Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Structured Response **March 2018**

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.

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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	Guidance
1(a)	**What is meant by 'motivation'?** Clear understanding (2) is the reason OR drive OR factor why employees want to work hard **and** work effectively OR efficiently for the business Some understanding (1) why employees work hard	**2**	**Do not** award examples as this does not answer the question
1(b)	**Identify two disadvantages to Ruby of using job production.** Application (2 × 1) – award one mark for each relevant disadvantage Relevant answers could include: • Skilled labour costs more • Costs are higher as it is often labour intensive • Lower output OR production can take longer • No economies of scale (likely) • Products are made to order so mistakes can be expensive to correct	**2**	**Do not** award higher costs on own as too vague **Do not** award points such as that can equally apply to any method of production

Question	Answer	Marks	Guidance
1(c)	**Identify and explain two advantages to Ruby of having part-time employees.** Knowledge (2 × 1) – award 1 mark for each relevant advantage (max 2) Application (2 × 1) – award 1 mark for each relevant explanation in context Advantages may include: • Helps keep experienced staff [k] which is important as cards are handmade [app] • Flexible OR can call in workers when needed [k] such as during festivals and celebrations [app] • Lower labour costs OR when not working no need to pay wages [k] which is important for a sole trader [app] • Help attract workers who need flexible working hours [k] to produce greetings cards [app] • Provide a wider range of skills / ideas [k] as products are individually designed [app]	**4**	Application marks may be awarded for appropriate use of the following: • festivals OR celebrations • sole trader • individually designed • greetings cards OR related words such as paper • hand made • quality cards are important • three (employees) • job production • hourly wage rate or piece rate

Question	Answer	Marks	Guidance
1(d)	**Identify and explain two non-financial methods of motivation which Ruby could use.** Knowledge (2 × 1) – award 1 mark for identification of each relevant issue (max 2) Application (2 × 1) – award 1 mark for each relevant reference made to this business Analysis (2 × 1) – award 1 mark for each relevant development Relevant points may include: • Job rotation [k] could help staff to become multi-skilled and more flexible [an] when producing hand made cards [app] • Job enlargement [k] as greater variety of work can help keep them satisfied [an] to help meet the higher orders during festivals [app] • Job enrichment [k] which may increase quality which is important to Ruby [app] as workers feel they have been given more responsibility [an] • Ruby could use fringe benefits (allow only once) [k] as she is a sole trader [app] • Praise [k] • Employee of the month awards [k] • Team working • Delegation OR empowerment OR decision making [k] • Opportunity for promotion [k]	**6**	Application marks may be awarded for appropriate use of the following: • festivals OR celebrations • sole trader • individually designed • greetings cards OR related words such as paper • hand made • quality cards are important • three (employees) • job production • part-time • piece rate **Do not** accept financial methods such as pay rises, bonuses, shares, pension, commission as this does not answer question

Question	Answer	Marks	Guidance
1(e)	**Do you think Ruby should change the payment method she uses for her employees? 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 points for relevant development of point(s) Evaluation (2) – justified decision made as to whether Ruby should change the payment method she uses for her employees. Relevant points might include: Piece rate • Will encourage her workers to produce more [k] which is important when there are festivals OR celebrations [app] otherwise customers may choose to buy from another business [an] • Workers may rush the production [k] leading to many mistakes [an] which is a problem as quality is important [app] • Can discourage team work as employees focus only on own work [k] • Difficult to calculate individual pay OR must have way to accurately record output [k] which may not be easy when work part-time [app] Hourly wage rate • Help budget effectively [k] which is important for a small sole trader business [app] • Workers are able to focus on quality [k] which can help maintain reputation [an] of its greeting cards [app] • Does not encourage employees to increase output [k] so may not be able to meet demand during festivals [app]	**6**	Application marks may be awarded for appropriate use of the following: • higher number of orders during festivals OR celebrations • sole trader • individually designed • greetings cards • hand made • impact on quality • three (employees) • part-time • job production • hourly wage rate or piece rate Note: candidate's final decision can be either for or against changing the payment method.

Question	Answer	Marks	Guidance
2(a)	**Identify two features of an economic boom.** Award one mark for each relevant characteristic (max 2) Relevant points may include: • **Rapid** OR **fast** increase in GDP • **Increase in** OR **Higher** inflation OR **higher** prices • Increase in business costs • Increase in business start-ups • **Increase** OR **high** business profits • **Low** unemployment OR **high** employment OR shortage of skilled workers OR few vacancies • High levels of **consumer** demand • **High** income OR **High** standard of living • High levels of investment	**2**	
2(b)	**Calculate the current ratio in 2017.** Clear application [2] **2** (times not needed) Some application [1] correct method incorrect answer e.g. current assets/current liabilities OR 30/15	**2**	

