



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES

0450/12

Paper 1 Short Answer/Structured Response

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MARK SCHEME

Maximum Mark: 80

Published

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This document consists of **11** printed pages.

Question	Answer	Marks
1(a)	Identify <u>two</u> ways to measure the size of a business. Knowledge [2 · 1]: award 1 mark per measure. Points might include: - Value of sales OR value of output OR revenue - Market share - Number of employees - Value of capital employed OR value of balance sheet Do not accept profit or answers that refer to number of sales/ output, outlets	2
1(b)	Identify <u>two</u> reasons why a Government might increase taxes. Knowledge [2 · 1]: award 1 mark per reason Points might include: - Generate revenue / pay for government spending - Discourage purchase of harmful / demerit products - Manage demand or control / reduce inflation - Influence level of imports or exports - Make polluter pay - Influence location of businesses - Redistribute income	2
1(c)	Identify and explain <u>two</u> possible reasons why sales promotions might not have been successful for TXE Knowledge [2 · 1] – award 1 mark per reason identified Application [2 · 1] – award 1 mark for each explanation in context Points might include: - Better offers / deals available [k] offered by the competition [app] - Wrong sales method used [k] e.g. don't want extra food [app] - Wrong (marketing) message used / customers not aware of offers [k] in its 200 shops [app] - Rewards not exciting / don't like the offers / not value for money [k] Application marks may be awarded for appropriate use of the following: food (retailer), 200 or 50 shops, competition, profit fell by 10%, clothing, increased taxes	4

Question	Answer	Marks
1(d)	Identify and explain <u>two</u> factors TXE should consider when deciding which shops to close. Knowledge [2 · 1] – award one mark for each factor identified Application [2 · 1] – award 1 mark for each relevant reference made to this business Analysis [2 · 1] – award 1 mark for each relevant explanation Relevant points might include: - Rent / rates [k] as increased taxes [app] could make some sites too expensive to run [an] - Number/type of shops in area [k] as increased competition [app] could reduce sales [an] - Space / access [k] if decide to sell wider range of products [app] may not be room to display everything [an] - Level of demand/ where there customers are/ value of sales [k] - Economic state of area e.g. Is area in decline [k] - Local labour costs [k] - Profitability of each shop [k] Application marks may be awarded for appropriate use of the following: food (retailer), 200 or 50 (shops), profit fell by 10%, clothing, increased taxes, competition, may decide to sell wider range of products Do not accept <u>shops</u> as application, as stated in question	6
1(e)	Do you think TXE should sell a wider range of products? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] 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 whether TXE should sell a wider range of products. Either viewpoint is acceptable. Relevant points might include: - Broaden target market/ increased sales [k] could help spread risk [an] so less reliant on food [app] - Cost of additional inventory [k] which will increase variable costs [an] - Space [k] as need to store / display the new clothing [app] - Reaction of competitors [k] could reduce revenue [an] - Size of market [k] - Lack of experience [k] as a food retailer [app] so workers may need training [an] increasing its costs [an] Application marks may be awarded for appropriate use of the following: food (retailer), 200 or 50 shops, profit fell by 10%, clothing, sales promotion not successful, increased taxes, blames competition	6

Question	Answer	Marks
2(a)	What is meant by ‘batch production’? Clear understanding [2]: e.g. products are made in groups of items of a certain amount; OR a quantity of one product is made and then a quantity of another [2] Some understanding [1]: identifies one distinct feature of batch e.g. Made in (small) groups or sets Usually to meet a specific order / as orders come in Groups that move through production process together Do not accept ‘batch’ as part of answer, as stated in question.	2
2(b)	Calculate the following values in June. Application [2 · 1] award one mark per answer Net cash flow: 40 or 40 000 Closing balance: (10) or (10 000) Note: answer for closing balance must be shown as a negative value.	2
2(c)	Identify and explain <u>two</u> advantages to QAC of having a high level of inventory. Knowledge [2 · 1] – award 1 mark per advantage identified Application [2 · 1] – award 1 mark for each explanation in context Points might include: - Able to meet orders straightaway [k] to meet increased demand [app] - Benefit from economies of scale / bulk buy [k] as discounts reduce cash outflow [app] - Production does not stop [k] which is important if change to flow production [app] - Avoid supply problems [k] as some chemicals might be difficult to obtain [app] - Able to increase scale of production [k] for its 70 products [app] Application marks may be awarded for appropriate use of the following: correct use of data in table 1, \$10m, batch or flow production, reference to soap or polish, 70 products, cleaning products, increased demand for two products	4

