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# Cambridge IGCSE™

**BUSINESS STUDIES** **0450/12**

Paper 1 Short Answer/Data Response **May/June 2026**

MARK SCHEME

Maximum Mark: 80

**Published**

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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**General marking principles**

All examiners must apply these marking principles when marking candidate responses.

| | |
|---|---|
| 1 | Examiners must award marks for each response in line with:<br><br>• the specific **content** defined in the mark scheme<br>• the specific **skills** defined in the mark scheme or in the level descriptions<br>• the **standard of response** required as exemplified by the standardisation scripts. |
| 2 | Examiners must award **whole marks** (not half marks, or other fractions). |
| 3 | Examiners must award marks **positively**. This means that:<br><br>• marks are not deducted for errors or omissions<br>• marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate<br>• the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous. |
| 4 | Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly. |
| 5 | Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen. |
| 6 | Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind. |

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**Social Sciences-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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**Annotations guidance for centres**

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

**Annotations**

| Annotation | Meaning |
|---|---|
|  | Correct point. |
|  | Incorrect point. |
| BOD | Used when the benefit of the doubt is given in order to reward a response. |
| TV | Used when parts of the answer are considered to be too vague to be given credit. |
| REP | Indicates where content has been repeated. |
| NAQ | Used when the answer or parts of the answer do not answer the question asked. |
| K | Indicates knowledge and understanding of the concepts and issues relating to the question. |
| APP | Indicates appropriate reference to the information in the stem. |
| AN | Indicates where the answer has demonstrated analysis. |
| EVAL | Indicates where the answer has demonstrated evaluation (part (e) questions only). |

