

## **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

### **MARK SCHEME for the October/November 2015 series**

#### **0450 BUSINESS STUDIES**

**0450/11**

Paper 1 (Short Answer/Structured Response),  
maximum raw mark 80

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 October/November 2015 series for most Cambridge IGCSE<sup>®</sup>, Cambridge International A and AS Level components and some Cambridge O Level components.

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**1 (a) What is meant by ‘average cost’?** [2]

Clear understanding [2] e.g. Total cost divided by the total number of units produced  
Some understanding [1] e.g. cost to make one product/cost per unit

**(b) Calculate the output per employee per week in 2014.** [2]

Good application [2] e.g. 520  
Some application [1] e.g. total output/number of employees or 260 000/500  
Note: ignore \$ sign

**(c) Identify and explain two possible advantages to TWH of using batch production.** [4]

Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 2]  
Application [2 × 1] – award 1 mark for each relevant explanation in context of TWH

Relevant points might include:

- some variety in workers’ jobs [k] leading to better motivation [app]
- allows more variety of products to be made [k] so can respond to changes in demand for different toys [app]
- if machinery breaks down other work can continue [k] so could improve efficiency [app]
- flexible way of working [k]
- economies of scale/bulk buying [k] so lower average costs [app]
- More output than job production [k]

Application marks may be awarded for appropriate use of the following: relevant use of numbers, toys, motivation, average cost, efficiency, new technology

**Do not** accept cheaper, faster, more output (if just this is stated)

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- (d) Identify and explain two ways that TWH could improve the motivation of its employees. [6]

Knowledge [2 × 1] – identification of relevant way [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to TWH

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Job rotation [k] swapping between making different toys [app] they are not bored doing the same thing [an]
- training [k] on the new technology [app] so employees feel valued [an]
- better communication with management [k] so workers feel that they are important to the business [an] so efficiency improves [app]
- improve pay [k] they pay \$6 [app] as pay \$.50 less per hour [an] **OR** bonuses/piece rate [k] so make more toys [app] to get paid above their usual wage [an]
- improved working conditions/environment [k]

Note: other options acceptable e.g. fringe benefits (allow only once), job enrichment, promotion

**Do not** accept work harder alone as analysis because a reason for this must be given

Application marks may be awarded for appropriate use of the following: relevant use of numbers, toys, average costs, efficiency, new technology.

- (e) TWH can either use retained profit or a long term loan to finance the purchase of new technology. Which option do you recommend TWH should use? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant point(s) [max 1]

Application [1] – award 1 mark if relevant reference made to TWH's business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to which source of finance is best option to use

For 6 marks must explain why chosen source is the better option for this business

Points might include:

Retained profits–

- no need to repay/readily available [k] which can help keep average costs low [app] so no time wasted in trying to secure the finance [an]
- may not have sufficient funds available [k] so might still need a bank loan [an]
- no funds available for other uses [k]

Long term loan –

- can plan repayments over time/know repayments [k]
- interest costs to pay [k] which would increase average costs [app] which has to be repaid whether they make a profit or not [an]
- have retained profits available in case of need [k]

Note: Candidate's final decision can be for either option.

Application marks may be awarded for appropriate use of the following: relevant use of numbers, toys, lower average costs.

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**2 (a) What is meant by a ‘private limited company’? [2]**

Clear understanding [2] e.g. a business whose shares cannot be sold to the general public  
 [2] Or shares only sold to family and friends [2]  
 Some understanding [1] e.g. outlines general features of limited companies e.g. have limited liability/separate legal identity from owners/can sell shares/incorporated

**Do not** accept in private sector/no Government involvement as generic statement also applies to unlimited businesses.

**(b) Identify two causes of business failure. [2]**

Knowledge [2 × 1] 1 mark per cause

Points might include:

- lack of management skills
- actions of competition
- change in government laws
- poor product range/outdated products
- lack of demand/recession
- lack of/poor market research
- lack of finance/cash flow problems
- diseconomies of scale/over expansion

Note: points could refer to either new or established business. Accept any reasonable answer.

**(c) Identify and explain two diseconomies of scale that Ramford might experience. [4]**

Knowledge [2 × 1] – award 1 mark for each relevant diseconomy [max 2]  
 Application [2 × 1] – award 1 mark for each relevant explanation in context of Ramford

Relevant points might include:

- Poor communication [k] as messages need to be sent/received from 4 factories [app]
- Low morale/motivation [k] as worried products they make might be cut [app]
- Slow decision making [k] as 80 products to consider [app]
- Lack of control [k]

Application marks may be awarded for appropriate use of the following: calculations/use of numbers, factories, 80 products, reduced profit, financial performance, wide range, private limited company.

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- (d) Identify and explain two factors that Ramford should consider in deciding which products to remove from its product range. [6]

Knowledge [2 × 1] – identification of relevant factor [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Stage in product life cycle [k] if some foods are in decline [app] few people are likely to be buying them anyway [an]
- Availability of substitutes/competition [k] if many breakfast cereals [app] so might not be cost effective to keep making it [an]
- Cost of producing each product [k] as worried about financial performance [app] might want to stop making expensive items [an]
- Current level of sales/popularity/demand [k] as profits falling [app] need to remove the least popular lines [an]
- Not suit current season [k]

Application marks may be awarded for appropriate use of the following: calculations/use of numbers, food, cereal, ice cream, factories, 80 to 10 products, reduce profit, financial performance.

- (e) Do you think the Finance Director is right to be worried about the financial performance of Ramford in 2014? Justify your answer using the data in Table 2 and appropriate ratios. [6]

Knowledge [1] – award 1 mark for identification of relevant point(s) [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to whether Ramford should be worried about its performance

Points include:

- Sales down [k] which is a 25% fall [app + an]
- (net) profit down [k] by \$10m [app]
- Profit margin increased [k] to 40% [app+ an] showing better control of fixed costs [an]
- ROCE has fallen [k] to 20% [app + an] showing a lower return on each \$ invested [an]
- Financial Director is aware of the problem [k] as they are cutting the number of products to 10 [app]

Note: using percentage calculation or ratio award application and analysis. Max 1 for application.

Application marks may be awarded for appropriate use of the following: appropriate calculations/use of numbers, diseconomies of scale, four factories, 80 to 10 products

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**3 (a) What is meant by ‘mass market’?** [2]

Clear understanding [2] where there are a large number of (potential) customers willing to buy product(s). Allow: a large number of sales of a product  
Some understanding [1] lots of customers/sales/buyers/people, shown by comparison to niche

**(b) What is meant by ‘market share’?** [2]

Clear understanding [2] e.g. percentage of the total market sales [1] held by one brand or business [+1] **OR** business sales/total market sales  $\times 100$   
Some understanding [1] e.g. share of all sales made/percentage of customers a business has

**(c) Identify and explain two advantages of market research to Grimshaw.** [4]

Knowledge [2  $\times$  1] – award 1 mark per advantage.  
Application [2  $\times$  1] – award 1 mark for each relevant explanation (i.e. show how it is an advantage to Grimshaw)

Advantages could include:

- greater awareness of consumer needs [k] so can adapt its phone/features to match what customers want [app]
- able to forecast likely future trends [k] so can improve focus of new product development [app]
- appreciate the strength of competitors [k] so can change marketing strategy to compete
- knowledge of consumers’ views of company products/image [k] as first time entering country T [app]
- reduces risks/products launched with more confidence [k] as know what features customers want [app]
- help gain competitive advantage [k] as can set effective pricing/promotion strategy to suit country T’s customers [app]
- produce the correct amount of product [k] to avoid wastage of expensive parts [app]
- helps set price [k]

Note: knowledge points must relate to purpose of market research.

Application marks may be awarded for appropriate use of the following: mobile phones, market share increased (by 3%), mass market, factory, new model, multinational, technology, country T

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**(d) Identify and explain two advantages to Grimshaw of developing new products. [6]**

Knowledge [2 × 1] – identification of relevant point [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to Grimshaw's business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- gain competitive advantage [k] to target other phone users [app] so increasing their sales [an]
- Keep customers [k] in a competitive market [an]
- spread risk [k] so if demand for one model falls [app] they have new ones to rely on [an]
- expanding into new markets/market segments [k] so able to increase market share [app] as targeting more customers [an]
- can charge a higher price [k]

Note: economies of scale alone is too vague unless it is appropriately explained

Application marks may be awarded for appropriate use of the following: mobile phones, market share, mass market, factory, new model, multinational, technology.

**(e) Do you think the Government of country T should help businesses such as Grimshaw set up in its country? Justify your answer. [6]**

Knowledge [1] – award 1 mark for identification of relevant point(s) [max 1]

Application [1] – award 1 mark if relevant reference made to the benefit of the country

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to whether the Government of country T should help businesses such as Grimshaw to set up in its country

Points might include:

- jobs created [k] as build factory there [app] so reduces unemployment [an]
- investment in infrastructure [k] to transport parts to/from factory [app] so locals benefit from new roads [an]
- new ideas [k] which could improve local business practices [an]
- taxes paid [k] which Government could use to pay for public services [an]
- more choice for consumers [k] as will have access to new model [app]
- more competition [k] so consumers could benefit from lower prices/force local businesses to close [an]
- exploitation of resources [k]
- lack of respect for local customs and cultures [k]
- flow of profits out of a country [k]

Application marks may be awarded for appropriate use of the following: mobile phones, mass market, factory, new model, can build anywhere, multinational.

Note: Candidate's final decision can be either for or against the statement.

