Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/22**

Paper 2 Case Study **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.

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
1(a)	**Explain two characteristics that makes George a successful entrepreneur.** Knowledge [2 × 1] – award one mark for each characteristic. Analysis [2 × 1] – award one mark for a relevant explanation of each characteristic of why this makes him a successful entrepreneur Application [2 × 2] – award two application marks for each characteristic Award one mark for each relevant characteristic (maximum of two), such as: • Self-confident – decision to leave full-time job • Creative – created new menu to attract additional customers • Independent – willing to go with own ideas • Hard worker – prepared to work a lot of hours/prepared to make all the decisions and take on all responsibilities of running the business • Risk taker – possibility of losing own capital –sole trader so may lose personal assets • Effective communicator – persuades others • Optimistic – think positively about new ventures • Innovative – creating new recipes to retain customers Award a maximum of three additional marks for **each** explanation of the characteristic – **2 of which must be applied to this context.** Indicative response: George works very hard in his business (k) and this is needed as the café is open many hours a week. (ap) If he was not there most of the time then employees may not work as hard and the café may not maintain the high quality. (ap) If George did not work so hard, the reputation of the café could fall and the business would be less successful. (an) Possible application marks: Set up as his own boss – sole trader; set up café 15 years ago; bought a building for $10 000; cafe is located in shopping mall in Main City; creates his own recipes for the café; menu; apply for further bank loan; café/restaurant; wants to be his own boss; business has been successful every year since it started. There may be other examples in context that have not been included here.	**8**
1(b)(i)	*Calculate values for X, Y and Z* 1 mark for each correct answer. X = $ 11 000 Y = $8 000 Z = -$2 000	**3**

Question	Answer	Marks
1(b)(ii)	**Consider whether CC is in a good financial position to expand the business. Justify your answer.** Relevant points might include: • Cash inflows not stable – 3 times as much in August than October – difficult to plan – may lead to lack of working capital – harder to pay suppliers • Cash outflows – fairly stable for most months – needs to be able to finance regular payments each month – otherwise will have problems obtaining supplies – or repaying bank loan • Net cash flow – negative for 3 out of the 6 months on the cash flow forecast – need for finance – may need overdraft facility – possible liquidity problem • Closing balance negative by the end of the 6 months – may be difficult to expand if lack of working capital – may need to finance expansion for external sources of finance – bank manager may not be happy with the cash flow forecast – but depends on what it looks like for the rest of the year Knowledge/Analysis/Evaluation – award up to 9 marks using the levels-based mark scheme below. Level 1 **[1–3 marks]** 1 mark for each L1 statement (max of 3 marks) e.g. Cash inflows are not stable and there is 3 times as much paid in August than October. Level 2 **[4–6 marks]** Detailed discussion of the cash flow position of the business. L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. The closing balance is reducing over the remaining six months of the year, which means the business is running out of working capital. Level 3 **[7–9 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which justifies whether or not the business is in a good financial position to expand. 9 marks for well justified conclusion of whether the business is in a good financial position to expand. 7–8 marks for limited conclusion of whether the business is in a good financial position to expand.	**9**

Question	Answer	Marks
2(a)	**Identify two stakeholder groups for CC. Explain an objective of each stakeholder group you have identified.** Knowledge [2 × 1] – award one mark for each relevant stakeholder group Analysis [2 × 1] – award one mark for an explanation of each stakeholder group Application [2 × 2] – award two application marks for each stakeholder group Award one mark for each stakeholder group (maximum of two), such as: • Employees/managers – paid higher wages/job security • George/owner – profit/return on investment • Supplier – ensure payment/continued orders • Bank/other lenders – repayment of loans • Local community – doesn't damage the local environment • Customers – good quality service and good value • Government – tax revenue/provides jobs Award a maximum of three additional marks for **each** explanation of the stakeholder group – **2 of which must be applied to this context.** Indicative response: Employees (k) will be interested in the success of the café (ap) as they will want to be sure of their job security and their jobs will be at risk if the business is not successful. (an) As the café is expanding they may gain a pay increase or a promotion in the newly expanded café. (ap) Possible application marks: Set up as his own boss – sole trader; set up café 15 years ago; bought a building for $10 000; cafe is located in shopping mall in Main City; wants to expand the café and increase profit; cafe is open 6 days a week; information from Appendix 1 such as interest rates are increasing and multinational coffee shop chain wants to open cafes in country X; loan of $20 000; 50% regular customers; ingredients; café/restaurant; open 12 hours. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
George needs to recruit an additional chef. Consider the advantages and disadvantages of each of the three applicants outlined in Appendix 2. Recommend which applicant George should recruit. Justify your choice.