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| Annotation | Meaning |
|---|---|
| OFR | If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations. |
| SEEN | Indicates that the page or content has been seen by examiner, but no credit given. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(a) | **Define 'bonus'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>• An additional payment above basic pay as a reward for good work [2]<br>• An additional reward paid to employees for achieving targets (set by managers) [2]<br>• Extra amount of money to motivate employees to work harder/faster [2]<br><br>Partial definition e.g.<br>• Amount of money/pay above/alongside their normal pay [1]<br>• Additional payment to salary/wage [1]<br>• Extra amount of money / extra pay [1]<br>• Extra amount added to salary [1] | **2** | First mark needs the idea of additional/extra money.<br><br>Second mark is for the reason why it is given (+1 only).<br><br>Notes:<br>• Needs the idea of good performance/hard work<br><br>Do not award:<br>• Additional salary/wage/more pay<br>• Good behaviour instead of good work/performance<br>• Lump sum payment<br>• One off payment |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(b) | **Identify <u>two</u> reasons why people work.**<br><br>Award one mark per reason (max 2).<br><br>Points might include:<br>• Financial / (earn) money/wage/salary/ improve standard of living / <u>pay for</u> needs/wants /gain fringe benefits / <u>physical/basic</u> needs<br>• Safety/ (job) security<br>• Job satisfaction / feel like you have done a good job / enjoyment / personal interest<br>• Social / belong/feel part of a group / meet people / make friends<br>• Esteem / recognition / status / feel important/valued / self-confidence / become successful/sense of purpose / promote themselves<br>• (Opportunity to) reach your potential / challenge yourself (to do new things) / improve/use skills / gain (work) experience / reach (personal) goals / achievement / self-actualisation<br>• Help people/provide a service to community/others / help society<br><br>Other appropriate responses should be credited. | **2** | Only award the first two responses given. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(c) | **Outline <u>two</u> advantages to APL of using external recruitment.**<br><br>Award 1 mark for identification of each relevant advantage (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>• Bring in (new/more) ideas/skills/experience/ new perspective / skills may not be available within the business [k] when making phones [app]<br>• More/wider choice of (potential) applicants [k] for this public limited company [app]<br>• Less likely to cause internal <u>conflict</u>/disagreements/jealousy / less likely to upset current employees (if someone internal gets promoted) [k] so maintain their motivation [app]<br>• Bring in valuable knowledge/experience <u>of the competitors/other business</u> [k] in 20 000 workforce [app]<br>• Avoids creating a vacancy which will need to be filled [k] in the factories [app]<br><br>Other appropriate responses should 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.<br><br>The following words are likely to be appropriate for this question:<br>• Public limited company / PLC<br>• (Mobile) phones<br>• 20 000 employees<br>• Factories<br>• 5 locations<br>• (Different) leadership styles<br><br>Other appropriate examples can be credited.<br><br>Do not award:<br>• Avoid internal competition<br>• Less training costs<br>• Increase production/productivity |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(d) | **Explain <u>two</u> leadership styles APL's managers could use.**<br><br>Award 1 mark for identification of each relevant leadership style (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>**Autocratic [k]**<br>• When managers tell workers what to do / managers make all the decisions [an] in the factory [app]<br>• Employees are not involved in the decision making [an]<br>• Fast decision-making (especially in urgent situations) [an]<br>• Clear direction for employees [an] which is important as have 20 000 employees [app]<br><br>**Democratic [k]**<br>• Managers may ask employees for their opinions/ideas (before making decisions) [an] about the phones [app]<br>• Can lead to more/better ideas [an]<br>• Employees are involved <u>in decision making</u> [an]<br>• Increase employee motivation [an]<br><br>**Laissez-faire [k]**<br>• Where manager leaves it to the employees (to make decision) / employees decide what to do [an] at the public limited company [app]<br>• Encourages creativity/innovation [an] which helps increase motivation [app]<br>• Employees can make decisions [an]<br>• Employees can organise their own work [an]<br><br>Other appropriate responses should 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.<br><br>The following words are likely to be appropriate for this question:<br>• Public limited company / PLC<br>• (Mobile) phones<br>• 20 000 (employees)<br>• Factory/factories<br>• 5 (locations)<br>• Bonuses<br>• External recruitment<br>• (Methods of) motivation / motivate<br><br>Other appropriate examples can be credited.<br><br>Notes:<br>• For [k] must name the leadership style (not describe them).<br>• For [an] candidates can explain how the style works or **an advantage** of using it.<br>• Motivation can be [app] or [an] but only award once.<br>• Can accept mirror answers on this question for [an] e.g. employees involved /not involved in decision making.