Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Structured Response **March 2019**

MARK SCHEME

Maximum Mark: 80

Published

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 International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	Answer	Marks	Notes
1(a)	**What is meant by 'niche market'?** Clear understanding (2) e.g. a highly specialised [1] subpart of a larger market [1] Some understanding (1) e.g. selling to a small part / small segment of the market OR specialist market OR part of the market with specific needs and characteristics	**2**	For 2 marks must have both elements Do not credit answers such as small market OR small number of customers or small group as these do not explain the term
1(b)	**Identify <u>two</u> disadvantages to a business of having part-time employees.** Knowledge (2 × 1) – award one mark for each relevant disadvantage Disadvantages may include: • May take longer / more expensive to recruit two part-time workers than one full time worker • Can be less committed to the business OR more likely to leave • Difficult to communicate / co-ordinate / lack of continuity as not there all the time • Extra training costs as need to train more people • Manager may spend more time supervising two workers instead of one	**2**	Do not credit points such as less motivated / less efficient OR less skilled/less trained as these are based on unknown assumptions Do not credit answers which confuse part-time employees with temporary workers.

Question	Answer	Marks	Notes
1(c)	**Identify and explain <u>two</u> possible reasons why Anna and James formed a business partnership.** Knowledge (2 × 1) – award one mark for each relevant reason (max 2) Application (2 × 1) – award one mark for each explanation in context Advantages may include: • Access to more capital (than sole trader)[k] to open a shop [app] • Shared responsibilities OR share decision making OR share workload [k] to deal with customer complaints [app] • Share costs OR share risk [k] of operating in a niche market [app] • New ideas into the business [k] about how to deal with long queues [app] • More skills OR expertise OR can specialise in different areas [k] so such as managing the 3 part-time employees [app]	**4**	Application marks may be awarded for appropriate use of the following: • Ice cream • Shop • Part-time • Niche market • High quality • Questionnaires • Long queues • Poor customer service • Always busy Do not credit comparative points such as less paperwork OR fewer legal requirements unless clear reference to limited companies.

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Question	Answer	Marks	Notes
1(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to Anna and James's business of asking customers to complete questionnaires.** Knowledge (2 × 1) – award 1 mark for identification of advantage / disadvantage (Max 2) Application (2 × 1) – award 1 mark for each relevant reference to this business Analysis (2 × 1) – award 1 mark for each relevant explanation Relevant points may include: Advantage: • Large amounts of information can be collected in a short period of time [k] • Many people can be asked the same questions [k] helps increase the sample size [an] • Respondent has time to consider question so more likely to complete [k] as do not have to complete whilst in shop [app] • Relatively easy to analyse (as standard responses) [k] about poor customer service [app] so quickly able to do something to solve it [an] Disadvantage: • Questions may be poorly worded OR difficult to phrase questions properly OR people interpret questions in a different way [k] so business makes the wrong decisions [an] about the ice cream [app] • People may not tell the truth OR say what they think sounds good [k] • Simple questionnaires cannot tell the meaning behind a response [k] • Customers may not return / fill in the questionnaires [k] • May have to pay someone with the right skills to design the questionnaire properly [k]	**6**	Application marks may be awarded for appropriate use of the following: • Business partners • Ice cream • Shop • Part-time • Niche market • High quality • Long queues • Poor customer service • Always busy Accepts answers that refer to either online or paper based questionnaires Do not credit points such as cheap or expensive on own as there is no cost information to make comparisons. Do not credit answers which refer to why the market research has been carried out as this does not answer the question set Note points should relate to business not customers.

Question	Answer	Marks	Notes
1(e)	**Do you think Anna and James should move to a larger shop? 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 made to this business Analysis (2 × 1) – award up to 2 marks for relevant development of points Evaluation (2) – justified decision as to whether the business should move to a larger shop Relevant points might include: • Access to more customers / increase sales [k] by reducing the problem of long queues [app] which can increase revenue [an] • May need to recruit more employees [k] to sell its ice cream [app] which increases recruitment costs [an] • Business may not be known in new location [k] as its in a different part of the city [app] increasing costs of advertising to raise awareness [an] • Could lose some existing customers if move too far away OR may not gain sufficient extra customers in new location [k] as it's a niche market [app] • Access to capital OR possible increase in rent of a larger shop [k] which will increase fixed costs [an] which they may not be able to afford [an] • Possibility of increased competition in new location [k] • Legal controls may restrict where they can move to [k] • More storage [k]	**6**	Application marks may be awarded for appropriate use of the following: • Business partners • Ice cream • Part-time • Niche market • High quality • Questionnaires • Long queues • Poor/bad customer service • Always very busy Note: candidate's final decision can be either for or against moving to a larger shop. Do not credit shop as application as stated in question. Question does allow for a one-sided answer.

