



BOTSWANA
EXAMINATIONS
COUNCIL

**Botswana General Certificate of Secondary Education
October/November 20XX**

Specimen Markscheme

0598/02 COMMERCE

Maximum Mark: 100

O598 Commerce Paper 2

Marking scheme Specimen

- 1 Carrel is a commercial farmer at Tuli Block, who grows sorghum, maize, beans and sunflower. The area has been receiving low average rainfall and this has affected his production. He usually gets assistance from the bank to buy fertilizers, pesticides and fuel.

- (a) Explain the term 'production' [2]

Making of goods and services/creation of utility (1) in order to satisfy needs and wants (1)

OR The process of changing the form of a thing, or its place in space and time and the rendering of personal services. (1)

A full explanation of the term production 2 marks

1 mark for partial explanation

- (b) Explain **two** ways in which commerce is part of production. [4]

- Commerce is a branch of production (1) which is engaged in the distribution of goods and services (1)
- Production is meant for ultimate consumption. (1) Commerce makes possible to link producers and consumers through retailers and wholesalers (1)
- Producers are always informed about taste and likes of consumers (1) through market research (1)
- Commerce creates contact between the centres of production (1) and consumptions and links them. (1)

2 ways explaining the linkage

2X2 = 4 marks

2 listed ways

2X1=

2 marks

- (c) Explain **two** advantages to Carrel, of specialising in crop production. [6]

- time is saved (1) workers do not move from one operation to another (1)
- training is much quicker (1) learner concentrates on specific tasks (1)
- leads to mass production/increased output (1) due to repetition of the same operation that results in increase in speed (1)
- Carrel will become known for the particular brand (1) and this may increase sales because of brand loyalty (1)

2 advantages explained

2X2

= 4 marks

2 listed advantages

2X1=

2 marks

(d) Discuss **two** ways in which Botswana Agriculture Marketing Board (BAMB) can assist Carrel after harvesting. [6]

- buy Carrel's produce as soon as they are harvested (1) providing a guaranteed ready market (1) however they may pay lower prices (1)
- collection of produce (1) which relieves her of problems of transport (1) however transport might not be reliable (1) may take a long time to come and collect Carrel's produce (1)
- storage of produce (1) which relieves her of storage problem/leading to increase in prices (1) however produce may go bad while still in storage leading to lower prices (1)
- providing farm inputs (1) Carrel will buy them at reasonable price (1) however might not be the right type needed by Carrel/ may be too expensive to acquire (1)
- research (1) may improve production (1) however it needs expertise (1)

2 ways, developed/applied with opinion

2X3 = max 6 marks

2 ways, developed/applied with no opinion

2X2 = max 4 marks

2 ways, developed not applied with opinion

2X2 = max 4 marks

2 ways, listed

2X1 = max 2 marks

NB – Candidate has to discuss two ways in which BAMB can assist carrel after harvesting and give their opinion.

(e) **Carrel wishes to obtain extra finance for the business. Carrel could obtain financial assistance from either a bank or from the government. Discuss both options. Which would you recommend? Give three reasons for your recommendation.** [9]

GOVERNMENT

- low interest rate on the loan (1) government does not offer loans to make profit (1) however government loans might not be easily available in large amounts (1)
- the loans are easily available in limited amounts only to citizens (1) because of fewer requirements, (1) this may lead to an increase in the number of applicants leading to small amount granted (1)
- may offer grace period for the repayment of the loan (1) making it affordable to everyone (1) therefore may attract those who can't afford to pay leaving the government in debt (1)
- government provide assistance in terms of training and management of the funds (1) helping in better utilization of funds (1) however it is expensive to train (1)
- the loans are closely monitored (1) therefore denying people privacy (1) hence less freedom (1)
- there is some confusion as to whether government loans are readily available.