<br><br>Do not award:<br>• Delegation<br>• Disadvantages of leadership styles<br>• Refers to owners rather than managers |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(e) | **Do you think the advantages of being a public limited company are always greater than the disadvantages? Justify your answer**.<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for justified decision about whether the advantages of being a public limited company are always greater than the disadvantages.<br><br>Points might include:<br>Advantages:<br>• Can raise large amounts of finance / banks are more willing to lend to them [k] so can continue to grow/expand [an] leading to possible economies of scale [an]<br>• Can sell shares to the public/stock market / no restrictions on buying/selling shares [k] so can raise capital/finance [an] AND/OR which can help fund expansion [an]<br>• Limited liability [k] so personal assets are not at risk if the business cannot repay its debts / only liable up to amount invested [an]<br>• High status/better reputation/more suppliers are more likely to offer credit/favourable terms / banks more willing to lend to them (due to lower perceived risk) [an]<br>• Incorporated business / separate legal identity [k] so the business itself can own assets and enter contracts in its own name / owners are not liable for business debts [an]<br>• Continuity [k] so the business will not have to close on the death on any owner [an] | **6** | This is a generic question so there are no marks for application.<br><br>To access evaluation marks must refer to an advantage and a disadvantage.<br><br>Notes:<br>• Some points can be [k] or [an] but only award once e.g.<br>  • takes time away from other activities<br>  • loss of control for (original/other) owners/shareholders<br>  • banks are more willing to lend<br>  • suppliers are more willing to give credit<br>  • time consuming to sell shares<br>• Grow/expand is [an] only.<br><br>Do not award:<br>• Quick way to raise funds<br>• Easy/quick to get loan<br>• Points about tax |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(e) | Disadvantages:<br>• More legal formalities/regulations [k] which is time-consuming / takes time away from other activities / increases costs [an]<br>• Must publish its accounts/financial information [k] so competition knows how well business has performed [an]<br>• Separation of ownership and control / owners have little/no say in decisions [k] which could lead to conflict/inefficiency [an]<br>• Risk of takeover [k] so original owners may lose control [an] so have no control over who buys the shares [an] OR could result in a change of business objectives [an]<br>• Dividends (expected) to be paid [k] which can lower retained profit [an]<br>• High cost/lengthy process to sell shares [k] so the business may face delays in raising finance for expansion [an]<br><br>Other appropriate responses should be credited.<br><br>Justification might include:<br>A public limited company can raise large amounts of finance [k] so can continue to grow [an]. A disadvantage is that there are legal formalities to complete [k] which can take time away from other activities [an].<br>The advantages are greater because without sufficient funds, the business may have to delay any expansion plans risking its ability to be competitive [eval] which is likely to be worth the time taken to complete the legal formalities [eval]. | | |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(a) | **Define 'entrepreneur'**.<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>• The person who (organises, operates and) takes the risk to start a new business [2]<br>• An individual who takes the financial risk of starting (and managing) a new business [2]<br>• A person who combines factors of production to start a business [2]<br><br>Partial definition e.g.<br>• A person/individual who starts/sets up a business [1]. | **2** | First mark for the idea of starts/forms/ creates/opens/makes/new business.<br><br>Second mark for the idea of taking risk OR understand involves combining factors of production OR named example of enterprise skill e.g. use initiative [+1].<br><br>Do not award:<br>• Manage/run/operate the business<br>• Definitions of a sole trader e.g. owns a business on own |
| 2(b) | **Define 'ecommerce'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>• The use of the internet (and other technologies used by businesses) to (market and) sell goods/services to customers [2]<br>• The online buying/selling of goods/services using computer systems linked to the internet/apps on mobile phones [2]<br><br>Partial definition e.g.<br>• Using the internet/online/websites [1]<br>• Uses/builds websites to display products to customers [1]<br>• Digital market [1] | **2** | First mark is for the idea of internet/online/ website/social media.<br><br>Second mark is for recognising it involves trade/selling/buying (+1 only).<br><br>Notes:<br>• Access to customers is [tv] for second mark. Must refer to sales/ selling/buying.<br><br>Do not award:<br>• Use of technology on own<br>• Uses technology to sell |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(c) | **Outline <u>two</u> ways Amina could use the results from her market research.