Relevant points might include:

<table>
<tr><th>Applicant</th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Jim</td><td>• Already has experience of managing a café
• less training costs
• easier to delegate responsibility for running the café
• may have suggestions to improve the café
• probably expects low wages as previous job only paid $5 per hour</td><td>• Few qualifications – only 3 IGCSE’s
• Less experience than the other two applicants
• Not as interested in cooking as other applicants</td></tr>
<tr><td>Sally</td><td>• Experience of working in a large busy restaurant means new working practices could be introduced to café
• Highest qualified of the three, so skilled and may cook high quality meals
• Middle wage in previous job of the three applicants</td><td>• No experience of working in a café
• May not be interesting enough as less range of meals cooked in café than restaurant</td></tr>
<tr><td>Vera</td><td>• Enjoys baking and cooking so maybe can cook new menu items
• A lot of experience means no training required
• Highest experience and in a high quality café so may bring new ideas to CC</td><td>• Highest wages of the 3 applicants
• No formal cooking qualifications
• Lack of experience in a basic café so may have unrealistic expectations of the cafe</td></tr>
</table>

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

Level 1 [1–3 marks] Outline of advantages and/or disadvantages of each applicant. 1 mark for each L1 statement (max of 3 marks) e.g. Sally has many years of experience as a chef which will be useful to CC to cook different meals.
</td><td>12</td></tr>
</table>

Question	Answer	Marks
2(b)	Level 2 **[4–6 marks]** Discussion of advantages and/or disadvantages of each applicant. One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Sally has many years of experience as a chef which will be useful to CC to cook different meals. She is also well qualified as a chef, which should mean she could develop new recipes for the café menu. This will keep customers loyal to the café as well as attracting new passing trade. However, she is over qualified for a café and may not stay there long. (Level 2 plus one application mark for answering in the context of the café and its menu) Level 3 **[7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation as to which applicant to appoint. 9–10 marks for well justified recommendation as to which applicant to appoint rather than the other applicants. 7–8 marks for some limited judgement shown as to which applicant to appoint. **Award up to 2 additional marks for relevant application.** Possible application marks: Set up as his own boss – sole trader; set up café 15 years ago; bought a building for $10 000; cafe is located in shopping mall in Main City; creates his own recipes for the café; wants to expand the café and increase profit; cafe is open 6 days a week; advertises using menu board outside the café; details of the two options for expansion; café/restaurant. There may be other examples in context that have not been included here.	

Question	Answer	Marks
3(a)	**Identify and explain two roles of marketing for City Café.** Knowledge [2 × 1] – award one mark for each role Analysis [2 × 1] – award one mark for a relevant explanation of each role Application [2 × 2] – award two application marks for each role Award one mark for each role (maximum of two): • Identify customer needs • Satisfy customer needs • Maintain customer loyalty • Gain information about customers • Anticipate changes in customer needs Award a maximum of three additional marks for **each** explanation of the role – **2 of which must be applied to this context.** Indicative response: It is important to identify customer needs (k) so that the café provides drinks and food that customers want to buy. (ap) This will ensure that customers keep coming back and become repeat business (an) so that George can increase his profit and expand the café. (ap) Possible application marks: Set up as his own boss – café/restaurant; menu; cafe is located in shopping mall in Main City; creates his own recipes for the café; wants to expand the café and increase profit; cafe is open 6 days a week; 50% of customers visit every day/ 50% visit less frequently; advertises using menu board outside the café; details of the two options for expansion. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Consider the advantages and disadvantages of each of the two options for expanding the business. Recommend which option George should choose. Justify your answer.