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**4 (a) What is meant by ‘made redundant’? [2]**

Clear understanding [2] e.g. The worker is no longer required through no fault of their own [2]  
Some understanding [1] e.g. means that his job role has gone [1]

Note: If the answer includes dismissed, fired or sacked plus any relevant point maximum 1 mark

**(b) Identify two functions of management that Tebo might have to perform. [2]**

Application: [2 × 1] 1 mark per function

Points might include: organise/co-ordination, planning, control, decision making or practical examples e.g. motivation, recruitment, delegation, strategic tasks

**Do not** accept any task which can be completed by any employee e.g. pay bills, training

**(c) Explain why managing his cash flow will be important for Tebo’s business. [4]**

Knowledge [2] award up to 2 marks for identification of points/knowledge of cash flow

Application [2] award up to 2 marks for relevant explanation in context of Tebo’s business

Relevant points might include:

- Cash flow needed to pay its day to day expenses [k]
- Business could fail due to lack of cash [k] if used all his savings to buy franchise [app]
- Help reduce need for finance [k] for a **new** business [app]
- Able to predict/plan for cash flow problems [k]
- Help a business get a loan [k]

Application marks may be awarded for appropriate use of the following: car repair, no management experience, \$15 000/all his savings, new business, FIXIT franchise.

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- (d) Identify and explain two factors Tebo should consider when deciding where to locate his business. [6]**

Knowledge [2 × 1] – identification of relevant factor [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to Tebo's business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Demand/customers [k] – he needs to be convenient so that he can get sales [an];
- personal preference [k] – he might want to locate near his home [an],
- cost of property/rent [k] if too high he might not be able to afford it [an] especially if used all his savings for the franchise [app];
- suitable/size of space [k] as will need access for cars [app]
- legal controls [k] as garage is likely to be noisy [app] there might be rules which restrict where he can go [an]
- competition [k]
- franchisor's views [k] if he becomes a franchise [app]
- transport links/access [k]
- availability of suitable employees [k] as need mechanics [app]
- near to supplier [k] because the car repair equipment might be heavy [app]

Note: accept franchisor as the supplier if it is made clear that they supply materials/equipment.

Application marks may be awarded for appropriate use of the following: franchisees, car repair, \$15 000/all his savings, new business, redundant, FIXIT franchise, cash flow important, workshop.

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- (e) Do you think that buy a FIXIT franchise is the best way for Tebo to start his business? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant point (s) [max 1]

Application [1] – award 1 mark if relevant reference made to Tebo/FIXIT business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to whether buying a FIXIT franchise is the best way for Tebo to start his business

Points might include:

- Less chance of business failure [k] if he set up his own business, it would take time to build a reputation [an]
- Training provided [k] as he has no management experience [app]
- Lower advertising/training costs [k] as he has used all his savings to buy the franchise [app] so he may not be able to afford advertising/training [an]
- Supplies from central source [k] so less suppliers to deal with [an] so has more time to do repairs [app]
- Banks more likely to lend to franchisee [k] the \$15000 needed [app] as seen as lower risk [an]
- Recognition [k] FIXIT already has 36 franchisees [app]
- Lack of control [k] as FIXIT will have a say in many decisions [an]
- Problem at one franchise affects all others [k] of the 36 [app] might lower his revenue [an]
- Less profits as only received a percentage [k] so if successful, it will not maximise profits [an]
- Does Tebo want the responsibility? [k]

Application marks may be awarded for appropriate use of the following: 36 (franchisees), car repair, no management experience, \$15 000/all his savings, cash flow important.

Note: Candidate's final decision can be either for or against the statement.

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### **MARK SCHEME for the October/November 2015 series**

#### **0450 BUSINESS STUDIES**

**0450/12**

Paper 1 (Short Answer/Structured Response),  
maximum raw mark 80

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**1 (a) What is meant by a ‘focus group’? [2]**

Clear understanding [2] e.g. selection of people who have similar characteristics to target market [1] who give their opinions on a product/service [1]  
 Some understanding [1] e.g. some idea that they provide comments/opinions about product OR get market research information/find out consumer wants or needs

**Do not** reward answers which just explain what a group is OR refers to secondary market research.

**(b) Identify two reasons why packaging might be important for the new computer game. [2]**

**Application [2 × 1]** – award 1 mark for each relevant reason

Points could include:

- (Method of) advertising/attract customer attention
- (Promote or reinforce) brand image/recognition/differentiation
- Legal requirement
- Information about the product
- Protection/storage
- Ease of display
- Ease of transport

**(c) Explain why the profit margin might be important for Walt’s business. [4]**

**Knowledge [2]** – award up to 2 marks for each relevant point/knowledge of importance of profit margin (do not credit definitions or formulae) [max 2]

**Application [2]** – award up to 2 marks for each relevant explanation in context of this business

Relevant points might include:

- Profit as a proportion of sales revenue, a higher margin would mean more profit [k] is made for each game sold [app]
- Influence price charged [k] if he sells to wholesaler [app] it could mean he needs more adults to buy product [app]
- Indicates efficiency [k]
- Measure of success/performance/comparison with other years [k]
- Comparison with other real world businesses specified by the candidate [k]

**Do not** award answers that explain reasons why profit rather than profit margins matter.

Application might include: wholesaler, adults, many countries, game, computer or other related terms e.g. software.

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- (d) Identify and explain two advantages to Walt if he decided to use a wholesaler to distribute his products. [6]

**Knowledge [2 × 1]** – award 1 mark for identification of relevant advantage [max 2]

**Application [2 × 1]** – award 1 mark for each way if relevant reference made to this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Access to many retailers/markets [k] as wholesaler might have links in many countries [app] leading to more sales [an]
- Hold less inventory [k] so improve his working capital [an] as does not need to store games [app]
- Wholesaler provides distribution/transportation [k] so lower costs for Walt [an] which helps his profit margin [app]
- Able to focus on other tasks/no need to deal with lots of retailers [k] saving Walt time [an]
- Wholesalers buy in bulk [k]
- Help advertising [k] as packaging important [app] so more people aware of the product [an]
- Lower administration costs/no additional employees [k] as fewer invoices to send/chase [an]
- Wholesaler gives feedback from customers/identify trends [k]
- May receive cash more quickly [k] improving cash flow [an]

**Do not** credit answers which simply state ‘saves time’ or ‘saves cost’ on own unless explained.

**Do not** accept ‘wholesaler breaks bulk’ as this is a benefit to retailers.

Application might include: profit margin, packaging (important), adults, many countries, computer game or related terms.

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- (e) Consider two possible methods of promotion that Walt could use for the new game. Recommend which method he should use. Justify your answer. [6]

**Knowledge [1]** – award 1 mark for identification of relevant method(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this business

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to which method of promotion is best option to use

NOTE: For 6 marks must explain why chosen method is better than the other option

Relevant points might include:

- Advertising/use of social media (accept only once) [k] in computer magazines [app] which can attract customers' attention [an]
- Public relations/sponsorship/celebrity tie-in with/endorsements [k]
- Promotional pricing (short-term discounts/vouchers) [k] as product becomes more affordable [an] but this will lower profit margin [app]
- Special offers e.g. bonus content [k] such as additional levels/software [app]
- Competitions [k] aimed at adults [app]
- Free trials/test/demonstrations [k] have limited access to some levels [app] which generate consumer interest/raise awareness [an]
- Trade fairs [k] so wholesalers find out what it is [app]
- Free gifts/merchandise [k]

Application might include: (impact on) profit margin, packaging important, wholesaler, adults, many countries, computer or software or other related terms.

**Do not** accept 'new' or 'game' as application because stated in question.

**Do not** accept methods which are not appropriate for this type of product e.g. after sales service, BOGOF.

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**2 (a) What is meant by a ‘business plan’?** [2]

Clear understanding [2] e.g. a document containing the business aims/objectives and important details about the operations, finance and owners of a business OR states aims/objectives and shows how business aims to achieve them  
Some understanding [1] states one element of plan e.g. shows marketing strategy/production costs

**(b) What is meant by a ‘balance sheet’?** [2]

Clear understanding [2] e.g. shows value of business assets and liabilities [1] at a particular point in time [+1]  
Some understanding [1] e.g. shows assets and liabilities OR what is owned, owed and how the business is funded

**Do not** accept ‘financial statement’ as it is too vague

**(c) Identify and explain two possible benefits for CLW of holding high inventory (stock) levels.** [4]

**Knowledge [2 × 1]** – award 1 mark for each relevant benefit [max 2]

**Application [2 × 1]** – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Gain economies of scale/bulk buy [k] so can increase scale of production [app]
- Can meet orders/inventory always available [k] as demand is rising [app]
- Production does not need to stop [k] so can keep making furniture [app]
- Avoid supply problems [k] as some types of wood might be difficult/long time to obtain [app]

Application could include: use of numbers, demand risen (rapidly), furniture, factory, tables, chairs, wood.

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- (d) Identify and explain two factors (other than finance) that CLW's management need to consider when increasing the scale of production. [6]

**Knowledge [2 × 1]** – identification of relevant issues [max 2]

**Application [2 × 1]** – award 1 mark for each way if relevant reference made to this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Enough workspace [k] so might have to relocate [an] away from city centre [app]
- Access to sufficient supplies [k] if there is a shortage of wood [app] might not be able to meet orders [an]
- Labour issues e.g. need to recruit/train more workers [k] to make furniture [app] adding to business expenses [an]
- Market demand/increase in demand permanent [k] as demand risen quickly [app] if tastes change again could be left with unwanted inventory [an]
- Diseconomies of scale e.g. communication issues [k] as larger scale might mean current methods do not work [an]
- Storage issues e.g. have they sufficient storage space [k] as already have high levels of inventory [app] as may need to rent additional unit [an]
- Quality issues e.g. are they able to check standard [k] of tables made [app]? could lead to bad reputation [an]
- Machinery issues e.g. is condition/level of machinery sufficient [k]?

Application could include: use of numbers, demand risen rapidly, high level of inventory, low unemployment, near city centre, factory, furniture, tables, chairs.