BANK

- the loans have long repayment period (1) helps spread payment (1) however there is high interest (1)
- the banks offer financial advice/strategy to clients (1) leading to the business being successful (1) however it is costly (1)

- the banks can offer large amounts (1) which may increase liquidity (1) however it requires collateral (1)
- High interest rate (1) which might discourage Carrel from borrowing (1) which reduces the profit (1)
- security/collateral is needed (1) which Carrel might not have since he has not been in business for a long time (1) hence inability to acquire funds/cash flow problems
- strict terms and conditions/ too many formalities (1) require financial statements (1) which Carrel may not have (1)

3 points developed/applied with reasoned opinion

3X3= max 9 marks

3 points developed/applied with no opinion

3X2 = max 6 marks

3 points developed not applied with reasoned opinion

3X2 = max 6 marks

3 points listed

3X1=

max 3 marks

NB – Candidate has to discuss options and has to give a reasoned opinion as to which would be recommended.

- 2 Lepako runs a wholesale in Selibe Phikwe, which sells a variety of goods, he buys from factories in Botswana and South Africa. His customers are mainly small scale retailer. One of Lepako's suppliers advised him to insure his wholesale.

- (a) What is meant by a wholesale business?

A business buying and selling goods in larger quantities (breaking bulk) to retailers than they are sold to final consumers (1) but in smaller quantities than they are purchased from manufacturers (1)

2 marks for the explanation of wholesale

[2]

- (b) Differentiate between a general wholesaler and a specialised wholesaler.

General wholesaler	Specialised
They are large companies which have huge capital and sells wider range of goods (1)	They deal in one class of product so sell limited range of goods (1)
They sells household consumer goods (1)	They can provide the customer with a wide range of the same product. (1)
They deal mainly in manufactured goods and they stock a wide range of goods so that the retailer may get all his or her requirements (1)	Their warehouses are equipped with loading equipment for easy shelving and loading of goods in bulk(1)
They often send their salesperson around to obtain orders from retailers	They provide support services to customers. (1)
They provide customers with short-term credit facilities (1)	sells consumer durables (1)

2 points corresponding

2X2 = max 4 marks

2 points not corresponding

2X1=max 2 marks

2 points one side

2X1= max 2 marks

- (c) Analyse **two** ways in which the small-scale retailers would be affected by Lepako's wholesale. **[4]**

Advantages:

- stabilise prices (1) since the wholesaler buys in large quantities (1)
- easy to restock (1) which reduces transport costs (1)
- access to a variety of goods (1) since Lepako buys from Botswana and South Africa (1)
- steady supply of goods (1) which leads to customer satisfaction (1)
- reduction in cost (1) since its closer to the small scale retailers (1)

Disadvantages:

- could be expensive (1) since the wholesaler is closer (1)
- restricted by what is sold by wholesaler (1) since they depend on the wholesaler for their stock (1)

- may increase competition (1) since wholesaler can also sell to the final consumers (1)
- increase in transport costs may affect the prices (1) which may reduce profits (1)
- may not take advantage of cheap products in other shops which may increase costs (1)

- **2 ways explained** **2X2** **= 4 marks**
- **2 ways listed** **2X1=** **2 marks**

(d) Discuss **two** ways in which the formation of a voluntary chain might help small scale retailers to compete successfully. **[6]**

- advice on better ways of selling goods (1) which can lead to the success of the business (1) however might not be applicable elsewhere (1)
- offer training (1) which may lead to better business decisions (1) however may be too general (1)
- advertising is generic (1) which reduces advertising costs (1) however individual image is not taken into consideration (1)
- access cheaper goods (1) since they are buying straight from manufacturer (1) however they may get goods of poor quality (1)
- delivery of goods (1) which reduces transport costs (1) however there may be late deliveries since members are many (1)

2 ways, developed/applied with opinion	2X3 = max 6 marks
2 ways, developed/applied with no opinion	2X2 = max 4 marks
2 ways, developed not applied with opinion	2X2 = max 4 marks
2 ways, listed	2X1 = max 2 marks

(e) Assess whether or not Lepako needs to insure his wholesale business. Suggest **three** types of insurance that he might need. Which is the most important to Lepako? **[9]**