Question	Answer	Marks	Guidance
2(c)	**Identify and explain two disadvantages to PShirts of being a private limited company.** Knowledge [2 × 1] – award 1 mark for each relevant disadvantage (max 2) Application (2 × 1) – award 1 mark for each relevant explanation in context. Relevant points may include: • Can only sell shares to friends and family [k] so may not raise sufficient funds to expand into other countries [app] • Shareholders may expect dividends (k) from selling shirts [app] • Have to publish (some) financial accounts [k] • Legal formalities to set up and run [k]	**4**	Application marks may be awarded for appropriate use of the following: • shirts • men and women • priced lower than competitors • sales have fallen • legal controls • relevant use of financial data in table • selling in other countries
2(d)	**Identify and explain two benefits to PShirts of selling in other countries.** Knowledge (2 × 1) – award 1 mark for each relevant benefit (Max 2) 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 may include: • Access to more markets [k] which can increase revenue OR market share [an] for its shirts [app] • Spread risk [k] as more men and women to sell to [app] so less reliant on sales for one country [an] • Lower demand in home market [k] where sales have fallen despite the economic boom [app] • Greater recognition OR brand awareness [k] leading to more (sales) revenue [an] • Possible economies of scale [k] so able to lower prices further [app] allowing business to remain competitive [an]	**6**	Application marks may be awarded for appropriate use of the following: • private limited company • shirts • men and women • priced lower than competitors • sales have fallen • legal controls • relevant use of financial data in table • economic boom **Do not** accept fewer legal restrictions as stem states MD is worried about legal controls.

Question	Answer	Marks	Guidance
2(e)	**Do you think Paul should be worried about the change in the profit margins between 2016 and 2017? 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] – award up to 2 marks for each relevant explanation(s) Evaluation [2] – justified decision as to whether Paul should be worried by the change in profit margins Relevant points may include: • Gross profit margin **decreased** [k] from 42% to 34% [app + an] which is a decrease of 8% [an] • Profit margin **decreased** [k] from 32% to 17% [app + an] a decrease of 15% [an] • Revenue decreased [k] by $150m OR to $350m [app] • Cost of sales **decreased** [k] by $60m OR to $230m [app] • Expenses **increased** [k] by $10m OR to $60m [app] • Profit **decreased** [k] to $60m OR by $100m [app]	**6**	Application marks may be awarded for appropriate use of the following: • private limited company • shirts • men and women • priced lower than competitors • sales have fallen • legal controls • relevant use of financial data in table • selling in other countries • economic boom

Question	Answer	Marks	Guidance
3(a)	**What is meant by 'mass market'?** Clear understanding [2] e.g. selling the same product to the whole market (everyone) Some understanding [1] e.g. Selling to the whole market OR lots of customers OR lots of sales OR lots of buyers	**2**	
3(b)	**What is meant by 'price elastic demand'?** Clear understanding (2) e.g. demand responds more than proportionately to a change in price OR change in demand is greater than change in price Some understanding (1) e.g. demand changes with price OR where PED has a value greater than 1 OR responsiveness of demand to a change in price	**2**	
3(c)	**Identify and explain two disadvantages to STC of business growth.** Knowledge (2 × 1) – award 1 mark for each relevant disadvantage Application (2 × 1) – award 1 mark for each relevant explanation in context. Relevant points may include: • Larger business is difficult to control (k) as the factory is in another country (to head office) [app] • Communication problems [k] especially as already complaints (app) • Slower decision making [k] so less able to respond effectively to high level of competition [app] • Lower levels of employee motivation OR morale as employees are remote from managers [k]	**4**	Application marks may be awarded for appropriate use of the following: • laissez faire • toothpaste • factory in another country to head office • mass market • high level of competition (in market) • price elastic demand • complaints (about communication) Only award diseconomies of scale if separate diseconomies of scale have not been identified

Question	Answer	Marks	Guidance
3(d)	**Identify and explain two ways STC could improve communication between managers and workers.** Knowledge [2 × 1] – award 1 mark for each relevant way (Max 2) Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation (as to how it will improve communication) Relevant points may include: • Make sure the language used is appropriate [k] especially as the head office is in another country to the factory [app] so that everyone can understand the messages [an] • Keep the channel of communication short [k] to reduce the risk of the message being changed before it gets to the final receiver [an] • Barriers such as noise should be removed [k] • Change the leadership style [k] from laissez faire [app] so that both employees and managers are fully involved in the decisions [an] • Change organisation structure OR delayering [k] • Allow suitable methods of communication only once e.g. Use telephone OR hold meetings [k] which will allow for immediate feedback [an] when discussing toothpaste production [app]	**6**	Application marks may be awarded for appropriate use of the following: • laissez faire • toothpaste • factory in another country to head office • mass market • high level of competition in market • price elastic demand • complaints about communication