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- (e) Do you think the Finance Director is right to be pleased with the liquidity of CLW in 2014? Justify your answer using the data in Table 1 and appropriate ratios. [6]

**Knowledge [1]** – award 1 mark for identification of relevant point(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this business

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to whether CLW should be pleased with its liquidity in 2014

Points include:

- Current assets increased [k] by \$60 m [app]
- Current liabilities fallen [k] by 8.33% [app + an]
- Current ratio improved [k] from 1.25:1 to 1.50:1 [app + an] but only because inventory increased by \$150 m so not as liquid [an]
- Acid test value fallen [k] from 0.875:1 to 0.75:1 [app + an] so not able to pay short-term debts from its liquid assets if needed [an]
- Cash fallen [k]
- Trade receivables down [k] which could mean customers paying quicker [an] but could mean less sales overall therefore less trade receivables [an]

Note: **using** percentage calculation or ratio award application and analysis. Max 1 for application.

Application could include: calculation of relevant ratios/use of numbers, demand risen rapidly, increased scale.

- 3 (a) What is meant by 'flow production'? [2]

Clear understanding [2] e.g. where large quantities of a product [1] are produced in a continuous process [1]

Some understanding [1] e.g. 'makes lots of the same thing' OR identifies one distinctive feature e.g. large scale production/large volumes, identical products, continuous production, capital intensive, repetitive tasks, inflexible.

**Do not** credit examples as this does not answer the question.

- (b) Calculate the output per employee in 2014. [2]

Application [2] e.g. 60 (cars per employee)

Some application [1] e.g. method = total output/number of employees OR 168 000/2 800

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(c) Identify and explain two ways in which induction training might benefit NCE. [4]

**Knowledge [2 × 1]** – award 1 mark for each relevant way [max 2]

**Application [2 × 1]** – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Helps employees to settle into their job quickly/familiarise workers with the business/provide information about the business [k] so can cope with flow production [app]
- Aware of health and safety/legal issues [k] in the factory [app]
- Know who to ask if there is a problem [k] preventing wastage of expensive parts [app]
- Opportunity to communicate culture [k] so all car workers get same message [app]
- Help keep productivity/efficiency high [k] so NCE remains competitive [app]

Application could include: (efficient) factory, cars, car parts, productivity, flow production, competitive market.

**Do not** accept generic points such as increase output, less mistakes or more ideas as these could relate to any type of training.

(d) Identify and explain two factors that NCE would need to consider in deciding which workers to make redundant. [6]

**Knowledge [2 × 1]** – award 1 mark for each relevant factor [max 2]

**Application [2 × 1]** – award 1 mark for each explanation in context of this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Identify which jobs are not essential [k] as market might recover the 20% lost [app] so would not want to spend money recruiting them again [an]
- Performance/output/experience/skills/flexibility [k] making cars [app] so will want to get rid of people who make mistakes [an]
- Wages/salary [k]
- Length of service/cost of redundancy [k] if worked at factory for a short time [app] might be cheaper to let go [an]
- Attitude/attendance/disciplinary record [k] in order to maintain productivity [app] will want to lose poor/bad workers [an]
- Age/physical ability [k]

Application could include: 20% fall in market size, factories, cars, (high) productivity/efficient, 400 (workers).

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- (e) The HR Director thinks that ‘a small business cannot survive in this competitive market’. Do you agree with this view? Justify your answer. [6]

**Knowledge [1]** – award 1 mark for identification of relevant issue(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to car industry

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to whether it is possible for small manufacturer to survive in a competitive market

Relevant points might include:

Advantages of being small:

- Able to specialise/cater to niche market [k] so might not need to compete on price [an]
- Small business able to react quicker to change in customer demands [k] for type of car wanted [app]
- Able to offer personal service [k]

Disadvantages of being small:

- Less opportunity for economies of scale/lack capacity [k] in factory [app] so higher unit costs [an]
- High cost of research and development [k] of, for example, ‘greener’ vehicles [app] might be too expensive for their budget [an]
- Can they attract best managers/employees [k] as larger businesses might offer better financial package/security [an]?
- Less visibility as a brand [k] so harder to get recognition/sales [an]
- Lower marketing budgets [k] so struggle to have a large market presence [an]

Application could include: 20% fall in market size, productivity, flow production, (efficient) factories, 400 redundancies, cars or examples of car companies.

Note: Candidate’s final decision can be either for or against the statement.

#### 4 (a) What is meant by an ‘economic boom’? [2]

Clear Understanding [2] – strong rise in level of economic activity OR period of time when GDP rising rapidly.

Some Understanding [1] – e.g. economy doing well (high GDP or rise in level of economic activity or GDP rising) or identifies features of an economic boom

Features might include: low unemployment, rising inflation, resource shortages, high levels of disposable income, high levels of consumer/business confidence.

#### (b) Identify two stages (other than boom) of the business cycle. [2]

**Knowledge [2 × 1]** – award 1 mark for each other stage

Points either:

- Slump/trough
- Growth/recovery/expansion
- Recession/depression/contraction

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(c) Explain how a rise in interest rates might affect Nellis. [4]

**Knowledge [2]** – award up to 2 marks for relevant points [max 2]

**Application [2]** – award up to 2 marks for each relevant explanation in context of Nellis

Relevant points might include:

- Cost of borrowing increases [k] so less incentive to buy building land [app] for houses [app]
- Lower sales/consumers reduce spending [k] as cannot afford luxury/non-essential items [app]
- Increased cost of any current loan/overdraft [k] so profits do not increase [app]
- Higher interest rates attract more savings [k]

Application could include: luxury, (large) houses, economic boom, (increased) profits, building land

Note: Candidates can offer extended development of one point or two separate points to achieve both App marks

(d) Identify two stakeholder groups. Explain why each group is important to this business. [6]

**Knowledge [2 × 1]** – identification of relevant group [max 2]

**Application [2 × 1]** – award 1 mark for each explanation in context of Nellis

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Owner/Shareholders [k] may choose to sell their shares [app] reducing the market value of the company [an]
- Employees OR Managers [k] as they carry out/control the day-to-day operations [an]
- Customers [k] buy what the business make [an] allowing Nellis to increase profit [app]
- Banks/lenders [k] provide an important source of finance [an] which allows the business to take advantage of the economic boom [app]
- Government [k] as their new legal controls on environment [app] might restrict/influence way they operate [an]
- Local community [k] might object to building [app] delaying the start/stop the work [an]
- Pressure groups [k]

Application could include: luxury, (large) houses, economic boom, legal controls/environment, public limited company/sell shares, (increasing) profits, interest rates.

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- (e) The Managing Director believes that the new legal controls to protect the environment will only make businesses (such as Nellis) less profitable. Do you agree? Justify your answer. [6]

**Knowledge [1]** – award 1 mark for identification of relevant issue(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this type of business (construction)

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to whether new environmental laws will make businesses like Nellis less profitable

Relevant points might include:

- Might have to buy pollution permits/pay fines [k] which will increase costs [an] which could increase prices [an] so less houses sold [app]
- Might lead to higher standards [k] this could lead to better reputation [an] which could increase sales [an]
- Might make planning applications more difficult [k] to buy building land [app] which may delay the work [an]
- Might have to buy new machinery/introduce new technique [k] for construction [app]

Application could include: luxury, (large) houses, economic boom, building land, construction.

Note: Candidate's final decision can be either for or against the statement

**Do not** accept profit/profitable as application or analysis as this is stated in the question.

## **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

### **MARK SCHEME for the October/November 2015 series**

#### **0450 BUSINESS STUDIES**

**0450/13**

Paper 1 (Short Answer/Structured Response),  
maximum raw mark 80

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.

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Page 2	Mark Scheme	Syllabus	Paper
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**1 (a) What is meant by a ‘private limited company’? [2]**

Clear understanding [2] e.g. a business whose shares cannot be sold to the general public [2] OR shares only sold to family and friends [2]  
 Some understanding [1] e.g. outlines general features of limited companies e.g. have limited liability/separate legal identity from owners/can sell shares/incorporated

Do NOT accept in private sector/no Government involvement as generic statement also applies to unlimited businesses.

**(b) Calculate the output per employee per week in 2014. [2]**

Application [2]: 32 000 (cans)  
 Some application [1] e.g. total output per week/number of employees OR 800 000/25

**(c) Identify and explain two reasons why calculating the output per employee is important for PYG. [4]**

**Knowledge [2 × 1]** – award 1 mark for each relevant reason [max 2]

**Application [2 × 1]** – award 1 mark for each relevant explanation in context of this business

Reasons could include:

- Has an impacts on unit cost [k] which can help PYG when exporting [app]
- Measures labour efficiency [k] which has fallen by 1000 in a year [app]
- Make comparisons with previous years/other businesses [k]
- Identify training needs [k] for its 25 workers [app]
- Indicate if able to meet orders/staffing levels correct [k] whether needed to hire 5 more employees [app]
- Help calculate wages [k]
- Useful in employee appraisal [k]

Note: do NOT accept motivation

Application marks may be awarded for appropriate use of the following: (metal) cans, appropriate use of data, flow production, exports.

Page 3	Mark Scheme	Syllabus	Paper
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**(d) Identify and explain two possible problems for PYG of using flow production. [6]**

**Knowledge [2 × 1]** – award 1 mark for identification of relevant problem [max 2]

**Application [2 × 1]** – award 1 mark for each way if relevant reference made to this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Boring/lack motivation [k] so might not work as efficiently [an] which could be why 15 workers left [app]
- Significant storage requirements [k] space needed for metal [app] so higher rent [an]
- Cost of storage [k] likely to be high as cans need to be stored safely [app]
- High set up/machinery costs [k] if relocate [app] which means a large capital outlay [an]
- If one machine breaks down whole production line stops [k] so might not be able to meet export orders [app] which could damage reputation [an]
- Inflexible/standard size [k] so not easy to alter production to meet new requests [an]

Application marks may be awarded for appropriate use of the following: metal cans, appropriate use of data, exports, relocate (to other country), productivity.