Question	Answer	Marks	Notes
2(a)	**Identify <u>two</u> economies of scale.** Knowledge (2 × 1) – award one mark for each economy of scale Examples may include: • Purchasing / bulk buying • Marketing • Financial • Managerial • Technical	**2**	Do not credit answers such as internal or external economies of scale
2(b)	**What is meant by 'redundancy'?** Clear understanding [2] e.g. when an employee is no longer needed because the job no longer exists Some understanding [1] e.g. when an employee is no longer needed OR loses job OR job role has gone	**2**	For 2 marks must clearly understand idea that it is the job role that no longer exists Do not credit answers such as fired or dismissed as this is not the same concept Do not credit reasons why the job may no longer exist

Question	Answer	Marks	Notes
2(c)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to GXC of using flow production.** Knowledge (2 × 1) – award one mark for each relevant advantage / disadvantage (max 1 for each) Application (2 × 1) – award one mark for each relevant explanation in context of business Relevant points may include: Advantage: • High output OR fast production [k] of car components [app] • Low cost per unit [k] due to economies of scale [app] • Can produce 24 hours a day OR continuous production [k] • Allows for specialisation / simple repetitive tasks allows for greater use of unskilled labour [k] • Allows for fewer employees [k] so can make 30% redundant [app] Disadvantage: • (Boring) system of work leading to low motivation of workers [k] due to use of new machinery [app] • If one machine breaks down the whole production line will stop [k] so not able to meet demand of car manufacturers [app] • High set up costs [k] • High cost of storage [k] as will need larger amounts of imported raw materials [app] • Inflexible if demand changes [k]	**4**	Application marks may be awarded for appropriate use of the following: • Car components • 100 employees OR 30% redundant OR redundancy • Economies of scale • Car manufacturers • Stakeholders • (Invested in) new machinery • Imports raw materials • Exports to country Y Do not credit points such as faster OR cheaper on own

Question	Answer	Marks	Notes
2(d)	**Identify and explain <u>two</u> stakeholder groups that could be affected by GXC's decision to invest in new machinery.** Knowledge (2 × 1) – award one mark for identification of each relevant stakeholder (max 2) Application (2 × 1) – award one mark for each relevant reference made to this business Analysis (2 × 1) – award 1 mark for each relevant development Relevant points may include: • Employees [k] as 70% of the workforce may feel less secure in their jobs [app+an] OR as 100 employees [app] would lose their jobs/source of income [an] • Customers [k] as quality may become more consistent [an] of the car components [app] • Government [k] as may need to pay more unemployment benefit [an] • Suppliers [k] of imported raw materials [app] as business may require inventory in larger amounts OR different timescales [an] • Local community [k] as machinery may create a lot of noise pollution [an] • Banks/lenders [k] • Owners [k] • Pressure groups OR trade unions [k]	**6**	Application marks may be awarded for appropriate use of the following: • Car components • 100 employees redundant OR 30% of workforce OR redundancy • Economies of scale • Car manufacturers • Imported raw materials Do not credit new machinery as application as stated in question Do not credit shareholders as we do not know what type of business this is

Question	Answer	Marks	Notes
2(e)	**Do you think GXC's Managing Director should be worried about the recent appreciation of the exchange rate of country X's currency?** Knowledge (1) – award one mark for identification of relevant issue(s) (Max 1) Application (1) – award one mark for a relevant reference made to this business Analysis (2 × 1) – award up to two points for relevant development of points Evaluation (2) – justified decision as to whether GXC should be worried about the appreciation Relevant points might include: • Exporting goods appear more expensive / can result in higher prices [k] which may decrease demand / sales in country Y [an] for car components [app] • Imports become cheaper [k] when buying its raw materials [app] reducing GXC's costs [an] so may be able to lower prices [an] so they may be able to be more competitive / increase sales [an]	**6**	Application marks may be awarded for appropriate use of the following: • Car components • 100 employees redundant OR 30% of workforce • Economies of scale • Car manufacturers • Stakeholders • [Imports] raw materials Note: candidate's final decision can be either for or against being worried about the appreciation Question does allow for a one-sided answer.

