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Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES

0450/13

Paper 1 Short Answer/Structured Response

October/November 2017

MARK SCHEME

Maximum Mark: 80

Published

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This document consists of **13** printed pages.



Question	Answer	Marks	Guidance
1(a)	What is meant by 'quality assurance'? Clear understanding [2] – checking for quality standards [1] throughout production process OR every stage [1] Some understanding [1] – e.g. checking work done	2	Do not award answers such as 'check at end' OR 'check end product' as this defines quality control Do not award explanations of why it is done e.g. manufacturer wants product to be perfect
1(b)	Calculate the value of X from Table 1. Good application: [2] correct answer i.e. 9 (engines) Some application: e.g. total output/number of employees OR 1260 / 140	2	
1(c)	Identify and explain <u>two</u> ways the Government might help HGH become more competitive. Knowledge [2 · 1] – award 1 mark for each relevant way [max 2] Application [2 · 1] – award 1 mark for each explanation in context Reasons might include: - Import quotas [k] to limit number of engines [app] - Import tariffs [k] as it is facing increased competition from imports [app] - Reduce rent OR rates [k] so easier to pay high energy costs [app] - Change legal controls OR examples such as lower minimum wage or quality standards [k] so rivals have to think about quality assurance [app] - Offer grants OR subsidies OR cheap finance OR loans [k] so can update machinery OR operations in its factories [app] - Offer advice [k] - Provide training [k] - Lower tax [k] - Provide infrastructure e.g. build more roads [k]	4	Application marks may be awarded for appropriate use of the following: - correct use of data from table 1, - trade union membership - labour productivity - rent - engines - quality assurance (high) energy costs 30% decrease in profit - factory - increased competition OR competition from imports

Question	Answer	Marks	Guidance
1(d)	Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to HGH of using batch production. Knowledge [2 · 1] – award 1 mark for an advantage and disadvantage identified Application [2 · 1] – award 1 mark for each relevant reference made to this business Analysis [2 · 1] – award 1 mark for each relevant explanation Relevant points might include: Advantage: Flexible [k] easier to change engines made [app] to better meet customer demands [an] Some economies of scale [k] when buying parts for factory [app] which can help reduce average costs [an] Less impact if machinery breaks down [k], so other stages can continue OR some output made [an] Spread risk as can make more than one type of product [k] Variety of products [k] could lead to more sales [an] Some variety in work can motivate workers [k] leading to less absenteeism [an] Disadvantage: Time lost switching OR resetting machines between batches [k] could lead to lost output [an] Added cost of moving or storing semi-finished goods [k] Inventory may be sitting around between stages [k] increasing costs [an] so profit may decrease by more than 30% [app] One fault could affect entire batch [k] increasing waste [an]	6	Application marks may be awarded for appropriate use of the following: - correct use of data from Table 1 - trade union membership - labour productivity - rent of site - engines - increased competition OR competition from imports - quality assurance (is important) - high energy costs - factory Note: business makes engines, not the whole truck Do not award ‘motivated’ or ‘demotivated’ as knowledge, unless explained. The analysis must explain the impact on the business e.g. less workers leave. Do not award answers such as variety of work or economies of scale, unless qualified OR compared to other method of production. Do not award knowledge mark for reference to whole production as this implies flow. Answer must relate to idea of it being semi-finished or between stages to be awarded.

Question	Answer	Marks	Guidance
1(e)	Recommend which factory HGH should close. Justify your answer using the information in Table 1. Knowledge [1] – award 1 mark for identification of relevant point (s) Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which factory HGH should close. Relevant points might include: - Rent lower for factory 1[k] saving \$100 000 each month [app+an] - Productivity in factory 2 is higher [k] by 12.5% higher [app+an] - Trade union action could create negative publicity [k] as factory 1 has high number of members [app], damaging reputation [an] - Current level of output higher in factory 2 [k] by 60 units per month [app+an] - Fewer jobs lost if close factory 2 [k] as 10 fewer employees [app+an] - More jobs lost if close factory 1 [k] as has 150 employees [app] so saving more labour costs [an]	6	Application marks may be awarded for appropriate use of the following: - Correct use of data from Table 1 - engines, - increased competition OR competition from imports - quality assurance (is important) - high energy costs, - profit decreased by 30% - batch production

Question	Answer	Marks	Guidance
2(a)	What is meant by ‘marketing strategy’? Clear understanding [2]: for example Plan to use the right combination of the marketing mix [1] to achieve a particular marketing objective [+1] OR a plan of action designed to promote and sell a product or service [1] to achieve a set goal [+1] OR a plan for promoting products [1] to enter a new market [+1] Some understanding [1]: how combine the 4 Ps OR plan for marketing or how to increase sales OR how to promote a product	2	

