

Mark Scheme (Results)

Summer 2012

IGCSE Business Studies (4BS0)
Paper 01

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

QUESTION NUMBER	ANSWER			MARK
1 (a) (i)	D			1
1 (a) (ii)	C			1
1 (a) (iii)	A			1
1 (a) (iv)	A			1
1 (a) (v)	B			1
1 (b)	Economy of Scale	Internal	External	5
	Managerial	(X)		
	Skilled labour		(X)	
	Reputation of area		(X)	
	Technical	(X)		
	Financial	(X)		

QUESTION NUMBER	ANSWER	MARK
2 (a)	<ul style="list-style-type: none"> • A sum of money paid per hour (AO1) • Normally paid weekly (AO1) 	2
2 (b)	<p>E.g.</p> <ul style="list-style-type: none"> • Specialist staff employed (AO1) therefore pay to recognise skills/retain them (AO3). • loyalty of staff (AO1) meaning that there would not be so many staff leaving to find other employment (AO3). • encourages staff to take on more responsibility/training (AO1) so that they can be a valuable employee (AO3). • motivates the staff to work harder (AO1) which means that more work is completed and to a higher standard (AO3). <p>1 mark for stating a reason + 1 mark for development x 2</p>	4
2 (c) (i)	<p>C and E</p> <p>1 mark for each correctly identified (maximum 2 marks)</p>	2
2 (c) (ii)	<p>E.g.:</p> <ul style="list-style-type: none"> • large sum of money (AO2) which EC Ltd might not be able to get from other sources (AO2) • the repayments are smaller/over a longer period of time (AO2) and EC Ltd can budget repayments (AO2) • once loan paid off (AO2) the property will then belong to EC Ltd (AO2) <p>1 mark for stating a point (max. 2) + 1 mark for effect of point on EC Ltd.</p>	2

2 (d)	A = Break-Even Point B = Revenue C = Total Costs D = Fixed Costs	4
2 (e)	Valid points could include: <ul style="list-style-type: none"> • purpose built means no alterations to be carried out (AO2) this could save the company money (AO4) production could be simpler so causing less problems (AO4) • high unemployment area means large number of people looking for work (AO2) and more likely to accept a lower wage (AO4) which could save the company finances (AO4) • could be grants from the government (AO2) to help in the financial expense of moving (AO4) – could help in the cost of training new employees (AO4). • Could be cheaper than moving (AO2) as extending might not be as expensive (AO4) and less disruption in the production of chocolates (AO4). • Need to recruit and train new staff (AO2) existing staff may move with the company due to loyalty (AO4) and will help in the training of new staff (AO4). • No stoppage at all in production during extension (AO2) and no upheaval in moving business from one area to another (AO4) which could cause loss of customers due to orders not being met (AO4). 1 mark for a basic reason + 2 marks for supporting example or development (1+2) x 2	6
QUESTION NUMBER	ANSWER	MARK
3 (a) (i)	- 4 - 4 000 Accept with or without £ sign	1
3 (a) (ii)		

	<p>Examples might include:</p> <ul style="list-style-type: none"> • Purchasing goods or materials • Payment of wages/salaries • Purchase of fixed assets • Repaying a loan <p>1 mark for each appropriate example</p>	2
3 (a) (iii)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • Shows how much cash may be needed over a period of time (AO2) company can plan for the future and check the progress of the company (AO3) planning can avoid any problems that may arise (AO3) can then be used to check against the actual flow of cash (AO3) therefore the company knows the financial position they are in and can make decisions (AO4) • Can monitor the money going in and going out of the business (AO2) helps to identify where there may be problems in the future (AO3) can be used to compare with the initial forecasts made for the company (AO3) monitoring of the money incase additional loans or investments are needed (AO3) thus helps identifying any areas for development or problems which may need addressing (AO4) • useful to show financial advisors/banks (AO2) if wanting to increase loan or have a overdraft (AO3) showing when the overdraft might need to be increased - for a short period (AO3) can be used to consider future investment plans (AO3) banks can see that planning has gone into the financial situation and are more likely to grant the loan (AO4) <p>1 mark for stating how it helps (max. 2) + up to 4 marks for why it is a benefit.</p>	5
3 (b) (i)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • loss of production for <i>EC Ltd</i> (AO2) company would lose money (AO3) • reduction in staff (AO2) thus creating an atmosphere within the company of those left behind (AO3) • reputation of the company damaged (AO2) could affect sales in the long run (AO3) 	