**(e) Do you think that the benefits of relocating production to another country would be greater than the disadvantages for PYG? Justify your answer. [6]**

**Knowledge [1]** – award 1 mark for identification of relevant issue(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this business

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to whether the benefits of moving production to another country are greater than the disadvantages

Relevant points might include:

- Cost of land/rent might be cheaper/higher [k] as need a large site [an] to install flow system [app]
- Recruitment issues/suitability of workers [k] as found it difficult to replace workers [app] so might have to pay more to get workers [an]
- Distribution/transport issues e.g. road access [k] as most is exported [app]
- Access to raw materials [k] as need a lot of metal for cans [app]
- How important are labour costs in relation to total costs (i.e. what would be saved) [k]
- Legal controls [k] about metals used [app] might restrict/change how operate [an]
- Level/any Government support available [k]
- Communication problems [k] as would need to use different language [an]
- Labour/trade union response [k] at factory [app] once move is announced could impact on ability to meet current orders [an]

Application marks may be awarded for appropriate use of the following: metal, cans, use of data, flow production, exports, difficult to replace workers, factory, productivity.

Note: Candidate's final decision can be either for or against the statement.

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**2 (a) What is meant by ‘tertiary sector’? [2]**

Clear Understanding: [2] e.g. industry which provides/sells services to consumers and/or other sectors of the economy

Some understanding: [1] e.g. provide services plus an example [+1]

Do NOT accept examples on own OR names of businesses.

**(b) Identify two ways (other than training) that Toddles could use to motivate its workers. [2]**

**Application [2 × 1]** – award 1 mark per way

Points might include: fringe benefits (only once), increased pay, bonuses, more responsibility, job enrichment, job rotation, praise

Accept any reasonable suggestion.

Do NOT accept commission as this is not appropriate for this business.

**(c) Identify and explain two advantages to Toddles of having fully trained employees. [4]**

**Knowledge [2 × 1]** – award 1 mark for each relevant advantage [max 2]

**Application [2 × 1]** – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Increased motivation [k] as know how to look after the children [app]
- Improved quality service/image [k] which is important in tertiary sector [app]
- Fewer customer complaints [k] from parents [app]
- Improved customer loyalty [k] as family would use nursery again [app]
- Able to train other employees [k] which might help business become profitable [app]
- Fewer accidents [k]

Application marks may be awarded for appropriate use of the following: (3) children, parents, childcare, tertiary sector, (make business) profitable.

Page 5	Mark Scheme	Syllabus	Paper
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- (d) Identify and explain two possible reasons why profit is important for businesses like Toddles. [6]

**Knowledge [2 × 1]** – award 1 mark for identification of relevant reasons [max 2]

**Application [2 × 1]** – award 1 mark for each way if relevant reference made to this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Source of funds [k] as a sole trader [app] likely to have few other options available [an]
- Reward for risk taking [k] as invested their money in hope of making money [an]
- Inexpensive source of funds [k] as no interest to pay [an] helping keep costs low [app]
- Needed for long term survival [k] as made loss this year [app] it will allow them to continue [an]
- Represents a return on owners' capital [k] as otherwise would invest elsewhere [an]
- Pay employee bonuses [k] to help attract/retain employees [an] so able to keep its employees well-motivated [app]
- Measure of success/performance [k] as indicate/reinforce image of good years trading [an] which could attract parents [app]
- Attract investors/finance [k]

Application marks may be awarded for appropriate use of the following: 2-5 years, trained staff, financial loss, 3 children, parents.

Do NOT accept answers which suggest profit is used to pay for day-to-day expenses or repay loans.

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- (e) Explain two ways in which Toddles could become more profitable. Recommend which way Toddles should use. Justify your answer. [6]

**Knowledge [1]** – award 1 mark for identification of relevant way(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this business

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to which is best option to use

Note: For 6 marks must explain why chosen method is better than the other option

Methods could include:

Ways to increase sales:

- Advertising [k] in parenting magazines [app] which could increase size of target market [an]
- Lower/increase prices [k]
- Widen target market/increase ages accepted [k] so one-year-olds can attend [app]

Ways to cut costs:

- Move location [k] but as its is good location [app] it might lead to fewer customers [an]
- Employ fewer workers [k] so only have 3 [app] which could help lower wage costs [an]
- Make each worker look after more children [k] as currently only look after 3 each [app];

Application marks may be awarded for appropriate use of the following: 2-5 years, trained staff, good location, financial loss, 3 children, toys.

Note: candidates can select 2 ways to increase sales OR 2 ways to cut costs OR one of each way

- 3 (a) What is meant by ‘span of control’? [2]

Clear Understanding [2] – number of subordinates working directly under an individual/manager

Some Understanding [1] – e.g. whom you are responsible for

- (b) What is meant by ‘delegation’? [2]

Clear Understanding [2] – give a subordinate the authority to perform particular tasks/make decisions

Some Understanding [1] – e.g. let workers make decisions

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- (c) Identify and explain two reasons why delegation might be important to businesses like QF Group. [4]

**Knowledge [2 × 1]** – award 1 mark for each relevant reason [max 2]

**Application [2 × 1]** – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Managers cannot do every job [k] especially as they have a wide span of control [app]
- Managers have time to focus on other issues [k] such as how to increase its revenue [app]
- Help motivate employees [k] who could help increase its profit margin [app]
- Help retain employees [k]
- Helps train future managers [k] which might be needed to when/if achieve growth [app]
- Makes use of individual worker's expertise/skills [k]

Application marks may be awarded for appropriate use of the following: relevant use of financial data, computers, televisions, growth objective, wide span of control.

- (d) Identify two stakeholder groups. Explain why each of these stakeholder groups might support QF Group's objective of growth. [6]

**Knowledge [2 × 1]** – award 1 mark for identification of relevant stakeholders [max 2]

**Application [2 × 1]** – award 1 mark for each way if relevant reference made to this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation (i.e. benefit to them/why might support growth objective)

Relevant points might include:

- Employees/managers [k] as more job security as larger business/more jobs created [an]
- Government [k] as gain tax revenue [an] from additional television sales [app]
- Lenders [k] as possible to earn income by lending to QF [an]
- Shareholders [k] if profits increase over \$90m [app] could lead to higher dividends [an]
- Suppliers [k] as QF will need more inventory [an] for increased production of TVs [app]
- Customers [k] will benefit from more availability/wider choice [an] of computers [app]
- Community [k]

Application marks may be awarded for appropriate use of the following: relevant use of financial data, computers, televisions, delegation.

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- (e) Do you think the Finance Director is right to be pleased about the performance of QF Group? Justify your answer using the data in Table 2 and appropriate ratios. [6]

**Knowledge [1]** – award 1 mark for identification of relevant issue(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this business

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to whether Finance Director is right to be pleased about its performance in 2014

Relevant points might include:

- Gross Profit margin fallen [k] by 5% in 2014 [app] as cost of sales increased/prices fallen [an]
- Profit margin improved [k] to 15% [app + an] as better control of fixed costs [an]
- ROCE improved [k] as now 12% [app + an]
- Sales same [k] at \$600 [app] could suggest that market for goods is saturated [an]
- Profit increased [k] by 25% [app + an]

Note: using percentage calculation or ratio award application and analysis. Max 1 for application.

Application marks may be awarded for appropriate use of the following: relevant use of financial data, computers and televisions, growth objective

- 4 (a) What is meant by the ‘private sector’? [2]

Clear Understanding [2] – when a business activities are owned by individuals/groups of individuals.

Some Understanding [1] – e.g. run/controlled by individuals OR not controlled by Government OR profit motive.

For two marks, must have idea of ownership and by whom.

**Do not** accept ‘privately owned’ as does not explain term OR ‘owned by the people’ as it is too vague.

- (b) Identify two limitations of using ‘number of employees’ as a method of measuring business size. [2]

**Knowledge: [2 × 1]** – award 1 mark per limitation.

Points could include:

- Not account for capital intensive business/could be labour intensive
- Could have many part – time employees
- Gives no indication of value/market share/revenue

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- (c) Identify and explain two ways a pressure group might try to influence Xiolom's decision to open the new mine in country G. [4]

**Knowledge [2 × 1]** – award 1 mark for each relevant way [max 2]

**Application [2 × 1]** – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Creating negative publicity/publish information [k] by highlighting external costs [app]
- Demonstrations/protests/rally opposition against the company [k] which could damage its reputation in other countries [app]
- Lobby/send letters to politicians/sign petition [k] to get more legal controls [app]
- Organise customer boycotts [k] lowering demand for this large company [app]

Application marks may be awarded for appropriate use of the following: large (company), 10/other countries, legal controls, external benefits/costs, expand

**Do not** accept references to mines as application as stated in question.

- (d) Identify and explain two ways in which Xiolom might be affected by new legal controls over employment. [6]

**Knowledge [2 × 1]** – identification of relevant points [max 2]

**Application [2 × 1]** – award 1 mark for each way if relevant reference made to this business

**Analysis [2 × 1]** – award 1 mark for each relevant explanation

Relevant points might include:

- Need to provide safety equipment [k] to all miners [app] which could lead to fewer accidents/better reputation [an]
- How advertise jobs [k] so longer to prepare [an] so less time to deal with pressure groups [app]
- Rules over unfair dismissal [k] so not easy to reduce workforce [an]
- Minimum wage laws [k] which could increase the costs [an] as has 8000 workers [app]
- Maximum number of working hours [k] allowed underground [app] so need to employ more workers [an]
- Increased administration costs [k] as more paperwork to be completed [an]
- Make recruitment easier [k] as mining [app] seen as less dangerous than before [an]

Do NOT accept increased costs on own

Application marks may be awarded for appropriate use of the following: 8000 jobs, mining, large company, 10 countries, expand.