Question	Answer	Marks	Notes
3(a)	**Calculate the total cost of producing 3 million cricket bats.** Clear understanding (2) = $12 200 000 [2] Some understanding (1) e.g. FC+ VC OR 200 000 + (4 × 3 million) OR 200 000 + 12 000 000 [1]	**2**	
3(b)	**What is meant by 'variable cost'?** Clear understanding [2] e.g. costs which change directly with OR in proportion to the number of items sold or produced. Some understanding [1] e.g. costs which change OR costs that vary with sales / output [1]	**2**	Do not accept examples of variable costs Do not accept the phrase 'costs that vary' on its own as this is re-wording the question
3(c)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to Sachin's business of advertising in a national newspaper.** Knowledge (2 × 1) – award one mark for each relevant advantage/disadvantage (max 2) Application (2 × 1) – award one mark for each relevant explanation in context of business Relevant points may include: Advantage: • A large number of people will see the advert [k] about cricket bats [app] • Adverts can be cut out and kept for reference [k] • A lot of information can be included [k] for the mass market [app] Disadvantage: • People may not notice/read/understand the advert [k] so demand may stop (rapidly) increasing [app] • Target market may not buy the newspaper [k] • Will have to pay to advertise [k] every two weeks [app]	**4**	Application marks may be awarded for appropriate use of the following: • Cricket bats • Mass market • Demand rapidly increases • 3 million (per year) • Correct use of relevant data from table • Every 2 weeks Do not credit points such as cheaper/more expensive as this is a relative term and we do not have any cost data

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Question	Answer	Marks	Notes
3(d)	**Identify and explain <u>two</u> advantages to Sachin's business of selling to the mass market.** Knowledge (2 × 1) – award one mark for identification of each relevant advantage (max 2) Application (2 × 1) – award one mark for each relevant reference made to this business Analysis (2 × 1) – award 1 mark for each relevant development of point Relevant points may include: • High number of sales/may find new customers [k] as demand increasing rapidly [app] can increase revenue [an] • Can benefit from economies of scale [k] as selling 3 million products [app] so able to lower average costs [an] • No need to develop specialist products [k] such as different cricket bats [app] lowering development costs [an] • Increased recognition/status [k] as only started two years ago [app]	**6**	Application marks may be awarded for appropriate use of the following: • Cricket bats • Demand rapidly increases • 3 million • Correct use of relevant data from table • Two years ago • (National) newspaper

Question	Answer	Marks	Notes
3(e)	**Do you think Sachin should delegate some tasks to employees? Justify your answer.** Knowledge (1) – award one mark for identification of relevant issue(s) (Max 1) Application (1) – award one mark for a relevant reference made to this business Analysis (2 × 1) – award up to two points for relevant development of points Evaluation (2) – justified decision as to whether Sachin should delegate some tasks Relevant points might include: • Sachin is less likely to make mistakes [k] which helps protect his reputation [an] • Sachin cannot do all the jobs on his own/needs to reduce his workload [k] as demand is increasing [app] so can focus on other key/important tasks [an] • Employees may feel more motivated/important [k] which could increase productivity/output [an] of cricket bats [app] • Employees may feel demotivated if they are given more work to do [k] which may increase labour turnover (an) • Employees may need training to complete the additional tasks [k] which may increase costs (an) • Sachin is still responsible for errors [k] • Workers may not have the necessary skills/make poor decisions [k] which could lead to lower demand/less output / damage reputation [an] • Sachin would lose some control [k]	**6**	Application marks may be awarded for appropriate use of the following: • Cricket bats • Mass market • National newspaper • Every two weeks • Demand rapidly increases • Two years ago • 3 million • Correct use of relevant data from table • Difficult to run the business on his own • 30 (employees) • Marketing or production decisions Note: candidate's final decision can be either for or against delegating some tasks Question does allow for a one-sided answer.

