

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the March 2016 series

0450 BUSINESS STUDIES

0450/12

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.

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1 (a) What is meant by ‘economy is in recession’? [2]

Clear understanding [2]: e.g. – a sustained (over a period of time) reduction in GDP / output.
Some understanding [1] – e.g. fall in GDP OR identify effects of recession e.g. high unemployment, less spending.

Note: need reference to idea of ‘sustained’ or ‘over time’ for both marks.

(b) Identify two non-financial methods that SF might use to motivate employees. [2]

Application [2 × 1] – one mark per method

Methods might include:

- Job rotation
- Job enrichment
- Job enlargement
- Team working
- Praise
- Employee of month awards

Accept any reasonable answer that is appropriate for a manufacturing business

Do not accept any financial methods such as pay rises, bonuses, shares, pension, commission as this does not answer question

(c) Identify and explain two advantages to SF of using profit sharing. [4]

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

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

Relevant points might include:

- Motivate workers / improve efficiency [k] so workers help business remain successful [app]
- Creates team spirit/sense of belonging/common goal [k] so workers may accept changes to working practices [app]
- Improve employee loyalty/retention [k] so few workers leave each year [app]
- Help attract new employees [k]

Note: benefits should be for SF not employees

Application marks may be awarded for appropriate use of the following: few workers leave, weekly newsletter, 200 full-time employees, new ways of working, pickles or jams or related words

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(d) Identify and explain two advantages to SF of few employees leaving each year. [6]

Knowledge [2 × 1] – award 1 mark for each advantage identified

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

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

Relevant points might include:

- Saves time [k] so managers can focus on other issues [an]
- Better reputation [k] can help attract workers [an] especially if SF keeps expanding [app]
- Lower recruitment costs [k] do not need to advertise for people [an] to make jam [app]
- Lower training costs [k] as workers already know what to do [an]
- Keep expertise/knowledge [k] which may not be easy to replace [an] helping SF become successful [app]

Application marks may be awarded for appropriate use of the following: weekly newsletter, 200, full-time, new ways of working, pickles or jams or related words

(e) Do you think a newsletter is the best way for SF to communicate with employees? Justify your answer. [6]

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

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 made as to whether a newsletter is the best way to communicate with employees. Either viewpoint is acceptable.

Relevant points might include:

- Contains a lot/detailed information [k] can read/refer to when want [an]
- Workers familiar with approach [k] as few workers leave [app] so can easily find out what they need to know [an]
- Is information up-to-date? [k] only published weekly [app] so cannot react quickly [an]
- Other alternatives/new technology now available [k] which might be more suitable as the business is now larger [app]
- No two-way communication/feedback [k]

Application marks may be awarded for appropriate use of the following: few workers leave, weekly, printed, 200, full-time, new ways of working, pickles or jams or related words

2 (a) What is meant by a ‘non-current asset’? [2]

Clear understanding [2]: e.g. resources owned by business to use for more than one year

Some understanding [1]: e.g. things that are owned OR last for more than a year

Some understanding plus example (e.g. buildings) can gain 2 marks

Do not credit ‘fixed asset’ or examples on own as this does not explain the term

(b) Calculate the acid test ratio in 2016. [2]

Good Application [2] e.g. correct answer = 0.6: 1 or 0.6

Some application [1] e.g. Current assets – inventory/ current liabilities [1] or 120 / 200

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(c) Identify and explain two reasons why Dhoni has trade receivables. [4]

Knowledge [2 × 1] award 1 mark for each reason

Application [2 × 1] award 1 mark for each explanation in context

Relevant points might include:

- Marketing strategy [k] encouraging hotels to buy more [app]
- Customers expect credit/time to pay [k] if they buy from its shop [app]
- Customers may have cash flow problems [k] so late paying for kitchen equipment [app]

Application marks may be awarded for appropriate use of the following: use of numbers, successful company, small / 5 shops, restaurants and hotels, kitchen equipment or related words such as knives and cooking pots

(d) Identify two stakeholder groups (other than shareholders) and explain how they might use Dhoni's accounts. [6]

