Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **May/June 2017**

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE®, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

Question	Answer	Marks
1(a)	**Identify and explain <u>two</u> types of tertiary businesses which provide services that SC is likely to use.** Knowledge [2 · 1] – award one mark for each relevant type of tertiary business Analysis [2 · 1] – award one mark for a relevant explanation for each type of tertiary business Application [2 · 2] – award two application marks for each type of tertiary business Award one mark for each relevant example of a tertiary business (maximum of two), such as: Bank Telephone company Insurance company Car showrooms/garage Railway Advertising agency Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of each type of tertiary business. Indicative response: An advertising agency (k) might be used to produce an advert for the cars (app). The agency will employ experts in advertising and they will be able to produce a much more effective advert than if SC tried to do this themselves (an). This will help SC to expand the business and increase the sales of its cars abroad (app). Possible application marks: Public limited company; producing cars; 25 years in country M; uses flow production; modern technology such as robots; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; want to expand; starting to export cars to nearby countries. There may be other examples in context that have not been included here.	8

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>

Consider how each of the <u>three</u> following changes might affect sales of SC's products. Which change is likely to have the biggest effect on sales? Justify your answer.

Relevant points might include:

Decrease in interest rates	Bank loans cheaper for business – cheaper to invest in capital – increase efficiency – lower costs so increase sales. Consumers more likely to borrow bank loan to buy new car – increase sales.
Increase in petrol prices	Increase cost of driving – lower sales – consumers buy more economical cars instead of SC cars – lower demand.
New legal control to reduce pollution by limiting use of private cars for several days each week	Cars used less – lower mileage – replaced less often – reduced sales of SC cars.

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 · Level 2 + 9–10 marks for well justified conclusion of the most important change and why it might affect sales more than the other two changes. 7–8 marks for limited conclusion of most important change and why it might affect sales.
Level 2	4–6 marks Detailed discussion of the effects of each change.
Level 1	1–3 marks Outline of the effects of each change.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Increased petrol prices leads to higher motoring costs.

Level 2 – 1 · L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Increased petrol prices leads to higher motoring costs and so people use cars less so that may lead to lower sales of new cars and lower demand for SC cars. However, it depends on whether the cars are more efficient in their use of petrol – if so then customers may increase demand for SC cars. (L2 plus app for considering cars.)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which justifies which is the most important change and why it might affect sales more than the other two changes.

</td><td>12</td></tr>
</table>

Question	Answer	Marks
	Award up to 2 additional marks for relevant application. Possible application marks: Public limited company; producing cars; modern technology such as robots; each car has exact requirements of the customer; good reputation important; technology keeps business efficient and competitive; want to expand; starting to export cars to nearby countries. There may be other examples in context that have not been included here.	

Question	Answer	Marks
2(a)	**Identify and explain <u>two</u> reasons why SC employees might want to join a trade union** Knowledge [2 × 1] – award one mark for each relevant reason Analysis [2 × 1] – award one mark for a relevant explanation for each reason Application [2 × 2] – award two application marks for each reason Award one mark for each relevant reason (maximum of two), such as: Strength in numbers To gain protection from unfair work practices To gain a wage increase Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of the reason. Indicative response: The workers at SC have complained about poor working conditions (app) and therefore want to join a trade union to give them strength in numbers (k). If they all get together and are represented by a trade union to urge the directors to improve their workplace then they are likely to be more successful than if they are on their own (an). 300 production workers are a lot of people to stand together and are more likely to get what they want (app). Possible application marks: Producing cars; uses flow production; modern technology such as robots; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; two shifts each day; early/late shift of 8 hours; 6-day week; few holidays; workers complain working conditions not good; want to expand; starting to export cars to nearby countries. There may be other examples in context that have not been included here.	8

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Explain the following <u>three</u> factors SC will have to consider when marketing its products in foreign markets. Which factor do you think is the most important to achieve high export sales? Justify your answer.

Relevant points might include:

<table>
<tr><td>Factor</td><td></td></tr>
<tr><td>Competition</td><td>Number of other businesses selling cars in the overseas market – how price competitive these businesses are- is the target market the same.</td></tr>
<tr><td>Consumer needs</td><td>Need to ensure the product meets the taste for local customers – sales may fail.
Expensive if need to change the product to meet local needs May need a joint venture – share profit.</td></tr>
<tr><td>Channel of distribution</td><td>May need to sell through different outlets than home country – less familiar with culture/buying habits.</td></tr>
</table>

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/ Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 · Level 2 +
9–10 marks for well justified conclusion as to most important factor to achieve high export sales and why the other factors are less important.

7–8 marks for some limited judgement shown in conclusion as to most important factor to achieve high export sales.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of each factor affecting sales in the export market.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of each factor affecting sales in the export market.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. If there are a large number of other businesses selling cars then the market will be competitive.

Level 2 – 1 · L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. If there are a large number of other businesses selling cars then the market will be competitive. This might make it more difficult for SC to get established in this new market. Sales may be lower and prices and profit margins may have to be reduced for SC to get established in the new market. (L2)

</td><td>12</td></tr>
</table>

Question	Answer	Marks
	Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion as to which is the most important factor to achieve high export sales, and why the other factors are less important. **Award up to 2 additional marks for relevant application.** Possible application marks: Public limited company; producing cars; uses flow production; modern technology such as robots; each car has exact requirements of the customer; bar code cars; one car: black paint/2 doors – next car: red paint/4 doors; quality control; good reputation important; technology keeps business efficient and competitive; want to expand. There may be other examples in context that have not been included here.	