**<br><br>Award 1 mark for identification of each relevant way (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>• Help identify customer needs/preferences/trends / find gap in market / help decide **<u>what</u>** to make/sell [k] for pens/paper [app]<br>• Help decide level of (current) demand / (current) market size / whether niche/mass market / help decide **<u>amount</u>** to sell/buy/make [k] for this new/start-up business [app]<br>• Help to segment the market or e.g. age/gender / identify target market [k] for this entrepreneur [app]<br>• Decide price / what price to set [k] when using ecommerce [app]<br>• Decide on method of promotion [k] as is considering different methods of advertising [app]<br>• Find out about competition [k]<br>• Help decide/confirm place/where to sell / location [k]<br>• Help produce/include in the business plan [k]<br>• Help <u>predict</u> changes in trends in consumer's tastes/fashion/<u>future</u> market size [k]<br>• Reduces risks / products launched with more confidence [k]<br><br>Other appropriate responses should 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.<br><br>The following words are likely to be appropriate for this question:<br>• Entrepreneur<br>• Start-up/new business<br>• Pens/paper or related words e.g. stationery<br>• Ecommerce<br>• Advertising<br><br>Other appropriate examples can be credited.<br><br>Notes:<br>• Advertising can be [k] or [app] but only award once.<br><br>Do not award:<br>• Website/online as alt to ecommerce as [app]<br>• Examples of methods of pricing, advertising, sales promotion. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(d) | **Explain <u>two</u> methods of advertising Amina could use for her products.**<br><br>Award 1 mark for identification of each relevant method (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Website/online/internet/'pop ups' [k] especially as planning to use ecommerce [app] as can give lots of/detailed information about the products [an]<br>• (Specialist) magazines [k] as allows this entrepreneur [app] to target specific customers [an]<br>• Social media/TikTok/Facebook/Snapchat/Instagram/YouTube [k] so may help reach many people / low cost / quick <u>to update</u> [an] for her new business [app]<br>• Leaflets/flyers/brochures [k] as can refer to / keep for reference [an] about the pens [app]<br>• Posters [k] as can include pictures/colour/images [an]<br>• Billboards [k] as people can see it <u>as they pass by</u> [an]<br>• Radio [k] as can include sounds/jingles / able to target geographical areas [an]<br>• Newspapers (national/local) [k]<br>• Television [k]<br>• Direct mail (through letterbox) [k]<br>• Side of (shopping) bags/vehicles [k]<br>• Email [k]<br><br>Other appropriate responses should 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.<br><br>The following words are likely to be appropriate for this question:<br>• Pens/paper<br>• Entrepreneur<br>• Start-up/new business<br>• Ecommerce<br>• Market research (data/results)<br><br>Other appropriate examples can be credited.<br><br>Notes:<br>• Can credit the same analysis for different points, but only award once e.g. low cost/cheap/cost effective, can reach many people, use of images/colour.<br>• Analysis can focus on explaining how the method works or a specific advantage of using it.<br><br>Do not award:<br>• Increase sales/raise awareness/attract attention/remind/inform as [an]<br>• Informative / persuasive advertising<br>• Methods of sales promotion e.g. Sponsorship / celebrity endorsements / Word-of-mouth |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(e) | **Explain <u>two</u> reasons why a business might remain small. Which reason is likely to be the most important? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for justified decision about which reason is likely to be the most important.<br><br>Points might include:<br>• Owner's choice/objectives [k] as owner does not want the responsibility/stress for managing a large(r) business OR owner wants control over business (decisions) OR want to avoid increased <u>financial</u> risk [an] AND/OR so may achieve a better work life balance [an]<br>• Limited access/availability of finance / low profit / liquidity/limited/low working capital [k] so cannot afford/not have enough funds to expand /reinvest [an]<br>• Market size/ amount of customers / level of demand / operate in a niche market [k] limiting potential revenue [an]<br>• High competition / a few large businesses may control market [k] so difficult for a small business to compete / customers may be brand loyal to competitors [an] AND/OR lower sales / lower market share [an]<br>• Wants to maintain close relationship with its customers/ provide a personal service / type of industry/product/service offered [k] allowing them to build customer loyalty [an]<br>• Remain flexible / able to respond quickly to changes in consumer tastes [k] to help maintain consumer loyalty [an]<br>• Lack of knowledge/skills /experience / limited access to/lack of suitable labour / lack of suitable employees [k] | **6** | This is a generic question so there are no marks for application.<br><br>To access evaluation must refer to two valid reasons.<br><br>Notes:<br>• Low profit is [k] point only.<br>• Some points can be [k] or [an] but only award once e.g. owner does not want the extra responsibility/owner wants to keep control, lower market share.<br>• The same analysis could be awarded for different reasons, but only award once.<br><br>Do not award:<br>• Poor/no business plan/no planning<br>• Lack of market research<br>• Set the wrong price<br>• Maintain quality<br>• Poor reputation<br>• Wrong location/not busy |