Knowledge [2 × 1] – award one mark for each relevant group identified [max 2]

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

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

Relevant points might include:

- Management [k] as ROCE increased by 2% [app] know performance improved [an]
- Employees [k] as potential for pay increase/bonus [an] from a successful business [app]
- Lenders / bank [k] so know if able to repay capital/interest [an] when borrowing for non-current assets [app]
- Suppliers [k] as current ratio fallen [app] may be more risky to sell stock to Dhoni [an]
- Government [k] to see how much tax revenue they might expect [an]

Do not accept 'owner' or 'investor', as these are the same as shareholders

Application marks may be awarded for appropriate use of the following: use of numbers, successful company, small / 5 shops, restaurants and hotels, kitchen equipment or related words such as knives and cooking pots

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(e) Do you think the takeover would benefit Dhoni's shareholders? Justify your answer.[6]

Knowledge [1] – award 1 mark for identification of relevant factor / 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 × 1] – justified decision made as to whether the takeover would benefit Dhoni's shareholders.

Relevant points might include:

- Could lead to more sales / profits [k] as one less competitor [app] could mean higher dividend [an]
- Increase in share price/money made from sale of shares [k]
- Larger company might mean more secure investment / more capital to invest [k]
- ROCE increased [k] by 2% [app] so profitability has improved [an]
- Price offered is more than net assets [k] by \$100 000 [app] so shareholders receive more than value of business [an]
- Depends on objectives [k] already successful so how would takeover benefit them? [app]
- Level of influence [k] as likely to have less say in larger company [an]

Application marks may be awarded for appropriate use of the following: use of numbers, successful company, small / 5 shops, restaurants and hotels, kitchen equipment or related words such as knives and cooking pots

3 (a) Identify two features of a private sector business. [2]

Knowledge [2 × 1] award 1 mark for each feature identified

Points might include: not Government owned / run by individuals, profit motive, finance arranged by owners

Do not accept non generic features e.g. unlimited or limited liability, cannot sell shares

(b) What is meant by 'quality assurance'? [2]

Good knowledge [2]: e.g. checking standards [1] throughout production process/at every stage/level [+1]

Some knowledge [1]: e.g. checking the work

Do not accept 'checking at end / checking end product' in this instance as this defines quality control

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(c) Identify and explain two economies of scale from which Autovision could benefit. [4]

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

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

Points might include:

- Technical/invest large amounts in R&D [k] to develop range of windscreens [app]
- Managerial [k] can afford to hire specialists like the Operations manager [app]
- Purchasing / bulk buying [k] as get discounts for large sand/glass orders [app]
- Financial [k] banks are more likely to lend money to introduce new technology [app]
- Risk bearing [k] as spread risk of operating in Europe as also have Asia market [app]

Application marks may be awarded for appropriate use of the following: glass or associated words such as windscreen, fragile or easily break, cars, more designs, 20 fewer workers, Asia or Europe, new technology

(d) Identify and explain two ways in which new technology could have changed production methods at Autovision. [4]

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

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

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

Relevant points might include:

- Allows for CAD / help design prototypes / new products / more variety possible [k] which could help increase target market / sales [an]
- Automation or capital intensive or flow [k] so can produce more windscreens [app]
- Less workers needed [k] as 20 fewer than 3 years ago [app] reducing wage costs [an]
- Less errors / less waste / consistent quality [k] improving reputation [an]
- Different skill set for workers [k]
- More complex work possible [k]
- Improve productivity/efficiency / increased speed of production [k]
- Higher output [k]
- Continuous production (24/7) / no breaks [k]
- Improved inventory control [k]

Application marks may be awarded for appropriate use of the following: glass or associated words such as windscreen, fragile or easily break; cars, more designs, 20 fewer workers, Asia

Do not accept new technology as application as this is stated in the question

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(e) Do you think AutoVision should relocate? 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 made as to whether Autovision should relocate.

