



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES

0450/13

Paper 1 Short Answer/Structured Response

October/November 2016

MARK SCHEME

Maximum Mark: 80

Published

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This document consists of **10** printed pages.

Page 2	Mark Scheme	Syllabus	Paper
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Question	Answer	Marks
1(a)	What is meant by ‘private sector’? Clear understanding [2]: e.g. when <u>individuals own</u> business activities Some understanding [1] e.g. run by individuals OR not controlled directly by government [1] OR aim to make a profit [1] OR controlled by person/group of people [1]	2
1(b)	What is meant by ‘redundancy’? Clear understanding [2]: e.g. job position has gone and hence person is no longer required Some understanding [1] e.g. loses job [1] or job role has gone [1]	2
1(c)	Identify and explain <u>two</u> ways an appreciation of country B’s exchange rate might affect UDig. Knowledge [2] – award up to 2 marks for each relevant point Application [2 × 1] – award 1 mark for each explanation in context Points might include: If assume UDig based in country B, • Imported products cheaper / have lower prices [k] so local businesses might go elsewhere for the 30% [app] • Not as competitive [k] so may have to close more mines [app] • UDig’s exports more expensive/ prices rise [k] • May have to reduce its profit margin [k] for its coal [app] If assume UDig based outside B: (they will be an exporter so) • UDig’s Products become cheaper / lower prices [k] • Increase in profit margin (if don’t lower prices) [k]	4

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Question	Answer	Marks
1(d)	Identify and explain <u>two</u> ways in which legal controls might affect UDig. Knowledge [2 × 1] – identification of relevant benefit Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Need to provide safety equipment [k] as work is highly dangerous [app] could lead to higher costs [an] • Reduction in number of working hours [k] in the mines [app] could lead to lower output [an] • Introduce/increase minimum wage [k] for its 1800 employees [app] leading to further redundancies [an] • Location restrictions [k] so cannot operate in some areas [an] leading to more closures [app] • Pollution restrictions [k] as coal burning could damage environment [app] so less demand from companies [an]	6
1(e)	The Managing Director thinks ‘the Government should help UDig keep the mines open’. Do you agree? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision as to whether the Government should help UDig keep the mines open. Relevant points might include: • Protect jobs [k] as 1800 at risk [app] so help Government meet its economic objectives [an] • Protect vital industry [k] as its produces 30% of its coal [app] if more mines shut – will need to find alternative supply [an] • Could conflict with other Government objectives [k] as this is a private sector business [app] • May only be a temporary problem [k] as currency appreciation might not last [app] so money which could be better spent elsewhere [an]	6

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Question	Answer	Marks
2(a)	What is meant by ‘mass market’? Clear understanding [2]: e.g. selling the same product to the whole market OR very large number of sales of a standard product Some understanding [1] e.g. large number of potential customers OR a market that has general wants and needs	2
2(b)	Calculate the percentage (%) of customers who buy goods on-line. Good Application [2] 35% Some application [1] method e.g. 700 of 2000	2
2(c)	Identify and explain <u>two</u> possible reasons why GBU’s market research might <u>not</u> be useful to the Marketing Director. Knowledge [2 × 1] – award 1 mark for identification of relevant problem Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Wrong/leading questions asked [k] for a mass market product [app] • Wrong people asked/not representative [k] as may not buy beauty products [app] • Wrong sample size [k] as may need to speak to more than 2000 [app]	4

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Question	Answer	Marks
2(d)	Identify and explain <u>two</u> advantages to GBU of using shops as a channel of distribution. Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Contact/feedback from customers [k] to build customer loyalty [app] so maintain market share/current customers [an] • Attract people passing shop [k] as people might run out of shampoo [app] and buy it straightaway [an] • Sales might increase [k] as not everyone has access to/wants to shop on the internet/ as people want to see before they buy [an] • Lower storage costs [k] as do not need additional warehouse [an] • Research shows customers prefer to buy this way [k] as selected by 55% [app + an] so should increase sales [an] • Can act as promotion [k]	6

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Question	Answer	Marks
2(e)	Do you think maintaining customer loyalty should be more important to GBU than attracting new customers? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision as to whether it is more important for GBU to maintain customer loyalty than attract new customers Relevant points might include: Customer loyalty: • Maintain market share/sales [k] • Spread word/free advertising [k] as existing customers might recommend product to others [an] • Keep reputation [k] in a mass market [app] leading to a competitive advantage [an] • Able to match products to existing customer needs [k] for beauty products [app] so they know what to produce [an] New customers: • Widen target market [k] as 80% of people like their products [app + an] • Customer tastes change [k] so may be cheaper to find new customers rather than develop existing products [an] • Need to carry out advertising to attract customers [k] which will increase costs [an] Other factors: • May be other reasons why customers do not buy [k] if prices are higher this may be why revenue fell [app]	6