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0450/12 Mark Scheme June 2026

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(e) | • Limited access to/lack of suitable land/lack of space [k] so not able to meet customer demand [an]<br>• Limited access to/lack of suitable resources/raw materials [k]<br><br>Other appropriate responses should be credited.<br><br>Justification might include:<br>It might be the owner's objective [k] as may want a better work-life balance [an]. It could be a lack of finance [k] so cannot afford to expand [an].<br>Finance is likely to be the most important reason as without finance, the business cannot grow even if the owner wanted to [eval]. Whereas someone can be recruited to manage the business if the owner wanted time to do other things [eval]. | | |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(a) | **Calculate BTV's current ratio. Show your working**.<br><br>Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer.<br><br>Correct answer:<br>• 0.75 : 1 [2]<br>• 0.75 [2]<br><br>Correct method but incorrect final answer e.g.<br>• Current assets: current liabilities [1]<br>• CA divided by CL or CA : CL [1]<br>• 90 : 120 [1]<br>• 0.8 [1]<br>• 3 : 4 [1] | **2** | If correct answer given with no working shown, award 2 marks.<br><br>Award only 1 mark if 0.75 : 1 or 0.75 is written as part of the answer but is not given as the final answer. |
| 3(b) | **Identify <u>two</u> external users of accounts.**<br><br>Award 1 mark per external user (max 2).<br><br>Points might include:<br>• Customers / debtors / trade receivables<br>• Lenders/banks<br>• Suppliers / trade payables / creditors<br>• Local community<br>• Government<br>• **Potential** investors/shareholders/owners<br>• Competitors / other businesses e.g. accountants / research organisations<br><br>Other appropriate responses should be credited. | **2** | Only award the first two responses given.<br><br>Must name the stakeholder, not simply describe them. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(c) | **Identify <u>four</u> reasons why quality might be important for a business.**<br><br>Award 1 mark for each relevant reason (max 4).<br><br>Points might include:<br><br>• Better/maintain reputation/brand image/get good reviews/avoid bad reviews/goodwill<br>• Maintain customer/brand loyalty / customers <u>will buy again</u><br>• Increase/higher sales/customers/revenue/ <u>gain/protect</u> market share<br>• Improve/good customer relationships<br>• <u>Less</u> rework / no need to replace faulty products / fewer/no returns / less wastage /<br>• <u>To reduce</u> customer complaints<br>• Gain competitive advantage / remain/be competitive / differentiate from competitors<br>• <u>Increase/higher</u> prices<br>• Increase added value<br><br>Other appropriate responses should be credited. | **4** | Only award the first four responses given.<br><br>Do not award:<br>• Profit<br>• To meet legal requirement/avoid fines<br>• Increase motivation<br>• Ethical reasons<br>• Fewer errors/mistakes |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(d) | **Explain <u>two</u> disadvantages to BTV of using flow production.**<br><br>Award 1 mark for identification of each relevant disadvantage (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Inflexible / lack of customization /variety [k] so less able to respond to changes in the market /could lower demand [an] for cars [app]<br>• Lower motivation [k] so employees are less efficient / lower output / high labour turnover / fewer quality products [an] at its factories [app]<br>• <u>High levels</u> of inventory / large (storage) space needed [k] increasing (storage/warehouse/rent) costs [an] at the 16 locations [app]<br>• If one machine breaks down <u>whole</u> production line/process stops/delays production [k] which reduces output / lower efficiency / may not be able to meet orders [an]<br>• High <u>set up/machinery</u> costs / high/large capital expenditure [k] leading to large cash outflows / lower profit margin/ has an opportunity cost [an]<br><br>Other appropriate responses should 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.<br><br>The following words are likely to be appropriate for this question:<br>• Cars<br>• Factories<br>• 16 (locations)<br>• $700 million (non-current assets)<br>• $90 million (current assets)<br>• $120 million (current liabilities)<br>• $300 million (non-current liabilities)<br>• $900 million (profit)<br>• (Maintain) quality<br><br>Other appropriate examples can be credited.<br><br>Notes:<br>• Points must refer to effect on business rather than employees e.g. boring / no variety for employees<br>• Quality is [app] or [an] but only award once.<br>• Some [an] can be used for different points but only award once.<br>• Less output and lower productivity/ efficiency are different [an] points<br>• High storage/inventory costs is [an] only<br><br>Do not award:<br>• Effects on employees e.g. boring / no variety for employees<br>• Confusion with other methods e.g. one fault and whole batch is scrapped |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(e) | **Explain <u>two</u> reasons why profit might be important to a business. Which reason is likely to be the most important? