COMMERCE

Paper 7100/12
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	C	21	C	31	A
2	B	12	B	22	A	32	B
3	A	13	B	23	D	33	D
4	D	14	A	24	B	34	C
5	D	15	B	25	C	35	D
6	B	16	A	26	D	36	A
7	C	17	D	27	B	37	D
8	C	18	C	28	A	38	C
9	C	19	C	29	C	39	B
10	A	20	D	30	C	40	D

General comments

The multiple-choice paper consisted of 40 4-options questions, of which **Questions 14**, **18**, **34**, **36** and **39** presented data in either tabular or diagrammatic format. The paper also contained 5 numerical questions, numbered **Questions 7**, **12**, **14**, **29** and **36**, which required the demonstration of calculation skills. **Questions 19** and **28** were negative (**not**) questions.

At least 6 questions in this particular paper can be classified as **very easy** questions because these received a correct response from more than 90 per cent of candidates. These were **Questions 1**, **4**, **5**, **6**, **17** and **21**. In comparison, there was just 1 question out of 40 which the majority of candidates found challenging. This was **Question 26**. The other question that can be classified as reasonably difficult was **Question 11**. These questions are discussed in greater detail below.

Comments on specific questions

Question 26

This fair and accessible question required demonstration of knowledge of types of warehouses. Option **D**, is the **key** and was chosen by 19 per cent of the total candidates compared to 72 per cent selecting Option **A**. It is evident that almost all the candidates could eliminate the incorrect answers (Options **B** and **C**) but there was a lack of knowledge of the functions of a bonded warehouse and a public warehouse.

Question 11

The requirement for this question was to demonstrate knowledge of key information on an invoice. Many candidates were confused between Option **B** and Option **C** (the **key**), with Option **B** selected by 48 per cent of candidates and Option **C** by 32 per cent. Candidates should be encouraged to work on learning the many terms in the documents of trade.

COMMERCE

Paper 7100/13
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	B	21	C	31	C
2	C	12	D	22	A	32	B
3	D	13	B	23	D	33	C
4	A	14	A	24	B	34	B
5	B	15	C	25	C	35	A
6	A	16	C	26	D	36	C
7	A	17	D	27	A	37	A
8	C	18	B	28	D	38	D
9	C	19	C	29	A	39	D
10	B	20	B	30	D	40	A

General comments

The multiple-choice paper consisted of 40 4-options questions, of which **Questions 1**, **13**, **15**, **23**, **30** and **36** presented data in either tabular or diagrammatic format. The paper also contained 5 numerical questions, numbered **Questions 8**, **13**, **15**, **29** and **36**, which demanded demonstration of calculation skills. Only one question, **Question 25**, was negative (**not**). At least 8 questions can be classified as easy questions because these were answered by over 80 per cent of the candidates. Of these **Questions 10**, **20**, **30** and **32** were answered correctly by more than 90 per cent of candidates. However, the exam paper also had questions that can be termed as challenging as less than 30 per cent of candidates could get the correct answer. These questions were **Questions 6**, **26** and **31**. These three questions are discussed below.

Comments on specific questions

Question 6

This question received a correct response from 22 per cent of candidates. This question is based on a relatively new concept and an emerging retail trend in consumer behaviour after the growth in ecommerce. The confusion between Option **A** (the **key**) and Option **C**, which is the reverse of the correct answer is clearly visible. Option **C** was selected by 24 per cent of the total candidates. Hopefully this question will get better results in future as candidates become more familiar with the concept of showrooming.

Question 26

This question requires evaluation skills, which means that candidates need to consider all options carefully before arriving at a conclusion. A majority of candidates (44 per cent) selected the incorrect Option **A** as their answer. With some consideration, these candidates would realise that most retailers would typically prefer to get some credit from the wholesalers to ease their cashflow. A cash-and-carry warehouse is just like a wholesale supermarket for a retailer. Therefore, Option **A** is **not** the **most** likely reason. Further consideration will help candidates to conclude that because cash-and-carry warehouses allow retailers to buy stock as and when these are required by the consumers, they do not have to store the goods for a later date. This helps retailers to save space in their typically small retail stores. This is stated in Option **D**, which is the correct answer.

