • Easier to sell larger items / consumer durables which have higher mark-ups • Needs to compete to gain greater market share • Customers can afford them to pay with credit / may not be able to afford the goods so able to spread repayments / pay later • Increased customer loyalty from well-known customers leads to repeat sales / keep purchasing from the same retailer • Earn interest which increases income / profit 	6	<p>Up to 2 marks for describing credit</p> <p>Up to a further 2 marks for analysing the effects of credit on a business</p> <p>Up to a final 2 marks for evaluating the effects of credit on a business</p>

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Question	Answer	Marks	Guidance
2(e)	<p>Negative effects of credit:</p> <ul style="list-style-type: none"> • Credit has a higher risk of bad debts as some customers may be unable to repay • Credit requires considerable documentation which is time consuming and increases costs • Credit puts constraints on working capital as payment is not immediate. • Goods taken on credit may be returned because of payment default making them difficult to sell easily, which increases the cost of storage • May increase costs if goods have to be repossessed <p>Evaluation: Though there is a risk of selling to customers that have a poor creditworthiness, the number of defaulters may be very low. There is greater potential to increase sales revenue which may offset any risk of bad debts. If there is well-developed interdependence between businesses and finance companies, selling on credit can bring more benefits than disadvantages.</p>		

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Question	Answer	Marks	Guidance
3(a)(i)	Identify the advertising medium which received one-fifth of the advertising expenditure in the pie-chart. <ul style="list-style-type: none"> Websites 	1	
3(a)(ii)	Give <u>two</u> examples of print media. <ul style="list-style-type: none"> Newspapers Magazines Trade journals Direct mail Posters Leaflets Catalogues Billboard Books Brochures Point-of-sale displays 	2	
3(b)	State <u>two</u> financial incentives that attract multinational companies to set up operations in a country. <ul style="list-style-type: none"> Low-cost land / premises Low tax rates Low wages Low interest rates Government grants Subsidies 	2	

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Question	Answer	Marks	Guidance												
3(c)	<p>Explain <u>two</u> reasons why written communication is important for a multinational company.</p> <ul style="list-style-type: none">• Easy to share copies to many people (1) which reduces risk of misunderstanding as language is different (1)• High level of accuracy (1) which allows complex information to be shared easily with local managers (1)• A written record (1) so useful for future reference if there is an error / so less chance of misunderstanding (1)• It allows time for planning a response to an issue (1) so that appropriate feedback can be given (1)• Multiple copies can be sent to several people (1) so making it cost-effective (1)• Less possibility of information being distorted (1) so fewer chances of misunderstandings / disputes (1)	4													
3(d)	<p>Which of these statements about international trade is TRUE and which is FALSE?</p> <table><tr><td></td><td>True</td><td>False</td></tr><tr><td>Multinational companies always operate within a trading bloc.</td><td></td><td>✓</td></tr><tr><td>Quotas decrease revenue for the importing country's government.</td><td>✓</td><td></td></tr><tr><td>A freeport is a type of seaport.</td><td></td><td>✓</td></tr></table>		True	False	Multinational companies always operate within a trading bloc.		✓	Quotas decrease revenue for the importing country's government.	✓		A freeport is a type of seaport.		✓	3	
	True	False													
Multinational companies always operate within a trading bloc.		✓													
Quotas decrease revenue for the importing country's government.	✓														
A freeport is a type of seaport.		✓													

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Question	Answer	Marks	Guidance
3(e)	<p>In addition to advertising, many large businesses also offer free gifts to customers.</p> <p>Evaluate the implications to a business of offering free gifts. Give reasons for your answer.</p> <p>Free gifts, e.g. samples, are a short-term approach to increase sales.</p> <p>Positive implications:</p> <ul style="list-style-type: none"> • Free gifts such as point of sale bring quick consumer attention to the products resulting in impulse purchase that increases sales • Free gifts make loyal customers feel good about the business and reinforces loyalty • Helps in promoting brand as name on free gift customers remember the brand each time they use it <p>Negative implications:</p> <ul style="list-style-type: none"> • Free gifts can reduce profit margins • Free samples increase costs for business • Many consumers take the free gift but do not use it <p>Evaluation:</p> <p>Free gifts are an effective way to boost sales but these produce a positive effect on sales only in the short term. The method may attract customers but there is no guarantee of retaining them or making them loyal customers. Customers only attracted by limited period free gift offers will move to competitors when these offers end. However, many methods of sales promotions help to retain customers who are already loyal. Free gifts cannot work without advertising. Therefore, both approaches to increasing sales are important.</p>	6	<p>Up to 2 marks for describing free gifts and / or identifying its methods in the response</p> <p>Up to a further 2 marks for analysing the importance of free gifts to customers</p> <p>Up to a final 2 marks for evaluating the importance of free gifts to customers</p>

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Question	Answer	Marks	Guidance
4(a)	<p>State <u>one</u> feature of a cash and carry warehouse.</p> <ul style="list-style-type: none"> • No delivery / buyers transport the goods they buy • No credit • Self-service • Wholesaler buys goods from manufacturers • Warehouse sells to small-scale retailers • Low prices / discounts / sales promotions • Warehouse sells goods in small bulk • Warehouse sells a variety of goods • Parking • Long opening hours • Restricted access / membership cards 	1	
4(b)	<p>CCW paid a \$6000 annual insurance premium last year. This year, CCW will be awarded a no claims discount of 20 %.</p> <p>Calculate the premium that CCW will pay this year.</p> <ul style="list-style-type: none"> • Answer: \$4800 (2) • Method: $\\$6000 \times 0.8 = \\1200, $\\$6000 - \\1200 	2	Award full marks for correct answer without working.