	1 mark for each point + 1 mark for effect x 2	4
3 (b) (ii)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • staff quite happy to go on strike (AO2) as they are not happy with the changes taking place (AO3) • however this could cause conflict amongst staff who disagree (AO2) as they will lose pay (AO3) • damaged relationship between employer and employee (AO2) which could affect how they work in the future (AO3) • Loss of pay (AO2) and the effect on families/lifestyle (AO3) <p>1 mark for each point + 1 mark for effect x 2</p>	4
3 (c)	<p>Valid points could include:</p> <p>Opportunity to see the individual (AO3) and be able to ask questions relevant to the job (AO3). Able to check the information on the application form with the candidate (AO3). Also check whether the candidate is capable of carrying out the job (AO3).</p> <p>Able to judge whether the applicant would fit in with the rest of the staff (AO3) if their personality clashed it could cause problems with the present staff (AO3). A panel or group of people can carry out the interview (AO3) and therefore not the responsibility of one person to make a decision (AO3)</p> <p>1 mark for the importance and 3 marks for development</p>	4
QUESTION NUMBER	ANSWER	MARK
4 (a) (i)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • if <i>EC Ltd</i> do not choose the right place then they 	

	<p>could lose money (AO2) this could have an effect on their sales (no customers/strong competition) (AO3) and whether they make a profit or loss (AO3)</p> <ul style="list-style-type: none"> • if they are in a place where there are no customer they will not sell their products (AO2) and they will have wasted the money (AO3) on setting up their business in that part of the country (AO3) <p>1 mark for reason 1 mark for development 1 mark for relevance to <i>EC Ltd</i></p>	3
4 (a) (ii)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • they could spend too much money without realising it (AO3) and this could have financial impact on <i>EC Ltd</i> not able to pay bills etc (AO2) good business sense to control spending using budgets. (AO3). • if insufficient money spent then might not get the products known (AO3) and therefore will not make sales for <i>EC Ltd</i> (AO2) advertising reinforces product so consumers know about it (AO3). <p>1 mark for reason 1 mark for relevance 1 mark for development</p>	3
4 (b)	<p>E.g.:</p> <ul style="list-style-type: none"> • Age (AO1) those who are slightly older would be more 	

	<p>interested in different chocolates (AO2) as they are a more discerning and looking to eat something different (AO3).</p> <ul style="list-style-type: none"> • Income (AO1) people who earn higher wages would like to have chocolate that is different (AO2) and are therefore more likely to pay more for the choice. (AO3). • Region (AO1) in certain parts of the country people like to have chocolate that is different/do not like chocolate (AO2) showing that the regions differ in terms of taste (AO3). • Gender (AO1) females are more likely to buy chocolates for themselves/males purchase chocolates as a present (AO2) as something special and different (AO3). • Lifestyle (AO1) single people are more likely to want to have special chocolates (AO2) as they do not have the expense of a family (AO3). <p>1 mark for identification of segment 1 mark for applying 1 mark for development</p> <p style="text-align: right;">2 x 3</p>	6
4 (c)	<p>Valid points could include:</p> <ul style="list-style-type: none"> - It is no good producing chocolates if they are not wanted by customers in another country (AO2) or customers do not know that the chocolates/company exist (AO2). <ul style="list-style-type: none"> – finding out where they would locate the business and where there could be a possible demand (AO3), carrying out research to see what area the products could be sold (AO3) – if the product is not liked in another country then it would be a waste of time trying to sell to a new country (AO3) research is needed to see the likes and dislikes of the consumers in the area (AO3). - what promotion is needed in the country, it may be different for each country (AO3), - research to find out what the competition is like in the country and whether the new products would sell (AO3). - pricing of the products, finding out the price range (AO3). <p>2 x 1 mark for applying to <i>EC Ltd</i> Up to 6 marks for explanation of market research</p>	8