Question 31

This question also requires the demonstration of evaluation skills. There was an almost equal number of candidates for Option **A** (incorrect answer), Option **B** (incorrect answer) and Option **C** (correct answer). The reason this question was slightly challenging is that a small car would cost somewhere between $4000 to $5000, which may not be readily available to a consumer in cash. The consumer would use the credit limit on their credit card to buy the car, which would be available for immediate use. As this is an evaluation question, it required some consideration before reaching a conclusion.

COMMERCE

Key messages

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

- Candidates should be reminded that for this GCE O Level Commerce syllabus, it is the quality of the response that determines the level an answer achieves for the three 6-mark questions and the two 8-mark questions, rather than the quantity of correct statements contained within an answer. Quality is determined by progression through the hierarchy of the four assessment objectives set out in the syllabus.
- Note the number of marks awarded on each question.
- Use time effectively. Time spent on answering questions should be directly related to the number of marks allocated.
- Read and re-read questions before answering. Weak responses were often characterised by not taking enough time to fully register both the general focus of questions, and also the level of detail required.
- Look for the important words in each question, e.g. command words such as explain or describe and key words such as suitable or best.
- Show working out in any calculation questions.
- Revise all areas of the syllabus.
- Candidates should learn succinct and accurate commercial definitions.
- Answers to 6 and 8 mark questions should always be developed with examples and/or application.
- Candidates should note AO4 on these questions account for 2 marks, therefore, the absence of a conclusion/evaluative judgement restricts the maximum mark they can achieve on these questions. Unqualified single words, such as 'easier', 'quicker' and 'cheaper' do not score marks – these should be explained to get the marks.

General comments

The paper appeared to be accessible to most candidates who coped well with the demands of the five questions. It discriminated well and there was no evidence of time pressure. The examination showed the importance of a consistent performance across the questions. The paper provides a broad coverage of the specification and therefore a clear understanding of the entire specification is essential for success.

All candidates had difficulty in answering **Question 4(c)** and **5(c)**, where many candidates found it difficult to gain good marks on the topics of wholesaling and insurance. Apart from this, it was evident to Examiners that all centres had prepared their candidates well by providing wide coverage of the syllabus content, with candidates possessing generally sound knowledge and understanding of commercial vocabulary.

The command words used in the examination paper indicates the Assessment Objective (AO) targeted:

AO1 (Knowledge and understanding) tests candidates on their ability to demonstrate their knowledge and understanding of commercial terms, ideas or principles mentioned in the question. For example, **Question 1(a)(i)** asked candidates to 'Define global market.' Command words such as 'Define', 'State', 'Name', 'Describe', 'Give' and 'List' confirm the question is at this level and requires a straightforward response.

AO2 (Application) tests candidates' ability to relate their answer to the context. In this examination, the context to **Question 2** was DS, a department store. For example, **Question 2(d)** asked candidates to 'Calculate the working capital for DS.' Command words such as 'How', 'Draw', 'Why', 'Give an example' and 'Calculate' confirm the question is at this level and requires a candidate to make themselves familiar with the context provided.

AO3 (Analysis) requires candidates to select, interpret or otherwise analyse some point presented in the question. For example, **Question 3(c)** asked candidates to 'Explain the effect on FF Ltd if the United States introduces import quotas on canned meat from India.' Command words such as 'Identify'. 'Compare', 'Explain' and 'Analyse' confirm that the question is at this level.

AO4 (Evaluation) tests candidates' ability to formulate some judgements. For example, **Question 5(a)(ii)** asked candidates 'Do you think this poster is an effective advertisement?' Command words such as 'Explain why', 'Do you think', 'Discuss', 'Assess' and 'Evaluate' confirm the question is at this level.

Candidates should be reminded to make sure they give the number of responses required by the question. For example, in **Question 4(b)** candidates were asked to 'Explain **one** reason why Jinani only accepts payment by cash.' Some candidates gave two reasons. It should be emphasised to candidates that including less than the question asks for will reduce the maximum marks that a candidate can score; likewise, including more than the prescribed number does not gain any more marks and may waste valuable examination time that could be used elsewhere.

Comments on specific questions

Question 1

(a) (i) The term 'global market' was well defined by many candidates. Marks were not gained by candidates with imprecise definitions or by simply rearranging the words in the question. For example, the answer 'global market is the market of the world' was an insufficient definition to score marks.

(ii) There were many valid methods of transport given. However, examples of methods already depicted in Fig. 1.1, such as planes or trains were not acceptable answers.