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- (e) **The Operations Director believes that because Xiolom creates external benefits it should be allowed to expand. Do you agree? Justify your answer.** [6]

**Knowledge [1]** – award 1 mark for identification of relevant issue(s) [max 1]

**Application [1]** – award 1 mark if relevant reference made to this businesses

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision as to whether if the business creates external benefits it should be allowed to expand

Points might include:

External benefits:

- Create jobs [k] as 8 000 jobs [app] will lower unemployment [an]
- Attract other businesses to area [k]
- Tax receipts [k] which can help fund public services [an]
- Country benefit from training [k]

External costs:

- Pollution [k]
- Use up natural resources [k] as extracting materials [app]
- Most profit leaves the country [k] so country does not receive full benefit of raw materials [an]

Note: Candidate's final decision can be either for or against the statement.

Application marks may be awarded for appropriate use of the following: 8 000 jobs, mining (or extraction), large company, 10 countries, 100 000 employees, pressure groups.

## **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**Cambridge International General Certificate of Secondary Education**

### **MARK SCHEME for the October/November 2015 series**

#### **0450 BUSINESS STUDIES**

**0450/21**

Paper 2 (Case Study), maximum raw mark 80

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Page 2	Mark Scheme	Syllabus	Paper
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- 1 (a) Identify and explain one advantage and one disadvantage to CC of being a public limited company. [8]

Knowledge (2 × 1) – award one mark for each advantage/disadvantage identified

Analysis (2 × 1) – award one mark for an explanation of each advantage/disadvantage

Application (2 × 2) – award two application marks for each advantage/disadvantage

Award one mark for each advantage/disadvantage (maximum of two), such as:

Advantages:

- Raise large amounts of capital through share issue
- No limit to the number of shares sold
- Shares can be sold to the public
- Shares can be sold on the stock exchange
- Limited liability
- Company has separate legal identity for shareholders
- Continuity of company if shareholder dies

Disadvantages:

- Accounts are published
- Risk of takeover
- Divorce between ownership and control
- Loss of control as increased number of shareholders

Award a maximum of three additional marks for **each** advantage/disadvantage – **2 of which must be applied to this context**.

Indicative response:

Shares can be sold on the stock exchange (k) and this means that CC can raise large amounts of capital to finance the building of new factories in other countries (ap). CC will not have to pay interest on this source of finance and so costs of producing camping equipment are lower (ap) as only dividends may be paid when profits are gained (an).

Possible application marks: recognition that the plc is large; business wants to expand; manufactures camping equipment; customers have tents or caravans; merging with a competitor; three factories; capital intensive method of production; camping cooker; prices just below competitors prices; CC share price; takeover; equipment listed from Appendix 1.

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

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- (b) CC needs to communicate a new health and safety regulation to its factory workers. Consider the advantages and disadvantages of each of the following three ways CC could use. Recommend the most effective way to use. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Posters on factory noticeboards	Easily seen by factory workers Cheap to produce Placed in relevant position Remains visible for long period of time	Not seen by other employees May not be noticed Easily removed/damaged Not know whether or not poster has been read
CC website	Seen by a large number of people – all employees Visual images enhances the message Cost to set up (can be argued as a disadvantage)	Only seen if employee accesses the website May not have access to Internet
Text (mobile phone) message to factory workers	Directly reaches worker Send it to multiple people at once	May not be noticed Phone switched off May not own a phone Can be expensive to send out text messages Too easily deleted Communication delays/network errors

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 the most effective method of communication to use. 7–8 marks for some limited judgement shown in recommendation as to the most effective method of communication to use.
Level 2	4–6 marks Detailed discussion of advantages and/or disadvantages of each communication method.
Level 1	1–3 marks Outline of advantages and/or disadvantages of each communication method.

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- Level 1      1 mark for each L1 statement (max of 3 marks) e.g. Posters seen by target workers as they will be in the factory and pass by the noticeboard.
- Level 2      one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Posters seen by target workers as they will be in the factory and pass by the noticeboard. This is a cost effective method to use as the posters will be cheap to produce. However, it will only be seen by factory workers who pass by those particular noticeboards and there may be many workers who are not working near or walk past these noticeboards and will not see the poster. (4 marks for L2 answer).
- Level 3      for L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies the most effective method to use.

Award up to 2 additional marks for relevant application.

Possible application marks: in country X; manufactures camping equipment; three factories; 100 skilled workers in each factory; many machines in factory; not allowed trade union membership; public limited company; equipment listed from Appendix 1.  
There may be other examples in context which have not been included here.

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- 2 (a) CC's Marketing manager wants to carry out market research. Identify and explain two factors which could influence the accuracy of the market research data. [8]

Knowledge [2 × 1] – award one mark for each relevant factor

Analysis [2 × 1] – award one mark for a relevant explanation for each factor

Application [2 × 2] – award two application marks for each factor

Award one mark for each relevant factor (maximum of two), such as:

- Ensuring the information is up-to-date
- Ensuring a suitable size of sample is selected
- Ensuring a suitable sample method is used/aimed at target market
- Ensure the questions on a questionnaire are well phrased
- Check who carried out the research
- Check where the research was carried out
- Check if there was any bias/dishonesty
- Method of market research used

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of how it can be ensured that the information is accurate.

Indicative response:

To ensure the information is up-to-date [k] because if the market research had been carried out a few years earlier then customer camping habits may have changed [an]. The Marketing manager needs to ensure that the information has been carried out recently so it reflects current camping habits (ap) and then CC will know whether the current customers are happy with its camping equipment (ap).

Possible application marks: in country X; manufactures camping equipment; customers have tents or caravans; country Z; camping shops; camping cooker; prices just below competitors prices; equipment listed from Appendix 1; Appendix 2 information such as price of cooker = \$40 or variable cost per cooker = £20.  
There may be other examples in context which have not been included here.

Page 6	Mark Scheme	Syllabus	Paper
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- (b) CC's bestselling product is a good quality camping cooker which is similar to those produced by competitors. Explain how each of the following three elements of the marketing mix could be used to market CC's camping cooker. Justify why each element is important to the success of this product. [12]

Relevant points might include:

Price	Competitive pricing as they have several competitors Need to make sure costs are covered – cost plus pricing Psychological pricing – e.g. \$39.99 Penetration pricing – to enter new market
Promotion	Posters on campsite noticeboards Discount vouchers in specialist camping magazines Advertise on holiday company websites Examples of promotional offers e.g. buy camping cooker and get another item free
Place	CC equipment is sold through camping shops Could be sold direct to customers through the website Sell through other outlets as well as camping shops Open new stores near camping sites/activity centres

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

	Knowledge/Analysis/Evaluation
Level 2	4–10 marks  Detailed discussion of each of the elements of the marketing mix.  Developed reasoning for the course of action suggested  Justification of why the description of the element of the marketing mix will lead to successful sales of the camping cooker.
Level 1	1–3 marks Outline the elements of the marketing mix.

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- Level 1      1 mark for each L1 statement (max of 3 marks) e.g. Competitive pricing
- Level 2      one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 10 marks) e.g. Competitive pricing needs to be used with the marketing of the camping cooker as there are many competitors and so CC cannot have very different prices to the other cookers. (4 marks for L2 answer).

Award up to 2 additional marks for relevant application.

**NB – do not reward Cooker as an application mark as it is mentioned in the question.**

Possible application marks: in country X; loyal customers, need to maintain our competitiveness; manufactures camping equipment; customers have tents or caravans; selling into country Z; camping shops; prices just below competitors prices; equipment listed from Appendix 1; Appendix 2 information such as price of cooker = \$40 or variable cost per cooker = £20.  
There may be other examples in context which have not been included here.

Page 8	Mark Scheme	Syllabus	Paper
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**3 (a) Identify and explain two benefits to CC workers of joining a trade union. [8]**

Knowledge [2 × 1] – award one mark for each relevant benefit

Analysis [2 × 1] – award one mark for a relevant explanation for each benefit

Application [2 × 2] – award two application marks for each benefit

Award one mark for each relevant benefit (maximum of two), such as:

- Gives strength in numbers/collective bargaining so more likely to achieve demands
- Provides services such as insurance
- Improved pay
- Improved working conditions/health and safety
- Representation in grievances
- Represents the views of the workers
- Advice can be given if the worker has problems
- Legal support if the worker has problems
- Access to training/education
- Social activities/clubs
- Unions membership benefits e.g. discounts

Award a maximum of three additional marks for **each** explanation of the benefits – **2 of which must be applied to this context.**

Indicative response:

Being a member of a trade union gives strength in numbers so workers are more likely to achieve their demands [k] rather than if one worker tries to achieve the demands on their own (an). At the moment CC does not allow a worker to be a member of a trade union (ap). Production workers are only paid low wages and they may want to be members of a trade union in order to gain a pay rise (ap).

Possible application marks: paid lower wages than wages paid to workers in similar businesses; part-time workers; use machinery in the factory; in country X; manufactures camping equipment; merging with a competitor; three factories; 100 skilled workers in each factory; capital intensive method of production; not allowed trade union membership; country Z; camping cooker; public limited company; takeover; equipment listed from Appendix 1.  
There may be other examples in context which have not been included here.

