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Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Data Response **October/November 2022**

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 International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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0450/7115/0986 Business Studies – Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

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Question	Answer	Marks	Notes
1(a)	**Define 'market share'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Percentage of total market sales held by one brand/business [2] OR The revenue of a business expressed as percentage of total market revenue [2] OR Percentage of total sales that a firm achieves in a market [2] OR Business sales / total market sales × 100 [2] Partial definition e.g. share of all sales made [1] OR Percentage of customers/sales a business has [1]	**2**	
1(b)	**Define 'statement of financial position'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Shows the value of a business' assets and liabilities at a particular point in time [2] OR An accounting statement that records assets, liabilities, and owners' equity/capital of a business at a particular date [2] Partial definition e.g. shows assets and liabilities (of a business) [1] OR What a business owns <u>and</u> owes [1]	**2**	

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Question	Answer	Marks	Notes
1(c)	**Outline two ways EQR could increase added value.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increase prices [k] at its cafes [app] • Reduce material/**variable costs** [k] of coffee [app] • Branding/change packaging [k] which can also help when selling its franchises [app] • Excellent/better service [k] • Additional product features/improve design [k] • Convenience [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Cafes • 150 (locations) • Coffee/drinks or examples e.g. beans • Franchise • Ethical • 6% (market share) • $85 000 Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> advantages to EQR of selling franchises as a way to grow its business.** Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Franchise fee must be paid / licence has to be bought [k] for a cafe [app] providing funds for investment [an] • Can expand **at a faster rate** [k] which can help increase its market share [an] above 6% [app] • Receives royalties / share of (franchisee) profit [k] as well as the $85 000 [app] • Not/franchisees responsible for day-to-day management [k] so have time to focus on other issues [an] such as increasing added value [app] • Increase brand awareness [k] of it being ethical [app] increasing sales [an] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Cafes • 150 (locations) • Coffee/drinks or examples e.g. beans • Ethical • 6% (market share) • $85 000 Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
1(e)	**Do you think a business being ethical will always lead to lower profits? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether a business being ethical will always lead to lower profits. Points might include: • Enhance reputation/brand image [k] helps attract customers [an] • Customers may pay higher prices [k] increasing revenue / which could help cover the costs [an] • Can help motivate employees [k] increasing productivity / reduces absenteeism / lowers labour turnover [an] • Can increase costs [k] leading to higher prices [an] which may lead to fewer customers / sales [an] • May not be sufficient materials / difficult to find ethical suppliers [k] reducing output [an] • Ethical suppliers may have higher prices / unethical suppliers may be cheaper [k] Other appropriate responses should also be credited. Justification might include: Some customers may be prepared to pay extra for ethical products [k] this can help offset the increase costs of trying to be ethical [k] so overall profit **margin** may not change [an] and the better reputation gained could result in additional sales [an]. Therefore, being ethical can benefit a business as in the **long term** this may increase revenue [eval] which could result in higher profit overall [eval].	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points can be [k] or [an] but only award once.

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Question	Answer	Marks	Notes
2(a)	**Define 'revenue'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Money coming in from selling a product over a given period of time [2] OR Amount of money a business earns from the sale of its products [2] OR Income of the business from the sale of goods or services [2] OR Price × quantity sold [2] Partial definition e.g. income of the business [1]	**2**	
2(b)	**Calculate Kemala's profit margin. Show your working.** Correct answer = 15% [2] Correct method but incorrect answer e.g. profit / revenue x 100 [1] OR 72 / 480 × 100 [1] If correct answer given with no working shown award 2 marks.	**2**	Award only 1 mark if 15% is written as part of the answer but is not given as the final answer. For both marks answer **must include %.**