(iii) There was a good proportion of correctly calculated answers. However, some candidates did not gain one mark, after calculating the total value of global freight carried by road and rail transport, by not adding the two values together.

(b) The best answers identified and explained two reasons why the percentage of global goods carried by air is low. Weaker answers gave one or two points with limited explanation. A good example is below:

1. Air transport is expensive compared to other transport methods making it not cost-effective to carry some products.
2. Air transport has limited capacity to carry heavy or bulky goods such as coal.

(c) Centres should note that a question beginning with the command words 'Should this', 'Do you think' or 'Do you agree' means that the reasoning can be on either side as long as it is justified. The best answers recognised that there would be pros and cons to using less packaging when transporting goods. Weaker answers did not apply their answers to the context of the question and often described packaging functions.

(d) Many candidates were able to circle the correct conclusion to each sentence: one circle for each sentence.

(e) The best answers described and analysed the importance to a retailer of locating their shops near transport links with a judgement made on whether it had more benefits than weaknesses. The better answers weighed up the possible efficiency gains and the greater customer footfall against the importance of other location factors such as competition. The best candidates pointed out this balance in their concluding evaluations. Weaker answers were characterised by limited knowledge about transport links and lacked analysis.

Question 2

(a) Many candidates accurately defined credit as 'buying now, paying later.'

(b)   There were many acceptable department store features stated by candidates. However, some candidates gave supermarket features instead.

(c)   Stronger answers explained reasons why a customer would, or would not, use a store card to purchase a new computer. These candidates applied their answers well to the fact that a new computer can be expensive and so using credit from a store card would be a good idea. Weaker answers identified one or two points about store cards without applying their answers to purchasing a new computer. A good example of a candidate's answer who thought that purchasing a new computer by a store card was not a good idea is below:

No, it is not a good idea to purchase a new computer by store card. There are high interest rates around 30 per cent if the customer does not repay within the month. So, a new computer costing $500 would end up costing $650 which is $150 greater than the purchase price. Also, the customer would need to have a high credit limit to purchase an expensive computer and can only purchase in DS department stores which limits Ahmed's choice. Overall, paying by cash is a better way.

(d)   There was a good proportion of correctly calculated answers for maximum marks. However, this question proved to be more difficult for many candidates than was expected as candidates often did not know the formula to calculate working capital.

(e)   This question asked candidates to discuss whether DS, a department store, should lease space in its store to another business. The question is a good example of why it is good practice to include a definition of the question key term, that is, leasing to start their answer. Stronger answers started with such a definition and then analysed reasons, for and against, to DS. Weaker answers simply described advantages or disadvantages of leasing space without analysing them so were unable to access higher marks.

Question 3

(a)   For candidates to score both marks to the definition of the term 'export order,' they had to include the country where the order is coming from and where it is going to. An example of a precise definition is below:

An export order is an order from a customer in a foreign country to buy goods from the home country.

(b)   Many candidates recognised that more exports would contribute to India's Balance of Trade but sometimes did not mention that it would lead to a Balance of Trade surplus.

(c)   Some candidates showed confusion between tariffs and quotas. Also, some candidates outlined the effect of limiting the number of imports into a country rather than explaining the effect on FF Ltd.

(d)   It was clear that candidates had some knowledge and understanding of two types of communication, written and oral, that FF Ltd could use to communicate with a customer over an export delivery delay. Some candidates suggested written would be best and explained that it provided a written record so it was useful for future reference if there was an error. Other candidates explained the merits of oral communication so that FF Ltd could have a discussion with the customer so that any points not understood could be clarified. The strongest answers explained and analysed advantages and disadvantages of both types of communication with a supported recommendation based on the context and arguments presented.

Question 4

(a)   Many candidates were able to identify the two sectors of production that Jinani was involved in.

(b)   There were many acceptable reasons given on why Jinani only accepts payment by cash, but candidates often had difficulty in explaining the reason.

(c)   This question was the least well-responded in this examination. It was only the strongest answers that recognised that wholesalers stored goods to provide a stable supply throughout the year,

adjusting their demand to meet fluctuating supply. Weaker answers sometimes looked at buying in bulk to reduce prices rather than focusing on stabilising prices.

(d) There were a sizeable minority of candidates who were able to complete the two parts correctly to Fig. 4.1. A common error was to add the credit note total to the balance column instead of deducting it.