- security for investment (1) which can assist insured to acquire loans/get creditors (1) however may lead to increased costs (1)
- provides savings plan/investment (1) therefore will be able to overcome misfortunes (1) however may lead loss of value of money during inflation (1)
- compensation (1) which will make him to continue trading (1) however may have lost customers (1)
- provides security for employment (1) workers /creditors will have more confidence to deal with Lepako (1) however may lead to more insurance costs (1)
- invisible trade (1) which brings in foreign country (1) however may lead to loss of assets/cultural erosion (1)

3 reasons developed/applied with opinion	3X3 = max 9 marks
3 reasons developed/applied with no opinion	3X2 = max 6 marks
3 reasons developed no applied with opinion	3X2 = max 6 marks
3 reasons listed 3X1	= max 3 marks

NB – Has assessed whether or not Lepako needs to insure his wholesale business with reasoned opinion.

3 Lebitso and Baone started an Internet Café in Gaborone as partners. The business is expanding and they are considering listing on the Stock Exchange.

(a) (i) What is meant by partnership business? [2]

An association of two or more persons to carry on a business enterprise (1) in which the profits and losses are shared proportionally. (1)

1 mark for stating the product and 1 mark for the exchange

(ii) Explain **two** reasons why Lebitso and Baone should continue with the partnership business.

- Collaboration (1) in order to allow them to draw on their resources and expertise as co-partners, in order to share responsibilities and lighten the workload (1)
- Tax purposes (1) since the profits of partners are taxed once at the personal level of partners not as company (1)
- Simple operating formation structure (1) which does not require many forms to be filed or formal agreements to be drafted and does not require annual filing fees (1)
- Flexibility in management (1) owners are usually the managers and decisions can be made quickly without a lot of bureaucracy (1)
- Easy access to capital (1) partners guarantee loans with their personal assets as well as those of the business (1)

2 reasons explained

2X2 = 4 marks

2 reasons listed

2X1 = 2 marks

(b) Explain **two** functions of the stock exchange [4]

- It provides a ready and continuous market for purchase and sale of shares. (1) It provides ready outlet for buying and selling of listed securities(1)
- Facilitates evaluation of securities. (1) This helps investors to know the true worth of their holdings at a time. (1)
- It enables comparison of companies in the same industry (1) through stock exchange quotation\price list(1)
- Facilitates public borrowing (1) by creating the market for the government to raise capital for development. (1)
- It serves as economic barometer (1) by indicating the state of health of companies and the national economy (1)

2 functions explained

2X2 = 4 marks

2 listed functions

2X1 = 2 marks

- (c) Lebitso and Baone are considering turning their internet café into private limited liability company. Discuss whether or not they should do this. Give **three** reasons for your recommendation.

Partnership: disadvantages

- decisions may be delayed(1) due to consultation (1) but may yield good results (1)
- unlimited liability (1) personal assets are affected leading to loss of property (1) however it saves the business (1)
- lack of capital (1) limit expansion (1) but saves one from borrowing (1)
- Not easy to find suitable partner (1) which may restrict the growth of the business (1) therefore there won't have continuity (1)
- no legal existence (1) leading to less documentation (1) and low protection (1)
- membership is limited to 20 (1) which restricts growth/less capital is raised (1) but it is kept in the family (1)

Public limited liability

- limited liability (1) personal assets are secured(1) therefore save(1)
- have separate legal entity (1) does not affect the owner(1) since the owner and the
- its shares are freely transferable on stock exchange (1) may be able to raise the money (1) but may lose ownership (1)
- has assured continuity (1) because it is a going concern (1) but can change hands easily(1)
- easy to raise more capital through the sale of shares and debenture (1) can be owned by anybody anytime (1) but may lead to loss of identity (1)
- can afford to employ specialists (1) leading to efficiency (1) but may lead to loss of ownership (1)
- enjoys economies of scale (1) can produce more at less cost (1) but may also attract competitors (1)

3 points developed/applied with reasoned opinion	3X3 = 9 marks
3 points developed/applied with no opinion	3X2 = 6 marks
3 points developed no applied with opinion	3X2 = 6 marks
3 points/reasons listed	3X1 = 3 marks

NB – Candidate has discussed whether or not Lebitso and Baone should turn their internet café into private limited company and has given three reasons for their recommendation.