Page 9	Mark Scheme	Syllabus	Paper
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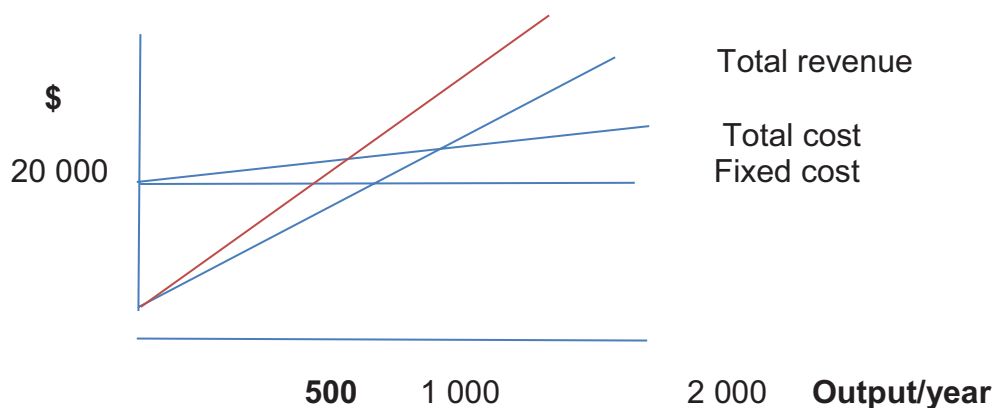
- (b) Show what happens to the break-even point for each of the following options by drawing on each chart. Consider these two options for increasing the profitability of the camping cooker. Recommend which option the directors should choose. Justify your answer. [12]

**Option 1 – Increase the price of the camping cooker to \$60**

$$B/E = \$20\,000/(\$60 - \$20) \text{ (L1)} = 500 \text{ (L2)}$$

Revenue increases to \$120 000 – difference of \$40 000 (L1)

B/E at a lower output – increase profit – But – will sales be maintained with higher price?

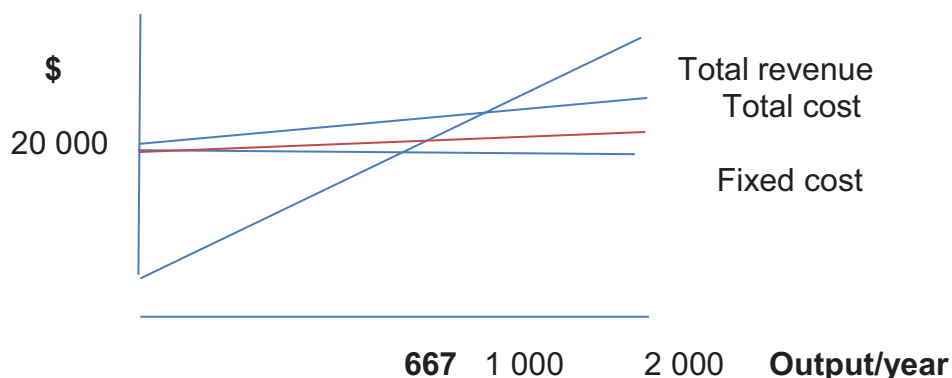


**Option 2 – Decrease the variable cost of the camping cooker to \$10**

$$B/E = \$20\,000/(\$40 - \$10) \text{ (L1)} = 667 \text{ (accept 666) (L2)}$$

Variable cost decreases to \$20 000 – difference of \$20 000 (L1)

B/E at a lower output – takes longer to gain higher profit – But – cheaper materials may reduce quality



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

	Knowledge/Analysis/Evaluation
Level 3	<b>Correct break-even calculations of output for both options +</b>  9–10 marks for well justified recommendation as to the best option to choose. 7–8 marks for some limited judgement shown in recommendation as to the best option to choose.
Level 2	4–6 marks Break-even level of output correctly calculated. Comments on what happens to the break-even output/profitability. Recommendation but no correct break-even output calculated.
Level 1	1–3 marks States about the options and what will happen to the break-even output/profitability.

- Level 1      1 mark for each L1 statement – increased price may lead to increased profit. (max of 3 marks)
- Level 2      one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation. (max 6 marks) Break-even output of option 1 is 500. (L2)
- Level 3      For L3 to be awarded there needs to be both break-even outputs correctly calculated and then a recommendation which justifies which is the best option to choose.

**Award up to 2 marks for application – one mark for each correct line on the graphs (label not required)**

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- 4 (a) Identify and explain one advantage and one disadvantage to CC of employing skilled workers in the factories. [8]

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 two), such as:

Advantage	Increased productivity/More efficient Less training required/Reduced training costs Reduces supervision Can train other workers High quality products Fewer errors/Less waste
Disadvantage	Higher wages paid Increased wage costs May be more difficult to recruit Skilled workers may be specialised in just one area/less flexible

Award a maximum of three additional marks for **each** advantage/disadvantage – **2 of which must be applied to this context**.

Indicative response:

Employing skilled workers will increase labour productivity (k) and this means there will be a greater number of camping cookers produced (ap) and at a lower unit cost (an). This may lead to higher profits and higher dividends paid to shareholders (ap).

Possible application marks: loyal customers, need to maintain competitiveness; other businesses may pay higher wages to attract these workers; business wants to expand; many machines used in factory; part-time workers; in country X; manufactures camping equipment; three factories; 100 skilled workers in each factory; capital-intensive method of production; not allowed trade union membership; country Z; prices just below competitors prices; public limited company; takeover; equipment listed from Appendix 1. There may be other examples in context which have not been included here.

Page 12	Mark Scheme	Syllabus	Paper
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- (b) CC wants to expand into country Z and has the choice of merging with a competitor in country Z or setting up its own factory in country Z. Consider these two options and recommend which one CC should choose. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Merging with a competitor in country Z	Already established in the market Know target market well Existing workforce of competitor has necessary skills No need to build own factory May be cheaper	Less control over other company May be disagreements between staff in the two firms May incur redundancy costs
Setting up its own factory in country Z	Choose location etc. New equipment will be up to date Choose own staff Government support	Little knowledge of new market May be different culture Costs of setting up may be more expensive Need to recruit new staff

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 the best way to increase sales compared to the other way.  7–8 marks for some limited judgement shown in recommendation as to the best way to increase sales.
Level 2	4–6 marks Detailed discussion of advantages and/or disadvantages of each option.
Level 1	1–3 marks Outline of advantages and/or disadvantages of each option.

Page 13	Mark Scheme	Syllabus	Paper
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- Level 1      1 mark for each L1 statement (max of 3 marks) e.g. The company is already established in the market.
- Level 2      one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. The company is already established in the market therefore it will be familiar with the culture and trends in the camping market in country Z. This will save CC time and money in carrying out market research as it will not need to do this. (4 marks for L2 answer + 1 application mark for mentioning trends in the camping market in country Z).
- Level 3      For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which option CC should choose.

**Award up to 2 additional marks for relevant application.**

Possible application marks: existing business is already large; set up 20 years ago; in country X; manufactures camping equipment; three factories; 100 skilled workers in each factory; capital intensive method of production; not allowed trade union membership; public limited company; equipment listed from Appendix 1; Government grants available; similar range of camping equipment.  
There may be other examples in context which have not been included here.

# **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**Cambridge International General Certificate of Secondary Education**

## **MARK SCHEME for the October/November 2015 series**

### **0450 BUSINESS STUDIES**

**0450/22**

Paper 2 (Case Study), maximum raw mark 80

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.

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0450	22

- 1 (a) RRM is a small business. Identify and explain two reasons why RRM might remain small. [8]

Knowledge [2 × 1] – award one mark for each 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:

- Lack of demand/market size
- Owner wants the business to remain small/owner objective
- Lack of capital for investment
- Offers a personal service
- Close contact with customers
- Close contact with employees
- Wants to keep the business in family ownership/control
- Easier to control
- Less stressful

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context**.

Indicative response:

A lack of demand (k) as the motorbikes may not have a large number of potential customers in the local area (ap). Without a large demand there is no point in trying to expand (an) to sell large number of motorbikes and so the business will remain small (ap).

Possible application marks: sole trader; motorbikes; bikes; family owned business; started 15 years ago; cannot afford to buy car; located 100km from Main City; 10 workers employed; repair, sell and deliver motorbikes; customers are mainly young men; Rafael's son is taking over the business.

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

Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0450	22

- (b) Rafael thinks he could increase his sales by using market segmentation. Consider the advantages and disadvantages of each of the following methods to segment the market. Recommend which method he should use. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Age	Easy to segment the market Can target different age groups with different products Different styles/models appeal to different ages	Other age groups may be omitted from sales as advertising is not seen by them Particular age groups may not like the same models/income levels different
Income group	Can target lower and higher income groups with different prices/quality Targeting promotion at these groups makes it more effective	Lower income groups may not be able to afford the motorbikes Other income groups may not buy the motorbikes as do not know about them
Gender	Males already the main customers Change designs to appeal to both genders Advertising made to appeal to male interests	Lose a large potential market as feel the product is not for them Half the population are women and not being targeted at the moment Expensive to stock different models to target different segments

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 the most effective method to segment the market and a comparison justifying why the alternative methods are rejected.  7–8 marks for some limited judgement shown in recommendation as to the most effective method to segment the market.
Level 2	4–6 marks Detailed discussion of a range of advantages and disadvantages of age, income and gender groups as methods to segment the market.
Level 1	1–3 marks Outline of advantages and disadvantages of age, income and gender groups as methods to segment the market.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Promotion targets young age groups

<b>Page 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
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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. Promotion targets young age groups which are most likely to be customers of RRM. By targeting a particular age group the advertising is likely to be effective and put in places which are seen by the target age group that will lead to increased sales of motorbikes. (4 marks for L2 answer + 1 application mark for mentioning young age groups and motorbikes).

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: motorbikes; located 100 km from Main City; repair, sell and deliver motorbikes; customers are mainly young men; imports high quality motor bikes; wants to open a new showroom; cars; scooters; bicycles; reference to population statistics from appendix 1; financial information from appendix 2; accessories for motorbike riders.  
There may be other examples in context which have not been included here.

**2 (a) Rafael's son wants to know more about motivating employees. Identify and explain four levels of Maslow's hierarchy of needs as they might apply to Rafael's employees.**

**[8]**

1 mark for each level of the hierarchy named plus 1 mark for explanation of the level possibly applied to this business.

Level	Explanation of the level including examples in context
Physiological/Basic needs	Obtaining food, paying for essentials – Rafael pays his workers well
Safety/security needs	Feeling secure in job – not likely to lose job – good working conditions – business well established – 15 years – workers remain in the business for many years. Health and safety training provided
Social needs /love and belonging	Working in a team with colleagues – Rafael is a democratic leader – only 10 workers so have close working relationship
Esteem needs	Given recognition for job well done – praised – Rafael seeks workers views – paid high wages
Self-actualisation	Realising full potential – promotion giving new job assignments – workers feel valued and appreciated as shown by Rafael's concern to maintain motivation

Indicative response:

Physiological needs (1) which requires wages to be high enough to meet weekly bills and his workers are paid well (1).