Question	Answer	Marks
2(d)	Identify and explain <u>two</u> ways (other than reducing inventory) that QAC could use to improve its cash flow position. Knowledge [2 · 1] award 1 mark for each relevant way identified 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: - Ask debtors to pay quicker/ reduce credit terms [k] if they pay sooner this will increase cash inflows [an] - Delay purchases [k] could decide not to buy as much equipment [app] so keeping cash in the business [an] - Delay inventory payments [k] as \$1 20 000 paid in May [app] lowering cash outflow [an] - Arrange a short term loan / overdraft [k] - Lower fixed costs [k] - Buy cheaper materials [k] - Sell (unwanted) non-current assets [k] so releasing cash tied up in the business [an] - Delay investment/ expansion plans [k] of \$10m [app] Accept practical suggestions for example: - Reduce range of products sold [k] this would reduce the cost of materials needed [app]; - Sell more products [k] Application marks may be awarded for appropriate use of the following: correct use of data in table 1, \$10m, batch or flow production, reference to soap or polish, 70 products, cleaning products, increased demand for X and Y	6

Question	Answer	Marks
2(e)	Do you think QAC should change its method of production? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] 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 QAC should change its method of production. Either viewpoint is acceptable. Relevant points might include: - More economies of scale [k] possible with flow [app] lowering average costs [an] - Improve efficiency [k] as less waste [an] - Able to increase output [k] so can meet increased demand for products X and Y [app] - Cost of investment/ high set up costs [k] with cash flow problems [app] can they afford repayments [an] - Impact on employee morale [k] - Need for retraining [k] - Level and type of demand [k] as only planned for 2 products (X&Y) [app] Application marks may be awarded for appropriate use of the following: correct use of data in table 1, \$10m, batch or flow production, reference to soap or polish, 70 products, cleaning products, increased demand for two products/ X and Y, cash flow problems	6

Question	Answer	Marks
3(a)	What is meant by a ‘business plan’? Clear understanding [2] e.g. a document containing the business aims/objectives and important details about the operations, finance and owners of a business OR states aims/objectives and shows how business aims to achieve them Some understanding [1] states one element of plan e.g. shows marketing strategy/production costs	2
3(b)	Identify <u>two</u> possible methods of primary market research that Ravi might have used. Knowledge [2 · 1] award one mark per method (Postal) Questionnaires - Online survey - Interviews - Observation - Focus group - Testing / trials /product samples	2

Question	Answer	Marks
3(c)	Identify and explain <u>two</u> benefits to Dipta and Ravi of acting in an ethical way. Knowledge [2 · 1] – award 1 mark for each benefit identified Application [2 · 1] – award 1 mark for each explanation in context Points might include: - Higher revenue / demand [k] in local markets [app] - Improved brand image / reputation / customer loyalty [k] for this new business [app] - Better supplier relations [k] so able to obtain the best possible cocoa beans [app] - Investors more likely to invest [k] in this chocolate business [app] - Improve employee motivation / help retention OR help recruit [k] Application marks may be awarded for appropriate use of the following: chocolate, local markets, \$500, primary market research, business plan, little experience, start-up / new business, ingredients or cocoa beans, Do not accept 'better quality' or 'legal' as these are different concepts.	4
3(d)	Identify and explain <u>two</u> possible advantages of importing for Dipta and Ravi's business. Knowledge [2 · 1] – award 1 mark for advantage identified 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: - Resources not available /grown in own country [k] as must be ethical [app] in order to make its products [an] - Access to exclusive resources [k] for new business [app] helping it be competitive [an] - Access to cheaper resources [k] of cocoa beans [app] could help improve profit margin / lower costs [an] - Wider choice [k] of ingredients [app] could attract more customers / sales [an] - Access to better quality materials [k] for its chocolates [app] so could charge higher prices [an] Application marks may be awarded for appropriate use of the following: chocolate, local markets, \$500, primary market research, business plan, no business experience, new business, cocoa beans or ingredients, ethical (sources of supply)	6