QUESTION NUMBER	ANSWER	MARK
5 (a)	<p>e.g. a reduction in interest rates - amount of interest the government/bank charge on a loan, the rate can change (AO1) if the rate is reduced this would make it cheaper for <i>EC Ltd</i> to borrow money, (AO2) they may even decide to branch out into more countries, because it would mean that they can borrow money with low rates of interest (AO4), however other countries may not consider investing their money into the UK because they will not gain on the money invested (AO4) this might encourage them to cease trading with <i>EC Ltd</i>. (AO4).</p> <p>e.g. an increase in tariffs If the government increase the tariff on imports this could affect <i>EC Ltd</i> considerably because the cost of raw materials to make the chocolates will increase (AO2), this could in turn increase the cost of the price the goods are sold and thus reduce sales (AO4). Competitors in other countries may be charging less for the goods and thus <i>EC Ltd</i> would not make sufficient sales (AO4). <i>EC Ltd</i> could decide that it would not be worthwhile opening branches abroad and better to concentrate on the home market instead (AO4), some countries may retaliate by charging higher tariffs on their imported goods again possibly reducing sales abroad (AO4).</p> <p>1 mark for definition of increased interest rates/higher tariffs on all imports 1 mark for relevance to <i>EC Ltd</i> 3 x 1 mark for evaluation</p>	5
5 (b) (i)	<p>E.g.</p> <ul style="list-style-type: none"> • A statutory tax on income • Income tax • Corporation tax • National Insurance <p>Accept any other valid response.</p>	1
5 (b) (ii)	<p>Valid points could include: By increasing the percentage the cost of goods will increase (AO2) – could result in consumers not purchasing the goods because they are too expensive (AO4) – resulting in a decrease in sales and therefore a decrease in profit (AO4) and subsequently the cost of making the chocolates even dearer still (AO4).</p> <p>1 mark for relevance to <i>EC Ltd</i> 3 x 1 mark for evaluation of implications</p>	

		4
5 (c)	<p>Valid points could include: e.g.</p> <p>(promotional pricing) By selling the goods at a low price this will encourage more people to buy the chocolates (AO2) <i>EC Ltd</i> will therefore be selling more goods and will therefore make a profit (AO3) although the profit might not be as much as if the goods were sold without the promotional pricing. (AO4) Once the customers have enjoyed the chocolates they will come back to buy more (AO3) even when the promotional prices are taken off they will still want to purchase the chocolates because they enjoy them (AO4). It is a good way for the company to break into a market which is already established. (AO4).</p> <p>(competition pricing) By using this method they will be selling the chocolates in line with other competitors (AO3) this may benefit them and it may not (AO3) as they will be new to the market other existing chocolate makers will have their established customers (AO4) which might make it more difficult for <i>EC Ltd</i> to break the hold that the competitors have on the customers (AO4). Whereas with promotional pricing customers may be interested to taste the new chocolates (AO2) and will buy for interest rather than the fact that they want those particular chocolates. This is a much harder way for a company to get consumers to purchase their goods as sales and profit are not guaranteed (AO4). However <i>EC Ltd</i> are trying to break into the high quality chocolate market and penetration pricing may give the impression that the chocolates are not of a high quality (AO3).</p> <p>5 marks maximum for why method is selected 5 marks maximum for why other method is rejected 2 marks maximum for balancing comments against selection (i.e. for disadvantages associated with method selected).</p> <p>Any combination to a maximum of 10 marks If only one-sided then maximum of 6</p>	10

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