Points could include:

- Closer to major market [k] as 50% of sales in Asia [app] so could respond quicker to customers [an]
- Space [k] as factory needs a large area [app] which might not be available [an]
- Communication issues [k] as current employees might not speak local language [an]
- Changes in demand [k] market might change in the future [an] so it would have to relocate again, further adding to its costs [an]
- Lower distribution/transport costs [k] as glass is fragile [app] could be more expensive to move [an]
- Avoid tariffs OR quotas / exchange rate issues [k] reducing costs [an] making prices more competitive [an]
- Different legal restrictions e.g. bans, complex documentation [k] as glass must be safe [app] so procedures may need changing [an]
- Cost of setting up [k] may need to move / replace new technology [app]
- Access to suitable employees [k] as specialist product [app] may need skilled workers to make products [an]

Application marks may be awarded for appropriate use of the following: glass or associated words such as windscreen, fragile or easily break; cars, more designs, 20 fewer workers, Asia, new technology

4 (a) What is meant by ‘market-orientated’? [2]

Good knowledge [2] e.g. business carries out market research before developing a product
 Some knowledge [1] e.g. do (market) research first or provide what customers want

(b) What is meant by demand is ‘price elastic’? [2]

Good knowledge [2] e.g. percentage change in product demanded is greater than the % change in price OR correct formula
 Some knowledge [1] e.g. demand changes with price

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- (c) Identify and explain two ways in which new legal controls to protect the environment might affect AirGo. [4]

Knowledge [2 × 1] – award 1 mark for each way identified

Application [2 × 1] – award 1 mark for explanation in context

Relevant points might include:

- Lower emissions [k] so have to buy new planes / fewer flights possible [app]
- Higher taxes [k] so have to increase prices of tickets [app]
- Restrictions on noise [k] so not able to fly at certain times of day [app]
- Restriction on number of journeys [k]
- Pollution permits [k]

Application marks may be awarded for appropriate use of the following: 10 airports, 90% holiday passengers or related words (such as planes, flying), market orientated, increased competition (or competitors), business customers, fall in revenue

- (d) Identify and explain two disadvantages to AirGo of using newspapers for advertising. [6]

Knowledge [2 × 1] – award 1 mark for each disadvantage identified

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

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

Relevant points might include:

- Age profile / which people read newspapers [k] as looking to target different market segments [app] so costs more to advertise in a range of papers [an]
- Restricts target market [k] as some of its customers might be international [app]
- Easy to miss / limited visual impact [k] if lots of other adverts / mainly in black and white so cannot stand out [an]
- Additional cost of larger or colourful adverts [k] to attract holidaymakers [app] will increase expenses [an]
- Many customers may not read newspapers [k] leading to fewer bookings [app]
- Short shelf life of advert [k]

Do not accept expensive [too vague] on own unless explained

Application marks may be awarded for appropriate use of the following: 10 airports, 90% holiday passengers or related words (such as planes, flying), market orientated, increased competition, business customers, price elastic, fall in revenue

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(e) Do you think AirGo should target a different market segment? 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 this business

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

Evaluation [2 × 1] – justified decision made as to whether AirGo should try to target a different market segment

Points might include:

- Different customers may have different needs [k] so have to adapt their services [an] as locations offered might not suit business customers [app]
- Wider market [k] so possibility of additional sales [an] may help offset fall in revenue / increased competition [app]
- Need to advertise to potential customers [k] who might read different newspapers [app] which will increase costs [an]
- Cost of market research [k] as it is a market orientated company [app] they will want to know more about these customers [an]
- Reaction of existing competitors [k] which could lead to a price war [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: 10 airports, 90% holiday passengers or related words (such as planes, flying), market orientated, increased competition (or competitors), business customers, price elastic, fall in revenue

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the March 2016 series

0450 BUSINESS STUDIES

0450/22

Paper 2 (Case Studies), maximum raw mark 80

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- 1 (a) Identify and explain two benefits to DWP resulting from the change to a private limited company. [8]

Knowledge (2×1) – award one mark for each relevant benefit identified

Analysis (2×1) – award one mark for a relevant explanation of each benefit

Application (2×2) – award two application marks for each relevant benefit

Relevant reasons might include:

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

- Limited liability
- Increased availability of capital
- Continuity

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

Indicative response:

Limited liability (k) as Dilip changed the business into a private limited company 1 year ago (ap) but when he was a sole trader his personal possessions were at risk (an). The business has a lot of money invested and as a private limited company Dilip can only lose the money he invested as part of the \$250 000 shares sold if it went bankrupt (ap).