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Question	Answer	Marks	Guidance
4(c)	<p>Do you think it would be better for CCW to operate as a private limited company? Give reasons for your answer.</p> <p>Yes – is a legal entity (1) owners are not personally accountable for actions of the business (1) owners are not bound by decisions taken by the company (1) owners have limited liability (1) there is perpetual continuity (1) easier to raise capital (1) has more status (1)</p> <p>No – requires many formalities to be completed for formation (1) accounts need to be published (1) financial information can be made public (1) requires a lot of compliance (1) potentially more owners (1) could lead to slower decision making (1) costs money / time to set up (1) profits are shared between more members (1) CCW cannot still raise large amounts of capital (1) like public limited companies (1)</p>	3	

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Question	Answer	Marks	Guidance		
4(d)	<p>Javed and Farid want to improve CCW's net profit by 50 % next year. They have two options: Option 1: increasing sales Option 2: reducing cost of sales. Discuss both options. Which option would you recommend? Give reasons for your answer.</p> <p>Increasing sales:</p> <ul style="list-style-type: none"> To increase sales more stock will need to be purchased. Though this will increase cost of sales, it will also increase gross profit if profit margins are maintained Increasing sales may also require more expenditure on advertising and sales promotions which will increase costs. This could reduce net profit if goods are sold at lower profit margin <p>Reducing cost of sales:</p> <ul style="list-style-type: none"> This method requires buying in bulk at discounted rates that would allow selling goods at lower price. This in turn could increase volume of sales leading to higher sales revenue However, buying in bulk requires more working capital. If sales revenue does not increase, not only will the working capital be tied up, but also storage costs will increase Cheaper suppliers could also help reduce cost of sales, but this could compromise quality that could have a negative effect on sales and therefore net profit <p>Evaluation: It is not very easy to increase sales or reduce cost of sales. A careful balance needs to be maintained in how much advertising expenditure would be required so that net profit is not negatively affected or to what extent bulk purchase would be efficient so that no loss results from expiry or obsolescence due to lack of sales.</p>	8	Level	Mark	Description
			3	7–8	The candidate is able to offer a recommendation with a thorough evaluation of increasing sales compared to reducing cost of sales.
			2	5–6	Candidate offers a satisfactory analysis of the implications of actions taken to increase sales and actions taken to reduce cost of sales without a recommendation.
			1	1–4	Candidate demonstrates knowledge and understanding of the two options.
			0	0	No creditable response.

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Question	Answer	Marks	Guidance
5(a)(i)	Identify the banking service in Fig. 5.1 that the manufacturer could use to withdraw cash. <ul style="list-style-type: none"> ATM 	1	
5(a)(ii)	Identify the banking service in Fig. 5.1 that the manufacturer could use to earn interest. <ul style="list-style-type: none"> Deposit 	1	
5(b)	In which sector of production are delivery services provided by a manufacturer to its customers? <ul style="list-style-type: none"> Tertiary / commercial service / indirect service 	1	

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Question	Answer	Marks	Guidance
5(c)	<p>Explain <u>two</u> benefits of mobile banking to a manufacturer.</p> <ul style="list-style-type: none"> • 24/7 (1) continuous service / wherever there is a mobile network (1) • Convenience (1) as services can be used even when away from business premises (1) • Convenient / fast to make payments / no need to use cash (1) by clicking (1) • No need to go to bank branch / queue at bank / post remittances (1) • saving time / money (1) • Cost-effective (1) as bank charges may be lower than physical banking (1) • Up to date (1) as notifications instantly inform about payments received from debtors (1) • Safe (1) because of fraud alerts and low risk of theft of physical cash (1) • It can be used on the move / anywhere / at home (1) not always • requiring an internet connection (1) 	4	
5(d)	<p>Explain <u>one</u> difficulty for a manufacturer when recycling waste.</p> <ul style="list-style-type: none"> • High cost (1) of recycling machinery (1) • Steady supply of waste needs to be there (1) to be cost effective (1) • High cost (1) of segregating recyclable from non-recyclable waste (1) • Waste needs to be transported (1) which can be costly (1) • Not cost effective (1) unless there is high demand for recycled products (1) 	2	

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Question	Answer	Marks	Guidance
5(e)	<p>This manufacturer is considering using retained profits to buy the recycling equipment. Discuss whether or not this is a suitable source of finance. Give reasons for your answer.</p> <p>Retained profits are profits kept back for use in the company and not paid as dividend to shareholders.</p> <p>Retained profits is suitable source of finance:</p> <ul style="list-style-type: none"> • Readily available so no delay in implementing the project • No need to pay back therefore no liability • No interest which reduces costs for the business • No dividend required to be paid therefore all profit is retained • No loss of ownership which means greater control on business • It is readily available so no need for documentation • There is no fixed burden of dividend and no obligation of repayment • Retained profits are the business's own money • It can be taken up to any amount of the total available <p>Retained profits is not a suitable source of finance:</p> <ul style="list-style-type: none"> • Has opportunity cost which implies the money could have been used for a project that generates better returns • There may be insufficient funds therefore either the project cannot be implemented, or external finance needs to be taken • May result in shortage of funds for emergency which can create problems for the business in times of downturn 	6	<p>Up to 2 marks for describing retained profits</p> <p>Up to a further 2 marks for analysing the suitability of retained profits to buy the recycling equipment</p> <p>Up to a final 2 marks for evaluating the suitability of retained profits to buy the recycling equipment</p>

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Question	Answer	Marks	Guidance
5(e)	Evaluation: Although retained profits seem to be more attractive because the manufacturer will not have liability, the source of financing also depends on external factors. If the interest rates are low, a bank loan can be a good option. However, if the interest rates are high, and the business has surplus funds, retained profits would be more appropriate.		