Question	Answer	Marks
3(e)	Explain <u>two</u> sources of finance Dipta and Ravi could use. Recommend which source Dipta and Ravi should choose. Justify your answer. Knowledge [1] – award 1 mark for identification of relevant source(s) Application [1] – award 1 mark for a relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – award up to 2 marks for a justified decision as which is the best option to choose Relevant points might include: - Bank loan [k] would have time to repay [an] the \$500 [app] but would have to pay interest on amount borrowed [an] - Own savings [k] no need to repay [an] but may not have sufficient funds [an] - Leasing or hire purchase [k] as have no business experience [app] could return equipment in case of need [an] - Micro finance [k] as new start up [an] - Government grants/ subsidies [k] - Ask family/ friends for finance [k] Do not accept issue shares, debentures, retained profits or sell existing assets as not appropriate for a <u>start up</u> business. Application marks may be awarded for appropriate use of the following: chocolate, \$500, equipment, primary market research, business plan, no business experience, new business, ingredients or cocoa beans, ethical (sources of supply)	6

Question	Answer	Marks
4(a)	Identify <u>two</u> stages in recruitment. Knowledge [2 · 1] – award 1 mark per stage identified Points might include: - Job analysis /identify a vacancy - Job description - Person / job specification - Advertising - Shortlisting - Interview - Selection Note: Answer must be from the business viewpoint not the applicant e.g. CV or letter of application	2

Question	Answer	Marks
4(b)	Identify <u>two</u> possible reasons why the owners of a business might want it to expand. Knowledge [2 · 1] award 1 mark per reason Points might include - Spread risk - Increase sales revenue - Increase profits - Increase customer base - Increase market share - Prestige/ reputation - Personal goal - Economies of scale Accept any reasonable answer	2
4(c)	Identify and explain <u>two</u> advantages to BGN of being a private limited company. Knowledge [2 · 1] – award 1 mark for each advantage identified Application [2 · 1] – award 1 mark for each explanation in context Points might include: - Limited liability [k] compared to when it was a partnership [app] - Easier to raise money / capital [k] as business is expanding quickly [app] - More credibility with suppliers [k] could get better terms when buying furniture [app] - Continuity [k] - No need to publish (detailed) accounts [k] of its 10 shops [app] - Separate legal identity/ incorporated [k] - Control over who can buy shares/ less risk of takeover [k] Application marks may be awarded for appropriate use of the following: furniture or similar references such as tables, 10 shops, different cities, (increase in) customer complaints, decisions over recruitment and / or inventory, started as a partnership, expanded <u>quickly</u>	4

Question	Answer	Marks
4(d)	Identify and explain <u>one</u> advantage and <u>one</u> disadvantage of the Managing Director's leadership style. Knowledge [2 · 1] – award one mark for an advantage and one mark for disadvantage Application [2 · 1] – award 1 mark for each relevant reference made to this business Analysis [2 · 1] – award 1 mark for each relevant explanation Relevant points might include: Advantages: Encourages loyalty / motivation [k] as managers can run own shops [app] so less likely to leave [an] Maximise skills of employees [k] could help reduce number of complaints [app] increasing sales [an] MD has time to focus on strategic/other issues [k] such as expansion to more cities [app] Disadvantage: No real direction / different opinions [k] of shop managers [app] leading to wrong decisions/ disputes [an] Employees may not have skills / experience to make decisions [k] leading to mistakes [an] when doing recruitment [app] Higher costs [k] as shops arrange own inventory [app] so no economies of scale [an] Work might not get done in time [k] so customer complaints [app] leading to poor reputation [an] Application marks may be awarded for appropriate use of the following: furniture or similar references such as tables, chairs; 10 shops, different cities, (increase in) customer complaints, decisions over inventory and / or recruitment, partnership or private limited company, <u>expanded quickly</u>, monthly report	6

Question	Answer	Marks
4(e)	Explain <u>two</u> ways BGN could try to improve internal communication. Recommend which way BGN should choose. Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – award up to 2 marks for a justified decision as to which option BGN should choose Relevant points might include: - Email [k] as have copy to refer to [an] but may not open when needed [an] - Text [k] can only send a short message [an] - Video conference [k] as also able to see non-verbal signs [an] - Phone calls [k] allows for feedback / two way communication [an] - Meetings [k] rather than monthly reports [app] - Change leadership style [k] from laissez faire [app] - Changes to organisation structure e.g. change chain of command [k] Application marks may be awarded for appropriate use of the following: furniture or similar references such as tables, 10 shops, different cities, (increase in) customer complaints, decisions over inventory and / or recruitment, partnership or private limited company, expanded <u>quickly</u>, monthly report Do not accept answers that discuss external methods of communication, as this does not answer the question. Do not accept one way or two-way communication as these are classifications not ways	6