Possible application marks: started 5 years ago as a sole trader; makes liquid soap; washing liquid; \$50 000 profit; washing clothes; sold to wholesaler and small shops; sells the new product in country X; \$250 000 share value; large factory with room for expansion; purchase new equipment for factory; double production workers to increase output; information from Appendix 3.

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

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- (b) Consider the effects of each of the following three changes on DWP's profit. Recommend which change you think will have the biggest effect on DWP's profit. Justify your answer. [12]

Relevant points might include:

Decrease in customers' income	Less income to spend on washing liquid so sales fall but it depends on price relative to competitors' products; may need to reduce price; effect on profit depends on the change in price and revenue.
Increase in sales of washing machines	Increased sales of liquid to use with the washing machines; Increased sales revenue leading to increased profit.
Introduction of a new washing liquid by a competitor	Competitor product – effect on sales depends on price and quality comparison; May reduce price to compete with new product; Possibly increased costs from advertising to compete – effect on profit may be to reduce profit.

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 which change will have the biggest effect on DWP profit compared to the other changes. 7–8 marks for some limited judgement shown in recommendation as to the biggest effect.
Level 2	4–6 marks Detailed discussion of the effects on profits of each change.
Level 1	1–3 marks Outline of the effect on profit of the change.

Level 1 – 1 mark for each L1 statement (max. of 3 marks) e.g. Less income and so less is spent on buying washing liquid.

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. Less income and so possibly less is spent on buying washing liquid but more likely is that customers may not reduce spending as this is an essential product so revenue may not fall much and probably it will have little effect on profit in this case. (4 marks for L2 answer plus 1 application mark for recognising the product is a necessity).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation as to which change has the greatest effect on profit and why the other changes have less effect.

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Award up to 2 additional marks for relevant application.

Possible application marks: changed to a private limited company; makes liquid soap; \$50 000 profit; hand wash clothes; washing clothes; sold to wholesaler and small shops; wants to expand the business; sells the new product in country X; information from Appendix 1.

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

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2 (a) Identify and explain four functions of management which Dilip should carry out. [8]

Knowledge [4 × 1] – award one mark for each function

Application [4 × 1] – award one application mark for each function

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

- Planning
- Organising
- Coordinating
- Commanding
- Controlling

Award a maximum of one additional mark for an applied explanation of each function.

Indicative response:

Planning [k] Dilip will need to plan the increased output for the new washing liquid and how the business will increase production (ap).

Possible application marks: makes liquid soap; washing clothes; sold to wholesaler and small shops; sells the new product in country X; 10 people employed in factory; 2 people employed in the office; large factory with room for expansion; purchase new equipment for factory; purchase part processed raw materials; double production workers to increase output; use on-the-job training; information from Appendix 3.

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

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- (b) Refer to Appendix 3. Consider the three options to increase output. Recommend the best option for Dilip to choose. Justify your answer. [12]

Relevant points might include:

Purchase of new equipment –	\$0.02 cost each; lease payment for new equipment; increased costs of training.
Employ 10 additional production workers –	\$0.01 cost each; recruitment costs; increased costs from training.
Purchase partly processed raw materials –	\$0.0125 each; quicker to produce output; no recruitment or training costs.

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 output compared to the other ways. 7–8 marks for some limited judgement shown in recommendation as to the best way to increase output.
Level 2	4–6 marks Detailed discussion of each alternative way of increasing output and/or correct calculation of cost per unit.
Level 1	1–3 marks Outline of each alternative way of increasing output.

Level 1 – 1 mark for each L1 statement (max. of 3 marks) e.g. New equipment will increase costs because they will have to pay the lease each month.