Question	Answer	Marks	Guidance
2(b)	Identify <u>two</u> reasons for a business to set objectives. Application [2 · 1] – award one mark for each relevant reason Points might include: - Measure of success (to judge performance) - Helps decision-making OR planning OR budgeting - Gives sense of purpose and direction OR know what you have to do - Aim or target - Motivate	2	
2(c)	Identify and explain two ways in which BBT could act in an ethical way. Knowledge [2 · 1] – award 1 mark for each relevant way [max 2] Application [2 · 1] – award 1 mark for each explanation in context Points might include: - Pay fair wages [k] as employees is one of its stakeholders [app] - Provide better working conditions for workers [k] - Pay fair price to suppliers OR pay suppliers on time [k] for its ingredients [app] - Help growers to prevent damage to farmland OR source environmentally friendly materials [k] when growing wheat [app] - Not sell excess stock cheaply OR not fixing prices [k] as it's a popular brand [app] - Charging a fair price to customers [k] - Pay taxes in country in which sales are made [k] - Not employing child labour [k]	4	Application marks may be awarded for appropriate use of the following: - breakfast cereal - ingredients or examples such as wheat - popular (brand) - correct use of numbers such as number of years, change in revenue, 2016 - revenue - decline stage - competitive pricing - stakeholders - marketing strategy

Question	Answer	Marks	Guidance
2(d)	Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to BBT of using competitive pricing. Knowledge [2 · 1] – award 1 mark for each relevant advantage [max 1] or disadvantage identified [max 1] Application [2 · 1] – award 1 mark for relevant reference made to this business Analysis [2 · 1] – award 1 mark for each relevant explanation Relevant points might include: Advantage: Price will not discourage customers from buying [k] its cereals [app] so will buy again [an] Prevents business losing market share [k] Disadvantage: Time OR money taken to find out competitor's prices [k] could increase costs [an] Need another way to attract customers [k] e.g. free gift could increase costs [an] Customer may be prepared to pay more [k] as it is a popular brand [app] so could lose potential revenue OR profit [an] May not cover the costs (of production) [k] especially when entering decline stage [app] so may not be able to break even [an]	6	Application marks may be awarded for appropriate use of the following: - breakfast cereal - ingredients or examples such as wheat - popular (brand) - correct use of numbers such as number of years, change in revenue, 2016 revenue - decline stage - ethical - marketing strategy

Question	Answer	Marks	Guidance
2(e)	Do you think BBT should stop selling product A? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for a relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether BBT should stop selling product A Relevant points might include: Sales of Product A fallen [k] by 40% [app] Product A still the highest sales [k] by \$20 000 [app+an] which is more than B & C combined [an] Have other products that are increasing in demand [k] Use extension strategies [k] such as changing the cereal packet [app] to remind customers OR attract people's attention [an] so start buying them (again) OR increase revenue [an] Could use opportunity to introduce new brands [k] as product C has now been in the market for 2 years [app]	6	Application marks may be awarded for appropriate use of the following: - breakfast cereal - ingredients or examples such as wheat - popular (brand) - correct use of numbers such as number of years, change in revenue, 2016 revenue - decline stage, - competitive pricing - ethical - marketing strategy Do not award general marketing methods such as lower prices or advertise, as these are not examples of extension strategies

Question	Answer	Marks	Guidance
3(a)	What is meant by 'business plan'? 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 aim and/or objectives and shows how business aims to achieve them Some understanding [1] states one element of plan e.g. shows marketing strategy OR production costs	2	Do not award answers that explain why it is used e.g. support loan applications

Question	Answer	Marks	Guidance
3(b)	Identify <u>two</u> financial documents (other than a cash flow forecast) that a business might use. Knowledge [2 · 1] – award 1 mark for each relevant document Points might include: - Break-even chart - Balance sheet - Income statement - Budget OR specific example, such as Marketing budget OR Operations budget OR Human Resources budget	2	
3(c)	Calculate the values of W, X, Y and Z. Application [4 · 1] – award 1 mark for each correct value W 28 000 X 2000 Y (4000) OR –4000 Z (2000) OR –2000	4	OFR can apply as error in W will have implications for value of X and Z (max 3). Subsequent answers must be consistent throughout. NO OFR for Y

Question	Answer	Marks	Guidance
3(d)	Identify and explain <u>one</u> advantage and <u>one</u> disadvantage of ZumGo being a business partnership. Knowledge [2 · 1] – award 1 mark for an advantage and a disadvantage identified [max 1] Application [2 · 1] – award 1 mark for relevant reference to this business Analysis [2 · 1] – award 1 mark for each relevant explanation Relevant points might include: Advantage: - More ideas [k] about what type of tours to offer [app] can help increase business sales [an] - Access to more capital (than sole trader) [k] can help solve cash flow problems [app] improving chance of survival [an] - Share workload OR decision making [k] so making business more efficient [an] - More skills OR expertise OR can specialise [k], Richie does the finance [app] allowing time for Justin to focus on his job [an] - Share loss OR risk [k] so do not have to carry all the financial burden [an] especially if buy new bus [app] Disadvantage: - Disagreements [k] about expansion [app] leading to lost sales OR low productivity [an] - Unlimited liability OR each responsible for debts of other [k] so if cannot repay the \$28 000 [app] their personal belongings are at risk as well [an] - Have to share profits [k] with each brother [app] - Slower decision-making [k] on whether to lease [app] so lose competitive advantage [an]	6	Application marks may be awarded for appropriate use of the following: - Correct use of cash flow numbers, \$6000 (advertising) \$28 000 - bus tours - extra buses OR looking to expand - leasing - two successful years - all retained profit - business plan or cash flow forecast - brothers

