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

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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 <u>two</u> 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 <u>two</u> 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 <u>two</u> 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 <u>owned</u> by business to use for <u>more than one year</u>
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 <u>two</u> 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 <u>two</u> 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 <u>two</u> 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 <u>control</u>

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(c) Identify and explain <u>two</u> 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 <u>two</u> 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 <u>two</u> 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 <u>two</u> 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

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