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. New equipment will increase costs because they will have to pay the lease each month. However, the cost will only be \$0.02 each bottle and 500 000 bottles can be produced. (4 marks for L2 answer plus 1 application mark for recognising that 500 000 bottles can be produced).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation justifying the best option to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: makes liquid soap; washing liquid; \$50 000 profit; washing clothes; sells the new product in country X; large factory with room for expansion; double production workers to increase output; use on-the-job training; information from Appendix 2 and 3.

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

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- 3 (a) Identify and explain one advantage and one disadvantage to the business of Dilip training production employees using on-the-job training. [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:

Advantages

- Individual tuition is given
- Some production takes place
- Usually costs less than off-the-job training
- Addresses the specific needs of the business

Disadvantages

- The trainer will be less productive
- Trainer may have bad habits

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

Indicative response:

Individual tuition is given (k) by one of the 10 factory workers (ap). This will mean that the cost of training the new workers will probably be less than off-the-job training (an). The production worker can show the new worker how to make the washing liquid using the exact methods used at Dilip's factory so they will be more accurate (ap).

Possible application marks: washing liquid; makes liquid soap; washing clothes; sells the new product in country X; \$50 000 profit last year; 10 people employed in factory; 2 people employed in the office; large factory with room for expansion; purchase new equipment for factory; double production workers to increase output; information from Appendix 3.

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

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- (b) Place is an important part of the marketing mix. Consider three suitable channels of distribution Dilip could use for his new product in country X. Recommend which channel of distribution would be the best one to choose. Justify your answer. [12]

Relevant points might include:

- Wholesalers – buys in large quantities; less administration costs; need to give profit margin to wholesaler; end price will be higher to consumer as sold to small shops.
- Supermarkets – buys in large quantities; feedback on sales; reduced price of product to producer.
- Online sales – absorbs the profit margin of retailer; direct contact with consumer; increased distribution costs.
- Small shops – increased distribution costs; sold in small quantities; increased transactions as more invoices issued.

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

Level 1 – 1 mark for each L1 statement (max. of 3 marks) e.g. Dilip could sell to wholesalers.

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. Dilip could sell to wholesalers as this will reduce the amount of administration required with fewer orders to process because the wholesaler will buy the washing liquid in bulk. (4 marks for L2 answer plus 1 mark for application as the answer mentions washing liquid).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies the best channel of distribution to choose and why not the alternative channels.

Award up to 2 additional marks for relevant application.

Possible application marks: washing liquid; makes liquid soap; bottles of liquid soap; competitors sell to large supermarkets; \$50 000 profit; washing clothes; already sells to wholesaler and small shops; large factory with room for expansion; double production workers to increase output.

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

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- 4 (a) Identify and explain two possible effects on DWP of strict legal controls on how businesses describe their products in advertisements. (8)

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

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

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

- Cannot make false claims about what the product will do
- Need to list all the raw materials in the product
- Amendments may be needed to advertising to ensure legal compliance
- Contents must be described accurately
- Products must be described accurately

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

Indicative response:

Cannot make false claims about what the product can do (an) which means that DWP cannot claim the new liquid cleans really well if it does not (ap). This means Dilip may have to change the advertising of his washing liquid (ap) and so costs and prices might increase and sales and profits might decrease (an).

Possible application marks: makes liquid soap; washing liquid; washing clothes; sells the new product in country X; \$50 000 profit; large factory with room for expansion; chemicals; information from Appendix 1 – e.g. claims washes clothes whiter.

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

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- (b) Dilip is thinking of selling DWP's products in other countries. Consider three problems to DWP of entering foreign markets. Recommend whether DWP should sell in foreign markets. Justify your answer. [12]

Relevant points might include:

- Lack of knowledge
- Cultural differences
- Import restrictions
- Increased risk of non-payment
- Increased transport costs
- Exchange rate changes

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

	Knowledge/Analysis/Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to whether DWP should sell in foreign markets or not. 7–8 marks for some limited judgement shown in recommendation as to whether to sell abroad.
Level 2	4–6 marks Detailed discussion of each problem.
Level 1	1–3 marks Outline of each problem.