(e) Many attempted explanations of the term '5 per cent 30 days' lacked precision. Many candidates recognised that the 5 per cent was a discount but some thought it was given for a payment after, instead of within, the 30 days.

(f) This question proved challenging for some candidates. The best answers made a good start by saying what cashless payments meant and used examples such as a mobile app. These answers then explained, with analysis, both advantages and disadvantages to businesses of only accepting cashless payments. Weaker answers identified one or two advantages/disadvantages without subsequent linked explanation. Lack of knowledge from these candidates meant that they were unable to access AO3 and AO4 marks. A good example is below:

Cashless payments are when customers buy goods using electronic payment methods such as contactless cards. One advantage to businesses to only accepting cashless payments are that is quicker and more convenient as there is less counting of cash and fewer queues. Also, there is no need to have or carry cash so that reduces the risk of theft. However, with electronic payments there might be outages preventing businesses being able to trade. Also, there are transaction fees, such as credit card processing fees, reducing businesses' profit margins. Although there are many advantages to a business to move towards only accepting cashless payments, for many consumers cash is not a choice, it's a necessity. The risks of excluding many people from being able to pay in cash are significant, including risks to businesses of losing customers who still want to pay in cash.

Question 5

(a) (i) Using Fig. 5.1, a valid method of appeal was frequently given by candidates. However, some candidates did not score the mark as they gave types of advertising instead as their answer.

(ii) Centres should note that a question beginning with the command 'Do you think' or 'Should…' means that the reasoning can be on either side as long as it is justified. The best answers recognised that there would be effective points in the poster, depicted in 5.1, such as the persuasive discounts and the 5-star rating but also mentioned some of the weak points such as lack of colour. Weaker answers simply gave one or two points without explanation or did not apply their answers to Fig. 5.1. A good example is below:

This poster is effective as it is attracting customers to go to the theme park where they can obtain money-saving discounts and enjoy the rides with the added insurance protection making it feel safer to ride. However, there is no information on where the theme park is or any contact information such as a website address for customers to make online bookings.

(b) This True and False question on insurance produced a range of marks from zero to three with the first statement being the least well answered.

(c) This proved to be a challenging question for most candidates. There seemed to be a general lack of knowledge on the topic of insurance principles. It was only a minority of candidates that demonstrated knowledge of the principles and their importance to making an insurance claim.

COMMERCE

Key messages

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

*   Candidates should be reminded that for this GCE O Level Commerce syllabus, it is the quality of the response that determines the level an answer achieves for the three 6-mark questions and the two 8-mark questions, rather than the quantity of correct statements contained within an answer. Quality is determined by progression through the hierarchy of the four assessment objectives set out in the syllabus.
*   Note the number of marks awarded on each question.
*   Use time effectively. Time spent on answering questions should be directly related to the number of marks allocated.
*   Read and re-read questions before answering. Weak responses were often characterised by not taking enough time to fully register both the general focus of questions, and also the level of detail required.
*   Look for the important words in each question, e.g. command words such as explain or describe and key words such as suitable or best.
*   Show working out in any calculation questions.
*   Revise all areas of the syllabus.
*   Candidates should learn succinct and accurate commercial definitions.

Answers to 6 and 8-mark questions should always be developed with examples and/or application. Unqualified single words, such as 'easier', 'quicker' and 'cheaper' do not score marks – these should be explained to receive the marks.

General comments

The paper appeared to be accessible to most candidates who coped well with the demands of the five questions. It discriminated well and there was no evidence of time pressure. The examination showed the importance of a consistent performance across the questions. The paper provides a broad coverage of the specification and therefore a clear understanding of the entire specification is essential for success.

All candidates had difficulty in answering parts of **Question 4(c)** and **5(e)**, where many candidates found it difficult to gain good marks on the topics of business organisation and sources of finance. Apart from this, it was evident to Examiners that all centres had prepared their candidates well by providing wide coverage of the syllabus content, with candidates possessing generally sound knowledge and understanding of commercial vocabulary.

The command words used in the examination paper indicates the Assessment Objective (AO) targeted:

AO1 (Knowledge and understanding) tests candidates on their ability to demonstrate their knowledge and understanding of commercial terms, ideas or principles mentioned in the question. For example, **Question 1(a)(ii)** asked candidates to 'State **one** document used when transporting by ship.' Command words such as 'Define', 'State', 'Name', 'Describe', 'Give' and 'List' confirm the question is at this level and requires a straightforward response.