Page 5	Mark Scheme	Syllabus	Paper
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- (b) Rafael wants to recruit a new employee to help repair motorbikes. Consider how important each of the following factors are when choosing between the applicants for the job. Which is the most important factor? Justify your answer. [12]

Relevant points might include:

Age	Young may not have any training or experience but willing to learn/older workers may be more experienced; age they are legally allowed to work
Experience	If experienced then training costs saved but may not be trained in the skills wanted by Rafael; becomes effective in the business faster; more ideas gained from previous work places; workers will expect higher wages.
Reason for leaving last job	If left last job because of inefficiency then will not want to recruit them but this may not be fair and may be as a result of a personality clash; bad attitude cannot be changed easily

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 judgement shown in conclusion comparing the most important factor when choosing between job applicants and why other factors are less important.  7–8 marks for some limited judgement shown in conclusion of the most important factor when choosing between job applicants.
Level 2	4–6 marks Detailed discussion of why each of the factors affects who is recruited or balanced discussion of benefits and drawbacks of using each factor
Level 1	1–3 marks Outline of how each of the factors affects who is recruited

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. If the applicant is experienced then training costs may be saved.

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 the applicant is experienced then training costs are saved but they may not be trained in the skills of repairing motorbikes which is what is wanted by Rafael. (4 marks for L2 answer).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a well justified conclusion as to which factor is the most important when recruiting a new employee.

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Award up to 2 additional marks for relevant application.

Do NOT reward motorbikes as this is in the question.

Possible application marks: sole trader; sell and deliver motorbikes; customers are mainly young men; imports high quality motor bikes; wants to open a new showroom.

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

**3 (a) Complete the two different forms of presentation shown below for the population data in Appendix 1. Explain the advantages of each form of presentation. [8]**

2 marks for each form of presentation correctly plotted = 1 mark for accuracy and 1 mark for correct labelling of the chart.

Plus 2 additional marks for explaining why it is suitable to use for this data.

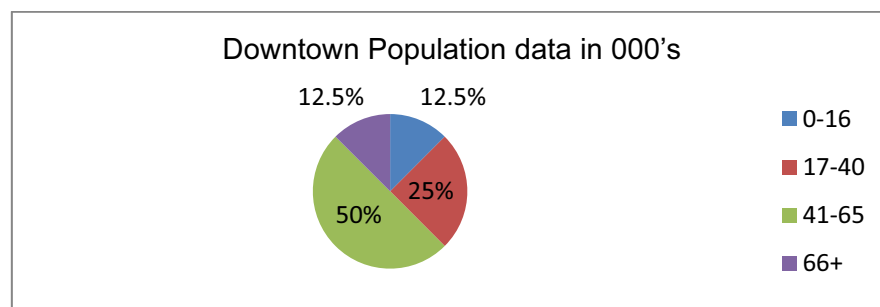
e.g.:

A **pie chart** shows the proportion or percentage of each age group (1) and this clearly shows which age group has the highest proportion or the smaller proportion in the total population (1).

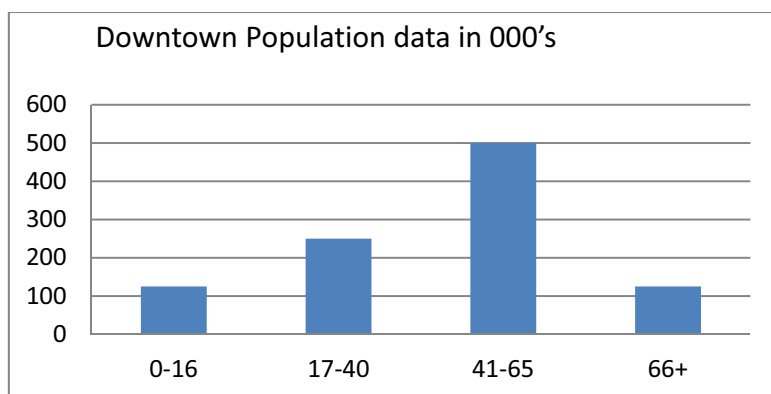
A **bar chart** is suitable to show the different numbers of the population information (1). It makes it easier to distinguish between the highest categories and the lowest categories of the population statistics (1).

Downtown Population data in 000's:

Age	0–16	17–40	41–65	66+
Number of people	125	250	500	125



*NB – accept 12%/13%/12.5% for 0–16 and 66+*



- (b) Do you think Rafael should be pleased with the profitability of his business in 2014? Use the data in Appendix 2 (including appropriate ratios) to justify your answer. [12]**

Relevant points might include:

	2013	2014	
Gross Profit Margin	66.66%	75%	
Profit (net) margin	16.66%	12.5%	= \$500 000 for both years (L1)
ROCE	25%	25%	

	Knowledge/Application/Analysis/Evaluation
Level 3	<p>At least 2 × Level 2 correct calculations + 9–10 marks for well justified conclusions as to whether Rafael should be pleased with the profitability of the business.</p> <p>7–8 marks for some limited judgement shown in conclusion as to whether Rafael should be pleased with the profitability of the business.</p>
Level 2	<p>4–6 marks</p> <p>Calculation of profitability ratios</p>
Level 1	<p>1–3 marks</p> <p>Outline of what is meant by the profitability ratios or statements on the differences in the figures in Appendix 2.</p>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. yes because Rafael has an increase in sales revenue.

Level 2 – 1 × L2 calculation can gain 4 marks and a further mark can be awarded for each additional L2 calculation (max 6 marks) e.g. the gross profit margin in 2014 is 75%. (4 marks for L2 answer)

Level 3 – For L3 to be awarded there needs to be at least two L2 calculations awarded and then a well justified conclusion as to whether Rafael should be pleased with the profitability of the business.

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Award up to 2 additional marks for relevant application.

Possible application marks: sole trader; motorbikes; repair, sell and deliver motorbikes; customers are mainly young men; imports high quality motor bikes; wants to open a new showroom; wants to expand the business.

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

**4 (a) Identify and explain the possible effects on Rafael's business of each of the following:**  
[4 + 4]

Knowledge [2 × 1] – award one mark for each relevant effect

Analysis [2 × 1] – award one mark for a relevant explanation for each effect

Application [2 × 2] – award two application marks for each effect

Award one mark for each possible effect (maximum of two), plus up to three additional marks for the explanation of each effect – **2 of which must be applied to this context.**

- (i) **Import quota on motorbikes** – fixed quantity allowed to be imported (k) – leads to a shortage of imported motorbikes (ap) which leads to higher prices of imported higher quality (ap) motorbikes and so the motorbikes sold by RRM which are domestically produced will increase (an).
- (ii) **An appreciation of country X's currency** – imports become cheaper (K) leading to imported motorbikes and motorbike parts becoming cheaper for Rafael to buy (ap). The price of repairs and bikes could be reduced (an) leading to higher sales and making it easier to expand the business (ap).

Do NOT award application for motorbikes alone and country X as they are in the question.

Possible application marks: sole trader; repair, sell and deliver motorbikes; customers are mainly young men; imports high quality motor bikes; wants to expand and open a new showroom; statistics from appendix 1; financial information from appendix 2; planning to expand the business; locally produced motorbikes of lower quality.

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

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- (b) Rafael wants to open another showroom in Main City. He has two options as outlined in Appendix 3. Consider the advantages and disadvantages of each option for RRM. Recommend which location Rafael should choose. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Option A – near Main City	(Low rent) = low fixed cost (Housing nearby) = workers/customers live nearby (No other shops nearby) = no competition in the area – easier to make sales (Grants available) = contribute to start-up costs (High unemployment) = easy to recruit workers – wages kept lower	(High unemployment) = means incomes low leading to low demand (High crime rate) = leading to high security costs – deters customers from visiting the area
Option B – in the centre of Main City	(Near to other shops including competitors) = high footfall – high demand in the area (Good transport links) = easy access encourages customers to visit area (Free car parking nearby) = encourages customers to visit the area (Good security/low crime) = lower security costs – less likely to have damage/theft	(High rent) = high expenses (Centre of city) = not easy access to delivery lorries

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 the best location to choose compared to the alternative.  7–8 marks for some limited judgement shown in recommendation as to the best location to choose.
Level 2	4–6 marks Detailed discussion of advantages and/or disadvantages of each option.
Level 1	1–3 marks Outline of advantages and/or disadvantages of each option.

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Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Rent is high which leads to high costs

Level 2 – 1 x L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Rent is high which leads to high costs. This might mean the price of motorbikes has to be higher and so less competitive. However, the shop is in the centre of the city which will have a high footfall and therefore higher sales. (4 marks for L2 answer + 1 application mark for referring to motorbikes).

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 option to choose.

Award up to 2 additional marks for relevant application.

Do NOT reward showroom in Main City as it is in the question

Possible application marks: sole trader; motorbikes; started 15 years ago; located 100 km from Main City; repair, sell and deliver motorbikes; customers are mainly young men; imports high quality motor bikes; financial information from appendix 2; location information from appendix 3.  
There may be other examples in context which have not been included here.

## **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

### **MARK SCHEME for the October/November 2015 series**

#### **0450 BUSINESS STUDIES**

**0450/23**

Paper 2 (Case Study), maximum raw mark 80

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0450	23

- 1 (a) Identify and explain two objectives which Joey and Jennifer could set for the business.