Question	Answer	Marks	Guidance
3(e)	Which source of finance do you think ZumGo should use for the new bus? Justify your answer. Knowledge [1] – award 1 mark for each relevant issue(s) [max 1] Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which source of finance ZumGo should use. Relevant points might include: Profits: No need to repay [k] No interest OR monthly outgoings from cash flow [k] so no additional cash outflows to pay [app] Have sufficient money [k] as matches total retained profit [app] Can keep profit for emergency [k] which could be important for partnership [app] as have fewer sources of finance to rely on [an] No money left for emergencies [k] as uses all retained profits [app] Leasing Not owned [k] so will not add to value of balance sheet [an] Can return if necessary [k] as only 2 successful years [app] but may be penalty payment [an] Able to spread cost [k] so don't need to find all the cash at start [an] which could be difficult with a cash deficit in March [app] Negative impact on cash flow [k] as forecast (\$4000) [app] Cheaper [k] as only \$24 000 [app + an] saving \$4000 [an] Can update to new model [k] after 2 years [app]	6	Application marks may be awarded for appropriate use of the following: - correct use of cash flow numbers - bus tours \$28 000 (cost of new bus) \$1000 for 2 years (leasing) - all retained profits - partnership - two successful years - business plan or cash flow forecast - brothers Can award answers that discuss other suitable sources of finance such as loans. Do not accept issue shares as not appropriate.

Question	Answer	Marks	Guidance
4(a)	What is meant by ‘multinational company’? Clear understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation. Some understanding [1] – e.g. has businesses everywhere OR works/operates in more than one country	2	Do not award ‘sells in more than one country’ as could equally apply to exporter
4(b)	What is meant by ‘economic boom’? 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 feature(s) of an economic boom: such as low unemployment, rising inflation, resource shortages, high levels of disposable income, high levels of consumer/business confidence	2	For two marks must have both idea that economy growing and the rate of growth Answers must refer to whole economy and not a single business or product
4(c)	Identify and explain <u>two</u> methods that CYB could use to communicate with its customers. Knowledge [2 · 1] – award 1 mark for each relevant method [max 2] Application [2 · 1] – award 1 mark for each explanation in context Reasons might include: - Email [k] so that can include attachments such as balance sheets [app] - Letter [k] explaining customer benefits of new system [app] - Meeting [k] with representatives from multinational companies [app] - Phone [k] - FaceTime OR Skype [k] with someone from the small team [app] - Text OR SMS OR messages on mobile phone [k] - Social media e.g. Facebook [k]	4	Application marks may be awarded for appropriate use of the following: - accountants - examples of financial documents e.g. balance sheet - multinational company - small teams 3 (new employees) - new computerised system OR system (highly) skilled Note: method selected should be appropriate for use with customers, not internal communication

Question	Answer	Marks	Guidance
4(d)	Explain <u>how</u> each of the following stages could help CYB in the recruitment process. Knowledge [2 · 1] – award 1 mark for each relevant point 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: Person (job) specification Sets out the qualifications needed [k] such as accountancy degree [an] so know whoever is chosen can do tasks required [an] Sets out the skills needed [k] such as team worker [app] so able to work effectively with the others in the group [an] Sets out experience necessary [k] such as working with multinationals [app] so able to be effective quickly [an] Advertising the job vacancies Make people aware [k] about the 3 jobs [app] increasing the number of potential applicants [an] Provide people with information about culture OR business [k] such as working in small teams [app] so more likely to join CYB than competitor [an] Can target suitable people [k] in accountancy magazines [app]	6	Application marks may be awarded for appropriate use of the following: - accountants - multinational company - small teams 3 (new employees) - new computerised system OR system - economic boom - on the job training OR off the job training (highly) skilled The focus of the answer should focus on the business not employees

Question	Answer	Marks	Guidance
4(e)	Do you think it would be better for CYB to use on-the-job or off-the-job training? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which method of training CYB should choose. Relevant points might include: Off-the-job training: Not necessarily tailored to individual business [k] so not cost effective [an] Have to pay more OR high cost for specialists [K] which increases costs [an] Skills might not be available in the business [k] so benefit from new techniques [an] Allows for mistakes [k] so can build employees confidence in new computer system [app] reducing waste [an] Workers have access to skilled trainers [k] so know how to use the system [app] Workers can focus 100% on training [k] On-the-job training: Can reinforce errors OR bad practices [k] reducing sales OR damage reputation [an] Fewer new ideas OR skills will be taught [k] Control what is taught [k] so workers only learn skills needed [an] Employees can carry on working [k] within their team [app] improving productivity [an] Cheaper (than off-the-job) [k]	6	Application marks may be awarded for appropriate use of the following: - accountants - examples of financial documents e.g. balance sheet - multinational company - small teams 3 (new employees) - new computerised system OR system - economic boom (highly) skilled Either option is acceptable.