AO2 (Application) tests candidates' ability to relate their answer to the context. In this examination, the context to **Question 4** was CCW, a cash and carry warehouse. For example, **Question 4(b)** asked candidates to 'Calculate the insurance premium that CCW would pay this year.' Command words such as 'How', 'Draw', 'Why', 'Give an example' and 'Calculate' confirm the question is at this level and requires a candidate to make themselves familiar with the context provided.

AO3 (Analysis) requires candidates to select, interpret or otherwise analyse some point presented in the question. For example, **Question 3(a)(i)** asked candidates to 'Identify the advertising medium which received one-fifth of the advertising expenditure in the pie chart.' Command words such as 'Identify'. 'Compare', 'Explain' and 'Analyse' confirm that the question is at this level.

AO4 (Evaluation) tests candidates' ability to formulate some judgements. For example, **Question 2(d)** asked candidates 'Do you think customers prefer using debit cards rather than paying in cash.' Command words such as 'Explain why', 'Do you think', 'Discuss', 'Assess' and 'Evaluate' confirm the question is at this level.

Candidates should be reminded to make sure they give the number of responses required by the question. For example, in **Question 5(c)** candidates were asked to 'Explain **two** benefits of mobile banking to a manufacturer.' Some candidates gave three reasons. It should be emphasised to candidates that including less than the question asks for will reduce the maximum marks that a candidate can score; likewise, including more than the prescribed number does not gain any more marks and may waste valuable examination time that could be used elsewhere.

Comments on specific questions

Question 1

(a) (i) There were many valid methods of sea transport given. However, it was a ferry that was depicted in Fig. 1.1, Other methods mentioned such as such an OBO ship or tanker were not acceptable.

(ii) Many candidates stated a valid shipping document such as a bill of lading.

(b) The best answers identified and explained two location factors which would have been considered by a new taxi service. Weaker answers simply identified one or two reasons without explaining them**.** A good example is below:

1. The new taxi service should consider competition in their location decision. As they are a new business it may be difficult to establish the business if there are already other taxi services.
2. The rent of the land to park their taxis is another location consideration. A high rent would impact their profits.

(c) Many candidates were able to circle the correct conclusion to each sentence: one circle for each sentence.

(d) There was a good proportion of correctly calculated answers. Weaker answers calculated the trade and cash discounts together from the amount of the invoice.

(e) It was clear that many candidates had sound knowledge and understanding of both selling through a website and selling through an overseas agent for a car manufacturer's channel of distribution. Many candidates suggested selling through a website would be best as it would be cheaper as they would not have to pay commission to an agent and the cars could be seen worldwide, thereby attracting both local and international buyers. Other candidates explained the merits of using an overseas agent. For example, some candidates mentioned that overseas agents have knowledge and understanding of foreign markets so are well placed to identify and exploit export opportunities. Also, that overseas agents will have the necessary expertise in selling cars and what the local consumers are likely to demand as they will have a network of contacts, reducing risk of failure. Strongest answers explained and analysed advantages and disadvantages of both types of channels of distribution with a supported recommendation based on the context and arguments presented. Weaker answers described the two types of channels of distribution without analysing or evaluating.

Question 2

(a) There were many acceptable advantages of using self-service checkouts for customers.

(b) This question required knowledge and understanding of the chain of distribution. A good example is below:

A supermarket is a large-scale retailer that buys in bulk from a manufacturer to help clear their production lines and then sells in small quantities to the customer.

(c) This question required answers on two benefits to a retailer of using electronic invoices. Many candidates could identify relevant reasons, such as being faster than using paper invoices and being able to automate the sending of recurring bills. Weaker answers described the use of electronic invoices instead of benefits.

(d) Centres should note that a question beginning with the command words 'Do you think' or 'Do you agree' means that the reasoning can be on either side as long as it is justified. The best answers recognised that there were pros and cons of why customers prefer using debit cards rather than paying in cash. Weaker answers lacked justifying their reasons.

(e) This question was generally well attempted. The question was looking for the effects on a business of the increased use of credit by customers, such as the positive effect of increased sales through impulse buying and the negative effect of increasing business costs if goods are repossessed. The best answers analysed at least two effects and made supported reasoned judgements in a conclusion. Weaker answers simply mentioned one or two effects, often without application to the effects on a business or with any analysis.