Question	Answer	Marks
3(a)	**Identify and explain one advantage and one disadvantage of making each product to the exact requirements of the customer.** Knowledge [2 · 1] – award one mark for each relevant advantage /disadvantage Analysis [2 · 1] – award one mark for a relevant explanation for each advantage/disadvantage Application [2 · 2] – award two application marks for each advantage /disadvantage Award one mark for each relevant advantage/disadvantage (maximum of one each), such as: Advantage: Meets specific needs of customers – more likely to make purchase Increased reputation – improved brand image Disadvantage: Expensive to set up – purchase relevant equipment Needs tracking system to ensure correct order – more difficult to read if the order is correct as the details are on the bar code Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of the advantage/disadvantage. Indicative response: If the car meets the specific requirements of the customer (app) they are more likely to buy it (k). This should lead to increased sales (an) and SC will be able to expand and export to more markets abroad (app). Possible application marks: Public limited company; producing cars; uses flow production; modern technology such as robots; bar code cars; one car: black paint/2 doors - next car: red paint/4 doors; quality control; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; want to expand; starting to export cars to nearby countries. There may be other examples in context that have not been included here.	8

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Consider the advantages and disadvantages of two methods SC could use to ensure the quality of its products. Recommend the best method for SC to use. Justify your answer.

Relevant points might include:
<table>
<tr><td>Method</td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Quality control</td><td>Tries to eliminate faults and errors before the customer receives it.
Less training required.</td><td>Expensive as pay employees to check products.
Identifies fault but not cause of fault so difficult to remove increased costs if products scrapped/repaired.</td></tr>
<tr><td>Quality assurance</td><td>Tries to eliminate faults and errors before the customer receives it.
Fewer customer complaints
Reduced costs as products not faulty or scrapped.</td><td>Expensive to train employees to check the product.
Relies on employees following instructions of standards set.</td></tr>
</table>
Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.
<table>
<tr><td></td><td>Knowledge/Analysis/ Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 · Level 2 +
9–10 marks for well justified recommendation as to the best method to choose compared to the other method.

7–8 marks for some limited judgement shown in recommendation as to the best method.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Discussion of advantages and/or disadvantages of each method.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of advantages and/or disadvantages of each method.</td></tr>
</table>
Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Quality control tries to eliminate faults before the customer receives the product.

Level 2 – 1 · L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Quality control tries to eliminate faults before the customer receives the product. This is at the end of the production line for cars where checks are made on each car to ensure that it has no faults, or this can be on a sample of the cars coming off the production line. However, this can be expensive if faults are not found straight away and several cars need to be repaired or scrapped if the fault is severe. (L2)
</td><td>12</td></tr>
</table>

Question	Answer	Marks
	Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best method to choose. **Award up to 2 additional marks for relevant application.** Possible application marks: Public limited company; uses flow production; modern technology such as robots; each car has exact requirements of the customer; already uses quality control; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; want to expand; starting to export cars to nearby countries. There may be other examples in context that have not been included here.	

Question	Answer	Marks
4(a)	**Identify four methods SC could use to communicate with its stakeholders. Explain an example of when it could be used for each method.** Knowledge [4 · 1] – award one mark for each method Application [4 · 1] – award one application mark for each example of when each method could be used Award one mark for each method (maximum of four): Letter Email Text message/SMS Advertisement/poster Memo Telephone Noticeboard Award one application mark for each method in context of when it could be used. Indicative response: Noticeboard (k) could be used when managers want to communicate with the production workers about new health and safety procedures (app). Possible application marks: Public limited company; producing cars; uses flow production; quality control; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; two shifts each day; early/late shift of 8 hours; workers complain working conditions not good; want to expand; starting to export cars to nearby countries. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Refer to Appendix 2. Calculate the profitability of SC for both years. Would you recommend a potential shareholder to buy shares in SC? Justify your answer.

Relevant points might include:

	2015	2016
GPM	GP = $40m (L1) 20%(L2)	GP= $40m(L1) 16% (L2)
NPM	NP= $10m (L1) 5%(L2)	NP = $10m (L1) 4% (L2)
ROCE	25% (L2)	20% (L2)

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 · Level 2 + 9–10 marks for well justified recommendation as to whether or not to buy shares in SC. 7–8 marks for some limited judgement shown in recommendation as to whether to buy shares in SC.
Level 2	4–6 marks Profitability ratios correctly calculated.
Level 1	1–3 marks Outline of the information in Appendix 2.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Net profit has stayed the same at $10m.

Level 2 – 1 · L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Net profit margin has fallen to 4% in 2016. (L2)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies whether or not to buy shares in SC.

Award up to 2 additional marks for relevant application.

Possible application marks:

Public limited company; producing cars; 25 years in country M; modern technology such as robots; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; want to expand; starting to export cars to nearby countries.

There may be other examples in context that have not been included here.

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</table>