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Question	Answer	Marks	Guidance
3(e)	**Do you think STC should change its pricing strategy? Justify your answer.** Knowledge [1] – award 1 mark for identification of 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 as to whether STC should change its pricing strategy Relevant points might include: Competitive pricing: • Will not discourage customers from buying [k] its toothpaste [app] so will buy again [an] • Business does not lose market share [k] which is important when there is a high level of competition [app] • Time OR money to find out competitor's prices [k] increase costs [an] • Need another way to attract customers [k] • Customer may be prepared to pay more [k] could lose potential revenue [an] • May not cover the costs (of production) [k] so may not be able to break- even [an] Lower price: • Customers will be attracted to the lower prices [k] in a competitive market [app] which may increase sales [an] but competitors may also lower prices so do not gain as many additional sales [an] • Customers may think product is lower quality [k] decreasing sales OR revenue [an] • Revenue will increase [k] to $225 000 [app + an] • No guarantee will gain forecast extra demand [k] of 50 000 [app + an]	**6**	Application marks may be awarded for appropriate use of the following: • laissez faire • toothpaste • factory in another country to head office • mass market • high level of competition in market • price elastic demand • complaints about communication • competitive pricing • correct use numerical data from table 2 Note: candidate's final decision may be for or against changing its pricing strategy

Question	Answer	Marks	Guidance
4(a)	**What is meant by 'stakeholder group'?** Clear understanding [2] Any individual or group which has a (direct) interest in a business because they are affected by its activities OR decisions Some understanding [1] e.g. An individual or group which has an interest in a business OR Someone affected by what a business does OR Anybody inside or outside the business who cares about its operations	**2**	**Do not** award examples as this does not answer the question
4(b)	**What is meant by 'on-the-job training'?** Clear understanding [2] occurs by watching a more experienced worker doing the job OR at the work place Some understanding [1] get training while working OR learn from another employee	**2**	

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Question	Answer	Marks	Guidance
4(c)	**Identify and explain one advantage and one disadvantage to MSH of using on-the-job training.** Knowledge [2 × 1] – award 1 mark for one relevant advantage and disadvantage Application [2 × 1] – award 1 mark for each relevant reference made to this business Relevant points may include: Advantages: • Employees learn the way the business wants the job done [k] from loyal employees [app] • Employees are working while training [k] so still cleaning some floors [app] • Cheaper (than off the job training) [k] so have more funds to help pay for relocation [app] Disadvantages: Likely to make mistakes (as still learning) [k] so damage reputation with local businesses [app] • Slows down work of experienced employees [k] at a time of falling demand [app] • May pick up bad habits or practices from other employees [k] • Might not learn the most up to date methods OR fewer new skills and ideas taught [k]	**4**	Application marks may be awarded for appropriate use of the following: • floor cleaning • relocating • business customers • high levels of unemployment • falling demand • loyal employees • expanding industrial areas • stakeholder groups • increase promotion • 50 km away

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Question	Answer	Marks	Guidance
4(d)	**Identify and explain two ways MSH could promote its services.** Knowledge [2 × 1] – award 1 mark for each relevant method 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: • Advertise (allow only once) e.g. Use social media OR local radio OR website [k] to raise awareness or inform its potential target market [an] • Sponsorship [k] will help to increase their brand image [an] in Main city [app] • Demonstrations [k] so customers can see the high standard of cleaning [app] • After sales service [k] this can help assure business customers [app] so may be more willing to use MSH services again [an] • **Short term** price discounts OR special offers [k] to attract people to try its services initially [an] in the expanding industrial areas [app] • Loyalty schemes [k] which could be important if they relocate [app] • Competitions [k]	**6**	Application marks may be awarded for appropriate use of the following: • floor cleaning • relocate • business customers • high levels of unemployment • falling demand • loyal employees • on the job training • expanding industrial areas • stakeholder groups • 50 km away Answers can refer to customers in either current location or if MSH relocates

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Question	Answer	Marks	Guidance
4(e)	**Do you think MSH should relocate its business? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for a relevant reference made to this business Analysis [2] – award up to 2 marks for each relevant explanation(s) Evaluation [2] – justified decision as to whether MSH should relocate its business Relevant points might include: • Higher possible demand OR sales [k] due to expanding industrial areas [app] leading to increased revenue [an] • Demand will continue to be low in the current location [k] as unemployment levels are high [app] • Employees may not want to move [k] 50 km away [app] so may leave leading to additional recruitment costs [an] • Possible reaction OR high level of competition in new location [k] so may not be able to attract new customers [an] • Need to use promotion in new location [k] • Likely to pay low wage rates in current location [k]	**6**	Application marks may be awarded for appropriate use of the following: • floor cleaning • business customers • high levels of unemployment • falling demand • loyal employees • on-the-job training • expanding industrial areas • stakeholder groups • increase promotion • 50 km away Note: candidates final decision may be for or against the relocation

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