[8]

Knowledge [2 × 1] – award one mark for each relevant objective

Analysis [2 × 1] – award one mark for a relevant explanation for each objective

Application [2 × 2] – award two application marks for each objective

Award one mark for each relevant objective (maximum of two), such as:

- To survive
- To make a profit
- To grow the business/expansion
- To increase market share
- To produce a quality product
- To increase sales/revenue
- To create a good brand image

Award a maximum of three additional marks for **each** explanation of these objectives – **2 of which must be applied to this context**.

Indicative response:

To make a profit (k) as Joey and Jennifer have invested their own money into setting up the business as a partnership (ap) they will want a return on the investment as their money is at risk (an). This is because the business idea is new and does not have a market yet and so there is a risk that they could lose their money (ap).

Possible application marks: partnership; tent manufacturing; set up 2 years ago; young people backpacking; train new workers; 20 production workers and two office workers; quickly expand the factory; lightweight fabric to make the tent; new design; two person and four person tent; priced just above the cost of production/cost-plus pricing; superior quality to competitors' tents; growing market; sales of TP products is increasing.

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

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- (b) Joey and Jennifer will need to finance the expansion plans for the factory. Consider the advantages and disadvantages of the following three sources of finance they could use. Recommend the best source to choose. Justify your choice. [12]

Relevant points might include:

	Advantages	Disadvantages
Bank loan	Fixed repayments Pay back over a long time Can be cheaper rate of interest than other forms of borrowing	Interest paid increases cost Relatively new business so may not be granted the loan
Take on another partner	Additional capital No need to pay it back Someone to share the risk and possible losses	Needs to share profits May not agree with the partner Responsible for actions of other partners
Retained profits	No interest paid Accessible straight away No need to draw up a business plan to obtain it	Little retained profit available as only been formed 2 years ago Less return initially on the investment for the owners

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

	Knowledge/Analysis/Evaluation
Level 3	At least 2 x Level 2 + 9–10 marks for well justified recommendation as to the most effective source of finance to use.  7–8 marks for some limited judgement shown in recommendation as to the most effective source of finance to use.
Level 2	4–6 marks Detailed discussion of the advantages and/or disadvantages of the sources of finance.
Level 1	1–3 marks Outline of the advantages and/or disadvantages of the sources of finance.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Retained profit is a good source of finance as it does not require any interest to be paid.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. Retained profit is a good source of finance as it does not require any interest to be paid and so it is a cheap form of finance. However, as TP has only been set up for two years then it is unlikely to have much, if any, retained profit available for investment. (4 marks for L2 answer + 1 application mark for mentioning only been set up for two years).

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 source of finance to use.

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Award up to 2 additional marks for relevant application.

Possible application marks: partnership; tent manufacturing; set up 2 years ago; superior quality to competitors' tents; financial information from appendix 2; quickly expand the business; small business; unlimited liability for the partnership; three partners after taking on another partner.

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

- 2 (a) Identify and explain four suitable ways Joey could communicate with his employees if he wants them to work extra hours to complete an urgent order. [8]**

Application [4 × 1] – award one application mark for suitable each way to communicate

Analysis [4 × 1] – award one explanation mark for each relevant way to communicate

Award one mark for each relevant way (maximum of four), such as:

- Telephone
- Text
- Email
- Memo
- Face-to-face
- Tannoy

Award a maximum of one additional mark for **each** explanation of these ways.

Indicative response:

Telephone [ap] would be a good method as Joey will know straight away if the worker has got the message and whether they can work or not (an).

- (b) Jennifer wants to increase sales. Consider the advantages and disadvantages of each of the following three pricing strategies TP could use to increase sales. Recommend which is the best pricing strategy for TP to use. Justify your answer. [12]**

Relevant points might include:

	Advantages	Disadvantages
Cost plus	Easy to apply	Lose sales if price is a lot higher than competitors' prices
Competitive	Sales are likely to be high	Research costs to find competitors' prices
Skimming	Helps establish an image of high quality	High price may put off potential customers

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

	Knowledge/Analysis/Evaluation
Level 3	<p>7–10 marks</p> <p>At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best pricing strategy to use.</p> <p>7–8 marks for some limited judgement shown in recommendation as to the best pricing strategy to use.</p>
Level 2	<p>4–6 marks</p> <p>Detailed discussion of advantages and disadvantages of each pricing strategy.</p>
Level 1	<p>1–3 marks</p> <p>Outline of advantages and disadvantages of each pricing strategy.</p>

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. easy to apply and work out cost plus pricing.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. Easy to apply cost plus pricing as they just need to work out the cost of making each tent and then add a percentage mark-up. This ensures that all costs are covered but it may lead to a higher price than competitors' tents and therefore lead to lower sales of the new tent. (4 marks for L2 answer + 1 application mark for mentioning the new tent).

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 pricing strategy to use.

Award up to 2 additional marks for relevant application.

Possible application marks: tent manufacturing; set up 2 years ago; young people backpacking; quickly expand the business; lightweight fabric to make the tent; new design; easy to carry; priced just above the cost of production; stay in hotels and hostels; campsites; older people travelling; superior quality to competitors' tents; claims to be the best tent available.

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

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- 3 (a) Identify and explain two leadership styles which would be suitable for Joey to use with the production workers. [8]

Knowledge [2 × 1] – award one mark for each relevant leadership style

Analysis [2 × 1] – award one mark for a relevant explanation of each leadership style

Application [2 × 2] – award two application marks for each leadership style

Award one mark for each leadership style (maximum of two), such as:

- Autocratic
- Democratic
- Laissez-faire

Award a maximum of three additional marks for **each** explanation of these leadership styles – **2 of which must be applied to this context.**

Indicative response:

Autocratic leadership style [k] because factory workers will need to be told what to do (ap). When they are making tents Joey will have to keep a close control of the production of tents (ap) otherwise the efficiency of the business may fall and costs will rise (an).

Possible application marks: partnership; tent manufacturing; train new workers; 20 production workers and two office workers; quickly expand the business; new design of tent; superior quality to competitors' tents; inexperienced workers; factory workers.

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

- (b) Refer to the cash flow forecast in Appendix 2.

- (i) Calculate values for W,X,Y and Z and write your answers below. [4]

W = \$60 000

X = (\$10 000)

Y = \$5 000

Z = (\$30 000)

1 mark for each correct answer.

- (ii) Consider two ways of improving the cash flow position. Recommend the best way for Jennifer to improve the cash flow over the next six months. Justify your answer. [8]

Relevant points might include:

Increase the cash inflows – e.g. increase cash sales; put in more of own money

Reduce the cash outflows – e.g. reduce fixed costs; obtain trade credit

***The answer should not refer to profit or loss – the focus is purely cash flow. Solutions should be realistic for a sixth month period, i.e. not long term solutions***

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Knowledge/Analysis/Evaluation – award up to 8 marks using the levels-based mark scheme below.

	Analysis/Evaluation
Level 3	7–8 marks Recommendation of the best way to improve the cash flow position.
Level 2	4–6 marks Detailed discussion of how to improve the cash flow position and make it clear how the suggested way would be effective.
Level 1	1–3 marks Outline of how to improve the cash flow position.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Increase the cash sales

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 8 marks), e.g. the amount of cash flow at the end of each month is decreasing as the outflows are greater than the inflows in January through to June and so the business needs to find ways to increase the cash sales in these months to increase the inflows. (4 marks for L2 answer).

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 way to improve the cash flow position.

**4 (a) Identify and explain two possible reasons why TP could fail.**

**[8]**

Knowledge [2 × 1] – award one mark for each relevant reason

Analysis [2 × 1] – award one mark for a relevant explanation of each reason

Application [2 × 2] – award two application marks for each reason

Award one mark for each relevant reason (maximum of two), such as:

- Poor management
- Failure to plan for change
- Poor financial management
- Over-expansion
- Lack of demand for new product
- Cash flow problems
- Substitutes become available – reducing demand
- High levels of competition

Award a maximum of three additional marks for **each** explanation of these reasons – **2 of which must be applied to this context.**

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Indicative response:

Joey and Jennifer have little management experience [k] as they only started the business two years ago (ap). They have developed a new style of tent but they may not have fully researched the market (ap) due to their lack of business experience and therefore the tent may not attract sufficient demand and TP will fail (an).

Possible application marks: partnership; tent manufacturing; set up new business 2 years ago; young people backpacking; quickly expand the business; priced just above the cost of production/cost-plus pricing; stay in hotels and hostels; campsites; financial information from appendix 2.

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

- (b) To expand the business in the future Joey and Jennifer need to decide whether to use niche marketing or mass marketing. Consider the advantages of each of these methods. Recommend whether they should use niche marketing or mass marketing in the future. Justify your answer. [12]**

Relevant points might include:

	Advantages
Niche marketing	TP products better match to customer needs whereas competitors' products may be aimed at mass markets Appeals to a specific type of customer
Mass marketing	Mass marketing usually has a large number of potential customers Targets a wide market Lower unit advertising costs

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

	Knowledge/Analysis/Evaluation
Level 3	At least 2 x Level 2 + 9–10 marks for well justified recommendation as to whether to use mass marketing or niche marketing.  7–8 marks for some limited judgement shown in recommendation as to whether to use mass marketing or niche marketing.
Level 2	4–6 marks Detailed discussion of niche marketing and/or mass marketing.
Level 1	1–3 marks Outline of niche marketing and/or mass marketing.

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Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Targets a wide market.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. Targets a wide market. If the tent can be standardised to suit all types of campers then it will appeal to a larger market than just backpackers. This will mean that production and sales can be a lot higher than if the tent is just targeted at a niche market. (4 marks for L2 answer + 1 application mark for mentioning backpackers and tents).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies whether they should use niche marketing or mass marketing in the future.

Award up to 2 additional marks for relevant application.

Possible application marks: tent manufacturing; young people backpacking; quickly expand the business; lightweight fabric to make the tent; two person and four person tent; easy to carry; priced just above the cost of production/cost-plus pricing; campsites; older people travelling; superior quality to competitors' tents; TP is a small business; new type of tent designed.

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