Level 1 – 1 mark for each L1 statement (max. of 3 marks) e.g. Lack of knowledge.

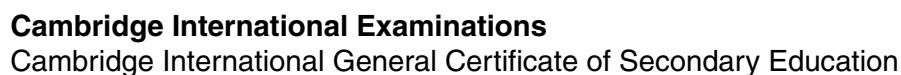
Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max. 6 marks) e.g. Lack of knowledge of the new market and where will be the best places to sell the new washing liquid which may make it difficult to make a success of entering the new market. (4 marks for L2 answer plus 1 application mark for making reference to the new washing liquid).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies whether to enter the foreign market or not.

Award up to 2 additional marks for relevant application.

Possible application marks: washing liquid; makes liquid soap; \$50 000 profit; washing clothes; sells the new product in country X; large factory with room for expansion; purchase new equipment for factory; double production workers to increase output; information from Appendix 3.

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



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0450/12

February/March 2016

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

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DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

The total number of marks for this paper is 80.

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

This document consists of **9** printed pages and **3** blank pages.

- 1 Singh Foods (SF) makes a range of pickles and preserves (jams). The business has expanded quickly even though the economy is in recession. The Human Resources manager believes employees have helped SF to become successful by accepting new ways of working. She uses both profit sharing and non-financial methods to motivate the 200 full-time employees. Few employees leave each year. Most communication is done through a weekly printed newsletter. She is not sure if this is still the best way to communicate with employees.

(a) What is meant by 'economy is in recession'?

.....

.....

.....

.....[2]

(b) Identify **two** non-financial methods that SF might use to motivate employees.

Method 1:

Method 2:[2]

(c) Identify and explain **two** advantages to SF of using profit sharing.

Advantage 1:

.....

Explanation:

.....

Advantage 2:

.....

Explanation:

.....[4]

- (d) Identify and explain **two** advantages to SF of few employees leaving each year.

Advantage 1:

.....

Explanation:

.....

.....

.....

Advantage 2:

.....

Explanation:

.....

.....

.....[6]

- (e) Do you think a newsletter is the best way for SF to communicate with employees? Justify your answer.

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.....[6]

- 2 Dhoni is a successful small business. It has five shops which sell kitchen equipment such as cooking pots and knives. Most of its products are sold to restaurants and hotels. The company has received a takeover offer of \$700 000 from a large competitor. Dhoni's shareholders have been looking at the accounts. They are not sure whether shareholders would benefit from the takeover. Dhoni's return on capital employed was 7% in 2015 and 9% in 2016.

Table 1: Extract from Dhoni's accounts (\$000s)

	2015	2016
Non-current assets	600	600
Current assets:		
Inventory	60	80
Trade receivables	80	100
Cash	<u>40</u>	<u>20</u>
	180	200
Current liabilities	150	200

- (a) What is meant by a 'non-current asset'?

.....

[2]

- (b) Calculate the acid test ratio in 2016.

.....

[2]

- (c) Identify and explain **two** reasons why Dhoni has trade receivables.

Reason 1:

 Explanation:

 Reason 2:

 Explanation:
[4]

- (d) Identify **two** stakeholder groups (other than shareholders) and explain how they might use Dhoni's accounts.

Stakeholder group 1:

Explanation:

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.....

Stakeholder group 2:

Explanation:

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.....[6]

- (e) Do you think the takeover would benefit Dhoni's shareholders? Justify your answer.

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.....[6]

- 3** Autovision is a private sector business based in Europe. It makes specialist glass for cars and benefits from economies of scale. Quality assurance is important to Autovision. The Operations Director has introduced new technology in recent years which has changed the production process. 'It was expensive to buy, but we have 20 fewer workers than 3 years ago and can now make many different designs.' Autovision sells 50% of its products in Asia. The Operations Director thinks Autovision should relocate to Asia.

(a) Identify **two** features of a private sector business.