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Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> reasons why cash is important for Kemala's business.** Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Pay wages/employees [k] who make the beauty products [app] • Pay suppliers/trade payables [k] to maintain high-quality [app] • Pay expenses/heating/rent/advertising [k] such as in specialist magazines [app] • Repay (short term) debts [k] • For use in an emergency [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Beauty products/hand cream • High-quality • $480 000 • $192 000 • $72 000 • Specialist/beauty magazine • Started her business Other appropriate examples in context can still be credited.
2(d)	**Explain <u>two</u> possible reasons why demand for Kemala's best-selling product is price inelastic.** Award 1 mark for identification of each relevant point (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Unique/no (close) substitutes [k] as its high-quality [app] so an increase in price is likely to result in a lower percentage change in demand [an] • Considered a necessity/need [k] so customers likely to remain brand loyal (even if the price increases) [an] for the hand cream [app] • Low proportion of income spent on product [k] so customers would still buy (if the price increased) [an] increasing revenue above $480 000 [app] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Beauty products/hand cream/skincare • High-quality • $480 000 • $72 000 Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
2(e)	**Do you think advertising in specialist magazines is the best way for a business to promote high-quality products? Justify your answer.** Award up to 2 marks for identification of relevant points . Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether advertising in specialist magazines is the best way for a business to promote high-quality products. Points might include: Specialist magazines • Attract **specific customers/target market** [k] increasing sales [an] • Able to use colour/pictures [k] which can help attract attention [an] • Can keep for future reference [k] • Magazines are often only published once a week/month [k] • Not everyone reads/buys specialist magazines [k] Other possible methods include: • Social media/Facebook/Twitter [k] as large potential market / cover wide area / seen by many people [an] • Newspapers [k] not everyone reads them [an] so can restrict target market/ lead to fewer sales [an] • Leaflets [k] but people may throw them away/seen as litter [an] Other appropriate responses should also be credited. Justification might include: A disadvantage of specialist magazines is that it is likely to be seen by a small number of people [k] which can reduce its potential sales [an]. I think social media [k] is a better option as customers can still be targeted but also it allows the business to cover many people [an]. This would allow them to build a bigger customer base [eval] to maximise potential revenue [eval].	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points could be awarded for different options, and some could be presented as either [k] or [an] but only award once.

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Question	Answer	Marks	Notes
3(a)	**Identify <u>two</u> reasons why effective internal communication is important for a business.** Award 1 mark per reason (max 2). Points might include: • Fewer mistakes / less waste (of resources) • Improve efficiency / better productivity / increase output • Improve co-ordination (between departments) • Enable **faster/better** decision-making • Better collaboration better between workers/manager • Improve motivation / job satisfaction Other appropriate responses should also be credited.	**2**	Only award the first two responses given.
3(b)	**Define 'organisational structure'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Refers to the levels of management and division of responsibility within an organisation [2] OR The formal, internal framework of a business that shows how it is managed and organised [2] Partial definition e.g. shows who reports to who [1]	**2**	

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Question	Answer	Marks	Notes
3(c)	**State <u>four</u> factors a business should consider when deciding which employees to make redundant.** Award 1 mark per factor (max 4). Points might include: • Importance of <u>role</u> being performed / whether <u>job</u> still needed • Performance / experience / skills / flexibility / qualities / qualifications • Length of time worked for business / redundancy costs • Attitude / behaviour / attendance / disciplinary record • Wages/salary paid • Which departments need to lose/retain workers • Whether anyone offers/volunteers to leave job Other appropriate responses should also be credited.	**4**	Only award the first four responses given.
3(d)	**Explain <u>two</u> advantages to DBG of its managers using a democratic leadership style.** Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Employees could be motivated [k] leading to increase in output/productivity [an] when constructing [app] • Helps keep employee loyalty / lower labour turnover [k] leading to lower recruitment costs [an] for a business of 2000 employees [app] • Workers may have more experience/understanding of problems [k] leading to better decisions [an] • More ideas / better communication [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Construction / hospitals, roads, or schools • 2000 (employees) • Organisational structure • Redundant Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
3(e)	**Do you think all businesses benefit from an increase in government spending? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether all businesses benefit from an increase in government spending. Points might include: • Increase in demand/sales [k] leading to higher revenue [an] • Can create jobs [k] so able to maintain/increase output [an] but may be difficult for some businesses to recruit skilled workers [an] • May have to pay higher taxes (to pay for spending) [k] which increases costs [an] which could delay investment [an] • Obtain grants/subsidies [k] generating additional funds for the business to spend [an] • Can encourage business start-ups [k] increasing competition [an] Other appropriate responses should also be credited. Justification might include: An increase in government spending could increase sales [k]. However, it could increase taxes [k] which increases costs leading to higher prices [an]. Overall, I think all businesses can benefit. For example, if the government decides to build new roads, construction businesses are likely to benefit the most as can receive an increase revenue from the extra sales, but other businesses still benefit from better transport links which can helps all businesses send or receive goods on time. [eval] [eval].	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points can be [k] or [an] but only award once.