Question 3

(a) (i) The majority of candidates could identify 'websites' as the advertising medium which received one-fifth of the advertising expenditure in Fig. 3.1.

(ii) Many candidates were able to correctly give two examples of print media, such as newspapers and leaflets. Incorrect answers, that were sometimes given, were names of social media platforms and types of advertising.
.
(b) It was expected that this question would be better answered. There seemed to be a general lack of knowledge on financial incentives such as government grants.

(c) This question required answers on two reasons why written communication is important for a multinational company. Many candidates could identify relevant reasons, such as to reduce misunderstanding by having a written record and to ensure accuracy of complex information. Good answers developed these reasons by linking them to the context of a multinational, while weaker answers tended to write a list of reasons without related explanation or application.

(d) This True and False question on statements about international trade produced a range of marks from zero to three with the first statement being the best well answered. The majority of candidates knew that multinational companies do not always operate within a trading bloc.

(e) Candidates found this question difficult to score very good marks. For example, many candidates could identify one or two implications to a business of offering free gifts but often found difficulty in analysing and then evaluating the implications. A small minority of candidates gave implications for customers which were not required from the wording of the question. A good example is below:

A free gift is a short-term way to increase sales, such as a free sample. A positive implication to business is that it can drive immediate sales and attract new customers. They can also encourage customers to spend more to qualify for the gift, leading to a higher average order purchase value. The receipt of free gifts can make a customer feel good about the business brand which can reinforce customer loyalty. However, it can lead to increased costs as the sourcing, producing, and the distributing of free gifts can be expensive. This includes not just the cost of the gift itself, but also all of the logistics and packaging costs. In conclusion, there are many implications to a business offering free gifts to customers. As long as they can boost sales and enhance brand reputation they should be considered for business use.

Question 4

(a)   Many candidates stated a valid feature of a cash and carry warehouse such as no credit.

(b)   There was a high proportion of correctly calculated answers to this question. The vast majority of candidates gave $4800 as the correct answer. A minority of candidates did not gain one mark by not deducting the no-claims discount of 20 per cent from the $6000 annual insurance premium.

(c)   In answering this question, candidates had to decide whether Javed and Farid should consider changing their partnership business into a private limited company. The best answers justified their reasoning with developed explanation. Weaker answers identified one or two points without applying, or developing, their answers. A good example is seen below:

There are good and weak points for Javed and Fardi to change their partnership into a private limited company. The good points are that they would have limited liability so that their personal assets are protected from debts and liabilities. It would also be easier to expand as they could have more potential capital invested in the business by shareholders. However, with more owners there could be slower decision making with profits being shared with all the owners, not just the two of them.

(d)   The strongest answers explained and analysed both options to improve net profit, namely increasing sales and reducing cost of sales, with a justified recommendation based on the context and arguments presented. Weaker answers described one or two of the options without analysis or a justified recommendation.

Question 5

(a) (i)   The correct answer of ATM was identified by the majority of candidates to Fig. 5.1.

(ii)   Many candidates incorrectly identified loan, instead of the correct answer deposit, as the banking service that earns interest.

(b)   It was surprising to find many candidates stating that delivery services are involved in secondary production rather than tertiary production.

(c)   The strongest answers were from those candidates who could explain two benefits of mobile banking to a manufacturer. Weaker answers described the features of mobile banking or did not explain their benefits. A good example is below:

1.   It saves costs for the manufacturer as mobile banking minimises the need for frequent visits to the bank, lowering travel costs and time spent on banking activities.
2.   It allows manufacturers to monitor payments instantly providing a clear picture of their financial position.

(d)   Many candidates could correctly give a difficulty for a manufacturer when recycling waste such as the high cost involved but often found difficulty in explaining why it was costly.

(e)   It was found that many candidates generally had limited knowledge and understanding of retained profits. The best candidates knew that retained profits is a readily available source of finance as it is the manufacturer's own money and that it can be used for investment by buying recycling equipment for the business. They also analysed that it does not have to be repaid and is therefore cheaper than using other sources as there is no interest charged. As part of their analysis, they commented that new recycling equipment might be a large amount, and the business might not have sufficient retained profits for this purpose. These answers then made a supported justified conclusion based on the context and arguments presented. Weaker answers described retained profits without analysis or evaluation.