Feature 1:

.....

Feature 2:

.....[2]

(b) What is meant by 'quality assurance'?

.....

.....

.....

.....[2]

(c) Identify and explain **two** economies of scale from which Autovision could benefit.

Economy of scale 1:

.....

Explanation:

.....

Economy of scale 2:

.....

Explanation:

.....[4]

- (d) Identify and explain **two** ways in which new technology could have changed production methods at Autovision.

Way 1:

.....

Explanation:

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Way 2:

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Explanation:

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.....[6]

- (e) Do you think Autovision should relocate? Justify your answer.

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.....[6]

- 4 AirGo is a market-orientated business. It provides flights to 10 airports across Asia. 90% of its customers are people going on holiday. AirGo only advertises in national newspapers. The Marketing Director is worried that demand for AirGo's flights is price elastic. Last year revenue fell due to increased competition. She wants to target a different market segment such as business customers. She does not know how new legal controls to protect the environment might affect AirGo.

(a) What is meant by 'market-orientated'?

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.....

.....

.....[2]

(b) What is meant by demand is 'price elastic'?

.....

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.....

.....[2]

(c) Identify and explain **two** ways in which new legal controls to protect the environment might affect AirGo.

Way 1:

.....

Explanation:

.....

Way 2:

.....

Explanation:

.....[4]

- (d) Identify and explain **two** disadvantages to AirGo of using newspapers for advertising.

Disadvantage 1:

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Explanation:

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Disadvantage 2:

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Explanation:

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.....[6]

- (e) Do you think AirGo should target a different market segment? Justify your answer.

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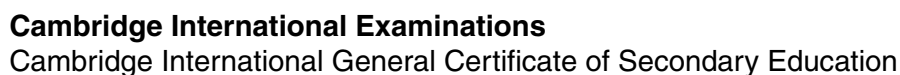
.....[6]

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0450/22

February/March 2016

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

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Answer **all** questions.

The Insert contains the case study.

The business described in this question paper is entirely fictitious.

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The number of marks is given in brackets [] at the end of each question or part question.

The total number of marks for this paper is 80.

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This document consists of **9** printed pages, **3** blank pages and **1** Insert.

- 1 (a) Identify and explain **two** benefits to DWP resulting from the change to a private limited company.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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.....[8]

- (b) Consider the effects of each of the following **three** changes on DWP's profit. Recommend which change you think will have the biggest effect on DWP's profit. Justify your answer.

Decrease in consumers' income:

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Increase in sales of washing machines:

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Introduction of a new washing liquid by a competitor:

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Recommendation:

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.....[12]

- 2 (a) Identify and explain **four** functions of management which Dilip should carry out.

Function 1:

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Explanation:

.....

Function 2:

.....

Explanation:

.....

Function 3:

.....

Explanation:

.....

Function 4:

.....

Explanation:

.....[8]

- (b) Refer to Appendix 3. Consider the **three** options to increase output. Recommend the best option for Dilip to choose. Justify your answer.

Purchase new equipment:

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Employ 10 additional production workers:

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Purchase partly processed raw materials:

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Recommendation:

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.....[12]

- 3 (a) Identify and explain **one** advantage and **one** disadvantage to the business of Dilip training production employees using on-the-job training.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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.....[8]

- (b) Place is an important part of the marketing mix. Consider **three** suitable channels of distribution Dilip could use for his new product in country X. Recommend which channel of distribution would be the best one to choose. Justify your answer.

Channel 1:

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Channel 2:

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Channel 3:

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Recommendation:.....

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.....[12]

- 4 (a) Identify and explain **two** possible effects on DWP of strict legal controls on how businesses describe their products in advertisements.

Effect 1:

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Explanation:

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Effect 2:

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Explanation:

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.....[8]

- (b) Dilip is thinking of selling DWP's products in other countries. Consider **three** problems to DWP of entering foreign markets. Recommend whether DWP should sell in foreign markets. Justify your answer.

Problem 1:

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Problem 2:

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Problem 3:

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Recommendation:

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.....[12]

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