- (d) If Lebitso and Baone's business were to become a public limited company, State **three** ways in which they would be affected by turbulence in the stock market. **[3]**

- Fall in their share prices (1) which leads to less money being raised (1) hence a loss to both investors and the company (1)
- Loss of investors' confidence (1) leading to them selling their shares (1) hence poor reputation for the company (1)
- Panic selling by investors (1) leading to fall in share price even further (1)
- Improvement in the company which lead to investors being attracted(1) if the turbulence is a surge of the investment (1) hence more capital being raised (1)

3 ways listed

3X1= 3

4 (a) (i) the values of X and Y [2]

X = P5390 (1)

Y= P1780 (1)

Correct answer only

(ii) Balance of Trade for 2016 [2]

Exports – imports = Balance of Trade

P5390 - P1590 (1) = P3800 OF (1)

2 marks for correct answer and 1 mark for partial answer.

Own figure rule is applicable to the final answer if step one is correct.

(b) Explain **two** functions of forwarding agents [4]

- organising packaging and storing goods pending shipment (1) by making arrangements for warehousing facilities (1)
- organising transport (1) by booking a space in the mode of transport to be used (1)
- preparing documents (1) make financial arrangement when goods reach the ports/ to ensure smooth clearance of goods (1)
- obtaining insurance cover (1) to ensure the safety and security of the goods (1)
- arranging and operating multi-modal systems
- acting as intermediaries when transporting to a new territory
- consolidating smaller shipment (1) which save exporters time and money (1)

2X2 functions explained = max 4 marks

2x1 listed functions = max 2 marks

(c) (i) State the difference between a standing order and a direct debit. [2]

Standing order	Direct debit
<ul style="list-style-type: none"> • Used to make regular payments of the same amounts (1). • a banking facility that is used to pay e.g. salaries, hire purchase instalments (1) 	<ul style="list-style-type: none"> • used to make regular payments of various amounts (1) • a facility that is be used to pay e.g. water bills (1)

**Two marks for corresponding difference between standing order and direct debit.
1 mark for a correct statement on one side**

(ii) Explain **three** ways in which M and L (Pty) Ltd would use a computer to record transactions of banking **[6]**

- keep track of their financial transactions (1) since they can have access to their account anytime (1)
- can make payments from their offices (1) which saves time (1)
- communication (1) which makes it easy to be updated with the trends in the market/keep their existing clientele (1)
- receive payments from their customers (1) which makes it safer for them not to keep large amounts of money in the business (1)

○ **2X3 ways explained = max 6 marks**

○ **2x3 listed ways = max 3 marks**

(d) M and L (Pty) Ltd would like to contribute to community development by sponsoring one of the following projects.

- Sports and Recreation
- Education and research
- Infrastructural development

Discuss the **three** projects. What would you recommend M and L (Pty) Ltd to do? Give **three** reasons for your answer. **[12]**

- Recreational sponsorship (sports) (1) they can host tournaments in the community (1) leading to less crime rate since people will be kept busy (1) and this will diversify the economy of the community.
Or engage in clean-up campaigns (1) which will make the community clean (1) hence attracting potential tourists (1) and thereby creating jobs for the community. (1)
- Educational sponsorship (1) the company can give tertiary sponsorship to a few members of the community (1) which leads to better standards of living since they will end up with better paying jobs (1)
- Infrastructural development such as construction of bridges (1) making it easy for the community to access other towns/villages (1) hence their needs being met since they will get what is not offered in their community (1)

3 projects developed/applied with opinion

3X3= max 9 marks

3 projects developed/applied with no opinion

3X2 = max 6 marks

3 projects developed not applied with opinion

3X2 = max 6 marks

3 projects listed 3X1=

max 3 marks

3 reasons for the recommendation

3x1 =3

Max 12

NB – Candidate has discussed the three projects and has made recommendation and has given reasons for the recommendation.