Question	Answer	Marks	Notes
4(a)	**Identify <u>two</u> methods of secondary market research.** Knowledge [2 × 1] – award one mark for each relevant method Relevant methods include: • Government statistics • Newspaper OR magazine articles • Internet OR online sources • Paying for market research agencies • Trade associations reports • Company records	**2**	
4(b)	**What is meant by 'chain of command'?** Clear understanding [2] e.g. the structure in an organisation which allows instructions to be passed down from senior management to lower levels Some understanding [1] e.g. shows who gives orders	**2**	For 2 marks must have idea of 'orders or instructions' and 'who between'.

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Question	Answer	Marks	Notes
4(c)	**Identify and explain <u>two</u> advantages to DGC of being a multinational company.** Knowledge (2 × 1) – award one mark for each relevant advantage (max 2) Application (2 × 1) – award one mark for each relevant explanation in context of business Advantages may include: • Spread risk [k] as operates in 10 countries [app] • Access to new markets/higher sales/more customers/increase market share [k] for their high quality products [app] • Improve/maintain brand image [k] • Avoid barriers to trade [k] • Reduce tax liability/take advantage of favourable tax laws [k] • Reduce transport costs [k] • Remain competitive [k] • Access government grants/support [k]	**4**	Application marks may be awarded for appropriate use of the following: • Public limited company • High quality/branded • Clothes and/OR shoes • Women • 10 countries • Different social and cultural trends • Franchises OR shops • Expand (into country Z) Do not credit points about production e.g. reduce production costs OR lower labour costs OR lower health and safety costs OR land costs [k] OR easier access to raw materials as this is a retailer. Do not credit answers which focus on advantages of a being large e.g. economies of scale

Question	Answer	Marks	Notes
4(d)	**Identify and explain <u>two</u> factors that DGC should consider when choosing a source of finance for expansion.** Knowledge [2 × 1] – award one mark for identification of each relevant factor (max 2) Application [2 × 1] – award one mark for each relevant reference made to this business Analysis [2 × 1] – award 1 marks for each relevant development Relevant points may include: • Use/purpose of finance [k] as buying shops [app] which needs long term finance [an] • Legal structure [k] DGC is a public limited company [app] could be seen as a lower risk [an] • Level of existing loans [k] of this multinational company [app] which if high means less likely to be given additional loans [an] • Interest rates/cost of finance [k] • Time to repay OR time span [k] as it is a long term project would need to use a long term source [an] • Amount needed [k] as may not have enough funds to use internal methods so would have to borrow [an] • Security [k] as this may help to guarantee loans [an] • Credit history OR financial status [k] lenders will want to know if you are able to repay [an]	**6**	Application marks may be awarded for appropriate use of the following: • Public limited company • High quality/branded • Clothes and shoes • 10 countries • Multinational company • Shops OR franchise Do not credit answers which suggest possible sources of finance the business could use

Question	Answer	Marks	Notes
4(e)	**Do you think DGC should open shops in country Z as a franchise? Justify your answer.** Knowledge (1) – award one mark for identification of relevant issue(s) (Max 1) Application (1) – award one mark for a relevant reference made to this business Analysis (2 × 1) – award up to two marks for relevant development of points Evaluation (2) – justified decision as to whether DGC should open shops as a franchise. Relevant points might include: • Franchisee pays a fee to use the brand name [k] so DGC do not have to raise as much capital [an] when entering a new market with different cultural and social trends [app] • Expansion is much faster [k] for this public limited company [app] • DGC will receive a share of franchisee's profits [k] providing an extra source of revenue [an] • Franchisees will have local knowledge [k] increasing chance of higher sales [an] of clothes and shoes [app] • Poor management of one franchise could damage whole business reputation [k] decreasing demand [an] for shoes and clothes [app] • The franchisee keeps some of the profits from the outlet [k] • DGC will be expected to offer help and advice [k] which can increase costs [an] • Opening own shops will allow DGC to have total control [k]	**6**	Application marks may be awarded for appropriate use of the following: • Public limited company • High quality/branded • Clothes and shoes • Women • 10 countries • Expand for first time • Different social and cultural trends • Multinational company Note: candidate's final decision can be either for or against opening shops as a franchise Question does allow for a one-sided answer. Do not credit shop as application as stated in question. Do not credit points about production as this is a retailer.

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