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for justified decision about which reason is likely to be the most important.<br><br>Points might include:<br>• Use as a source of funds / **reinvest** back into the business [k] as there is no interest to pay [an] AND/OR allowing the business to expand [an]<br>• <u>Measure</u> of success [k] as low profit could suggest the business is not worth continuing/starting [an] OR which could help attract investors [an]<br>• Reward for risk-taking/return on shareholder/owner's investment / pay dividends [k] as otherwise they could invest elsewhere [an] OR so keep/ not sell shares / buy more shares [an] AND/OR motivate them to work harder/carry on/earn more [an]<br>• Help attract investors [k] as may invest their money in hope of making a <u>return on investment</u> [an] OR allowing the business to grow/expand [an]<br>• Allow business to <u>share profit</u> with employees [k] which could increase motivation [an]<br>• Help decide whether to continue making/selling a product [k]<br><br>Other appropriate responses should be credited. | **6** | This is a generic question so there are no marks for application.<br><br>To access evaluation must refer to two reasons.<br><br>Notes:<br>• Some points can be [k] or [an] but only award once e.g. attract investors.<br>• Some analysis could be used for different points but only award once.<br>• Points about motivation is [an] only.<br><br>Do not award:<br>• Definition of profit<br>• Pay expenses/day-to-day costs<br>• Ways to expand e.g. develop new products/open more factories<br>• Motivate employees / provides job security / bonus<br>• Ensure survival of business<br>• Increase value of business<br>• More recognition/status/reputation<br>• Show business performance |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(e) | Justification might include:<br>It can act as a measure of success [k] as low profit could suggest the business is not worth continuing [an]. It can be used as a source of funds [k] as there is no interest to pay [an].<br>Providing a source of funds is likely to be the most important reason because by being able to expand it could result in increased profit in the future [eval] which may help ensure there are positive returns for the owners [eval]. | | |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(a) | **Define 'primary sector'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>• (Businesses/firms whose business activity) involves the extraction of **raw** materials [2]<br>• Extracts (and uses) the **natural** resources (of the earth to produce raw materials used by other businesses). [2]<br>• The sector that generates **raw** materials (which the secondary sector then uses to make a product) [2]<br><br>Partial definition e.g.<br>• Produces/collects/gets/removes **raw/natural** materials (from the earth) [1]<br>• Sells **natural/raw** materials [1] | **2** | 1 mark for understanding it involves '**raw** materials/**natural** resources'.<br><br>1 mark for extraction/generates /gather/harvest.<br><br>Do not award:<br>• Examples<br>• Uses materials to make products (as this is secondary sector) |
| 4(b) | **Identify two economies of scale.**<br><br>Award 1 mark per economy of scale (max 2).<br><br>Two from:<br>• Financial<br>• Purchasing<br>• Managerial<br>• Technical<br>• Marketing | **2** | Only award the first two responses given.<br><br>Do not award:<br>• Internal/external economies<br>• Technological/technology/technically<br>• Advertising<br>• Bulk buying |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(c) | **Outline <u>two</u> ways pressure groups might try to influence BRK's decisions.**<br><br>Award 1 mark for each relevant way (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>• (Customer) boycotts / persuade <u>customers</u> to stop buying [k] its copper [app]<br>• Raise awareness <u>through website</u> / use social media to engage (young) people / <u>write to newspaper</u> / publish information/leaflets / create negative publicity/ [k] about the multinational company [app]<br>• Write letters/emails to government /lobby politicians/ <u>ask</u> Government to set stricter laws/legal action [k] about the mines [app]<br>• Organise protests/demonstrations/ <u>rally opposition</u> [k] against this primary sector business [app]<br>• Organise petitions [k] about the external costs [app]<br>• Take legal action [k]<br>• Publicity stunts [k]<br>• Write to company/arrange meeting with BRK [k]<br><br>Other appropriate responses should 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.<br><br>The following words are likely to be appropriate for this question:<br>• Copper<br>• Primary sector<br>• Multinational company<br>• Large business<br>• Mines<br>• 15 countries<br>• Economies of scale<br>• External costs<br><br>Other appropriate examples can be credited.<br><br>Notes:<br>• To access [k] need to state **how** they would influence business.