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Question	Answer	Marks	Notes
4(a)	**Define 'globalisation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. **Increase** in worldwide trade and movement of people and capital between countries [2] OR Increasing trend for businesses to trade across international boundaries and for people to live/travel to countries that are not their own [2] OR The process by which countries are connected with each other because of the trade of goods and services [2] Partial definition e.g. (increase in) trade of goods and service [1]	**2**	
4(b)	**Identify <u>two</u> examples of fixed costs.** Award 1 mark per example (max 2). Points might include: • Rent/rates • Electricity / gas / heating and lighting / water • Insurance • Loan repayments/interest payments • Storage costs • Marketing costs • Salaries Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
4(c)	**Outline, with reference to TYA, the difference between a limited company and an unincorporated business.** Award 1 mark for a relevant point (max 1). Award 1 mark for outlining the difference between the two types of business organisation (max 1). Award 1 mark for each relevant reference to this business (max 2). Points might include: • A limited company has separate legal identity [k] so assets such as the factory [app] and the 600 cars [app] are owned by the business rather than the individual, **whereas** the owners and the business are the same for an unincorporated business [k] • An unincorporated business has unlimited liability [k] **whereas** the risk for shareholders/owners of a limited company is limited to the amount invested [k] in the car business [app] so they may be less concerned about the high fixed costs [app] • A limited company can sell shares [k] **whereas** for an unincorporated business it can be difficult to raise a large amount of finance [k] • A limited company has continuity [k] Other appropriate responses should also be credited.	**2**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Factory • 600 (employees) • 300 000 • Cars • **High** fixed costs • Improve efficiency • Relocate • Globalisation Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
4(d)	**Explain <u>two</u> methods TYA could use to increase efficiency.** Award 1 mark for identification of each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Increase in capital intensity / automation / introduce new technology [k] increasing output / faster production [an] of cars [app] • Training [k] its 600 employees [app] so they can work faster / make fewer mistakes / better quality [an] • Introduce just-in-time inventory control [k] to reduce amount of space needed [an] in the factory [app] • Kaizen [k] helps reduce waste (of resources) [an] may help lower high fixed costs [app] • Improve layout of machines [k] so saves time moving between areas [an] • Improve motivation or examples e.g. bonuses [k] • Cell production [k] • Improve quality / quality assurance [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Factory • 600 (employees) • 300 000 (units) • Cars • High fixed costs Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
4(e)	**Do you think legal controls are the most important factor for a manufacturing business to consider when deciding which country to locate its operations in? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether legal controls are the most important factor for a manufacturing business to consider when deciding which country to locate its operations in. Points might include: Legal controls: • May restrict/not able to locate in certain places [k] so no output [an] • Business may have to change its production methods [k] which would increase costs [an] • May restrict amount of goods they can export/import [k] reducing potential sales [an] Other location factors discussed could include: • Access to suppliers / cheaper sources of materials [k] would increase transport costs [an] decreasing profit margin [an] • Access to/cost of labour [k] which could lower variable costs [an] • Access to/cost of land [k] as may need a large space [an] increasing fixed costs [an] • Access to transport networks / access to power [k] as poor transport links could delay deliveries / so production may be delayed/stopped [an] • Availability of government grants/subsidies [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points could be awarded for different options, and some could be presented as either [k] or [an] but do not award the same point twice.

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Question	Answer	Marks	Notes
4(e)	Justification might include: Legal controls could mean the business may not be able to locate in certain places [k] which means no output [an]. Another factor is access to labour [k] helping lower variable costs [an]. However, legal controls are likely to be most important as the law will stop the factory being built whereas there are ways to overcome problems caused by access to employees [eval] which may increase costs but will still ensure that production can take place. [eval]		

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