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Question	Answer	Marks
3(a)	What is meant by ‘added value’? Clear understanding [2]: e.g. difference between price of a finished product and the cost of the inputs involved in making it OR difference between the selling price of a product and the cost of bought in materials and components [2] OR improvement to the product that makes it worth more plus a relevant example [2] Some understanding [1] e.g. improvement to the product that makes it worth more	2
3(b)	What is meant by ‘cost of sales’? Clear understanding [2] cost of producing or buying in the goods sold OR variable cost of making the goods sold [2] OR cost per unit × number of output sold [2] Some understanding [1] e.g. money spent on materials	2
3(c)	Identify and explain <u>two</u> ways Izaak could increase revenue. Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Increase advertising [k] • Widen target market [k] • Change prices e.g. offer discounts or increase prices [k] • Offer new / more products [k] e.g. different fish dishes [app] • Loyalty scheme [k] encourage customers to return to restaurant [app] • Improve quality [k]	4

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Question	Answer	Marks
3(d)	Identify and explain <u>two</u> problems that low quality might cause for Izaak's business. Knowledge [2 × 1] – identification of relevant point [max 2] Application [2 × 1] – award 1 mark for each way if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Loss of existing customers/loyalty [k] as food does not taste right [app] leading to lower revenue [an] • Loss of new customers [k] • Cost of replacement [k] as have to recook food [app] increasing his cost of sales [an] • Cost of fines [k] as poor quality may break laws [an] • Damage to reputation/image [k] of restaurant [app] so customers may go elsewhere [an] • Cannot supply on time [k] leading to more complaints [app] • Increase waste [k] • Cannot charge higher prices [k] on menu [app]	6
3(e)	Do you think Izaak should be pleased with the financial performance of his business? Justify your answer using appropriate ratios. Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision as to whether Izaak should be pleased with the financial performance of his business Relevant methods might include: • Gross profit increased [k] to 150 000 [app] • Gross profit margin improved [k] to 50% [app + an] so better control of variable costs [an] • Profit margin down [k] to 5% [app + an] so less control of overheads [an] • Profit has fallen [k] by 50% [app + an] • Expenses up [k] could reflect fact that fixed costs too high [app] • Revenue has not changed [k] • Cost of sales down [k]	6

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Question	Answer	Marks
4(a)	What is meant by a ‘social enterprise’? Clear understanding [2]: e.g. business with both social objectives as well as aim to make a profit Some understanding [1] e.g. not all about profit	2
4(b)	Identify <u>two</u> functions of management (other than communication) that Asha performs. Application [2 × 1] award one mark per function Points might include: coordinate, control, organise, planning, command, delegate, motivate/supervise, decision making, problem solving, recruitment	2
4(c)	Identify <u>two</u> external stakeholder groups of ReBag. Explain <u>why</u> each stakeholder group might be interested in this business. Knowledge [2 × 1] award 1 mark per stakeholder Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Government [k] as create jobs in more towns [app] • Suppliers [k] to obtain more fabric [app] • Local community [k] as employing 30 people [app] • Customers [k] who buy the bags [app] • Lenders/banks [k] to see if they should offer a bank loan [app] • Pressure groups [k]	4

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Question	Answer	Marks
4(d)	Identify and explain <u>two</u> possible reasons why it might be difficult for ReBag to get a bank loan. Knowledge [2 × 1] – identification of relevant point [max 2] Application [2 × 1] – award 1 mark for relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Low revenue [k] only \$700 [app] so can they afford to repay [an] • No security [k] so increased risk for lenders [an] • Limited experience [k] only operated for 3 years [app] so no guarantee that business will last [an] • No business plan / poor planning [k] • Already has existing debt [k] as Asha used micro-finance [app]	6
4(e)	Explain <u>two</u> possible methods Asha could use to communicate with ReBag workers. Recommend which method she should choose. Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue or method(s) Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision as to which is the most appropriate method. Relevant points might include: <u>Meeting [k]</u> • so able to see reactions to ideas / comments [an]; • Difficult to arrange / time issues [an] all based in remote towns [app] so not everyone might be able to attend [an]; • Will mean travel costs / making it expensive [an]; • Will take people away from work / lead to loss of production [an] of bags [app] so may not be able to meet demand [an] <u>Email [k]</u> allowing people to read information in own time [an] • People might not have access to internet [an] as in remote locations [app] so are not able to respond [an]; • Must pay cost of computer [an] from \$70 [app] so can they afford it [an] <u>Phone [k]</u> so immediate feedback is possible [an] <u>Videoconferencing [k]</u> <u>Newsletter [k]</u> can contain a large amount of information [an] <u>Letter [k]</u>	6