<br><br>Do not award:<br>• Introduce laws / help government make laws<br>• Influence/tell government to take action<br>• Descriptions e.g. walking the streets and shout about BRK<br>• Actions BRK could do in response |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(d) | **Explain <u>two</u> advantages to BRK of being a multinational company (MNC).**<br><br>Award 1 mark for identification of each relevant advantage (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Access to skilled labour [k] so more productive/fewer mistakes [an] **OR** access to cheaper labour [k] which could increase profit margin/lower total costs [an] for this primary sector business [app]<br>• Access to bigger/new markets/sales [k] which can increase revenue/ market share [an] in the 15 countries [app]<br>• Spreads risk [k] as sales falling in one country may be offset by rising sales in another country [an] OR higher costs can be offset by lower costs in other country [an] of copper [app]<br>• Better image/reputation [k] which could allow them to set higher prices / attract more customers [an]<br>• Access to range of **raw/natural** materials / more land [k] so larger/stable supply available to sell [an]<br>• Avoid import quotas [k] so no/fewer limits on the number of products the business can import into a country [an]<br>• Avoid import tariffs [k] so does not make products more expensive [an]<br>• Access to government grants [k] which could increase cash inflow [an]<br>• Take advantage of lower/favourable tax rates / lower tax liability [k] this helps the business keep more of its profit [an] | **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.<br><br>The following words are likely to be appropriate for this question:<br>• Copper<br>• Primary sector<br>• Mines<br>• Large business<br>• 15 (countries)<br>• Economies of scale<br>• Pressure groups<br>• External costs<br><br>Other appropriate examples can be credited.<br><br>Notes:<br>• Access to **cheaper** (raw) materials is not relevant in this context.<br>• Some points can be [k] or [an] but only award once e.g. increase sales, increase revenue.<br>• The same analysis can be used for different points, but only award once.<br>• Can award ‘avoid trade barriers’ as [k] where no mention of tariffs/quotas.<br>• More market share is [an] only.<br><br>Do not award:<br>• Less competition<br>• More profit<br>• Access to new technology/ideas<br>• References to manufacturing e.g. lower production costs |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(d) | • Low(er) transport costs [k] as closer to the market/factories / manufacturing businesses [an] AND/OR which reduces costs [an]<br>• Fewer/less strict regulations [k] which may help lower costs [an]<br><br>Other appropriate responses should be credited. | | |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(e) | **Explain <u>two</u> external benefits a business might create. Which benefit is likely to be the most important? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for justified decision about which external benefit is likely to be the most important.<br><br>Points might include:<br>• Provide jobs [k] so low(er) rates of unemployment [an] AND/OR provide people with income AND/OR improve standard of living [an]<br>• Help economic growth/increase GDP [k] which can result in additional taxes/tax revenue [an]<br>• Improved infrastructure/better road links [k] improving access for local community/businesses [an]<br>• Pay taxes [k] this increases government revenue [an] AND/OR allowing more spending on public services/schools/healthcare/infrastructure [an]<br>• Provide (new) vaccines/medicines [k] which could prevent diseases / reduce economic harm [an]<br>• Other businesses may move to area to provide services [k] this leads to more jobs / higher income levels/higher living standards [an]<br>• Environmental benefits /protect the environment [k] as **reduces** pollution/waste/ reduce greenhouse gases [an] OR reduce waste [k] helping protect the environment [an]<br><br>Other appropriate responses should be credited. | **6** | This is a generic question so there are no marks for application.<br><br>To access evaluation must refer to two external benefits.<br><br>Notes:<br>• Some points can be [k] or [an] but only award once e.g. more jobs, additional tax, infrastructure, economic growth.<br>• Some [an] can be used for different points but only award once.<br>• Lower unemployment is [an] only.<br><br>Do not award:<br>• Improve workers skills<br>• Increase choice/variety of goods (for customers)<br>• Increase competition<br>• Improve economy as alternative to economic growth |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(e) | Justification might include:<br>A business could provide jobs [k] so low(er) rates of unemployment [an]. It could also improve the infrastructure [k] making it easier for other businesses travel/transport goods around the local area [an].<br>Providing jobs is likely to be the most important benefit because people may have additional income to spend which increases sales for other businesses [eval] which is likely to benefit the community more than simply having better/more roads. [eval] | | |

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