Relevant points might include:

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

<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Option 1</td><td>• Existing customers can still visit
• Keep existing employees – less recruitment costs – less training costs
• Can buy the building so more certainty for future development as cannot be moved out of the building</td><td>• Not as large as the alternative café
• High costs to buy the building and redecorating = $30 000</td></tr>
<tr><td>Option 2</td><td>• Twice as large as existing café
• New part of city so many potential new customers
• Busy part of Main City so opportunity for significant increase of customers and revenue
• Capital from sale of existing building may fund the expansion costs or new equipment and redecoration</td><td>• Need to find new customers
• Increased marketing costs
• Lose regular customers and employees
• Only rent building as not available to buy so may not be able to keep it in the future</td></tr>
</table>

Level 1 **[1–3 marks]**

Outline of advantages and disadvantages of each option. 1 mark for each L1 statement (max of 3 marks) e.g. The cost of building next door to the cafe is high.

Level 2 **[4–6 marks]**

Detailed discussion of advantages and disadvantages of each option.
1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. The cost of building next door to the cafe is high which will require George to borrow a large amount of money. This will increase the costs of the cafe and may reduce profit in the short run. (Level 2 plus one application mark for answering in the context of the café)

</td><td>**12**</td></tr>
</table>

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Question	Answer	Marks
3(b)	Level 3 **[7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which option to choose. 9–10 marks for well justified recommendation as to which option to choose and why not the other option. 7–8 marks for some limited judgement shown in recommendation as to which option to use. **Award up to 2 additional marks for relevant application.** Possible application marks: Set up as his own boss – café/restaurant; sole trader; set up café 15 years ago; bought a building for $10 000; cafe is located in shopping mall in Main City; cafe is open 6 days a week; 50% of customers visit every day/ 50% visit less frequently; advertises using menu board outside the café; details of the two options for expansion Option 1 Serve 50% more customers – larger cafe – $10 000 redecorate + building work – $20 000 cost to buy Option 2 10 km away – twice as large – rent $2 000 – not for sale – redecoration and kitchen equipment $5 000 – busy part of the city with many shoppers There may be other examples in context that have not been included here.	

Question	Answer	Marks
4(a)	**Identify and explain two reasons why quality is important for CC.** Knowledge [2 × 1] – award one mark for each relevant reason Analysis [2 × 1] – award one mark for an explanation of each reason Application [2 × 2] – award two application marks for each reason Award one mark for each relevant reason (maximum of one each), such as: • Establishes a brand image • Builds brand loyalty • Maintains a good reputation • Helps to increase sales • Attracts new customers • Can charge a higher price • Ensure food safety regulations are met • Avoids cost of dealing with defects/waste • Maintain or increase market share Award a maximum of three additional marks for **each** explanation of the reason – **2 of which must be applied to this context**. Indicative response: Maintains a good reputation (k) so that customers of the café will tell their friends how good it is. (ap) A good reputation should help ensure that the café maintains its existing customers and also increases sales. (an) The café already has 50% of its trade from regular customers so it is important to maintain the quality of the food and drinks to ensure this is maintained. (ap) Possible application marks: Set up as his own boss – café/restaurant; menu; 50% are repeat customers; cafe is located in shopping mall in Main City; creates his own recipes for the café; wants to expand the café and increase profit; cafe is open 6 days a week; advertises using menu board outside the café; details of the two options for expansion; multinational coffee shop chain wants to open cafes in country X. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Consider the following three sources of finance that CC could use for expansion. Recommend which source of finance CC should choose. Justify your answer.

Relevant points might include:

<table>
<tr><th>Source of finance</th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Take out a bank loan</td><td>• Large amounts borrowed
• Lower interest than many alternative sources of finance</td><td>• May lose house if fail to make repayments
• Interest paid so increased expenses
• May be more difficult to gain another bank loan as already has one</td></tr>
<tr><td>Form a partnership with a family friend</td><td>• Already knows the person
• Will be able to help run the business</td><td>• Will have to share profit
• May have disagreements on how to run the café</td></tr>
<tr><td>Sell some business assets from the old café</td><td>• Less need to borrow money
• No interest payable</td><td>• May not have enough assets to raise sufficient capital
• As CC wish to expand they are more likely to want to keep business assets rather than sell them</td></tr>
</table>

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.
Level 1 **[1–3 marks]**

Outline of the advantages and disadvantages of each source of finance. 1 mark for each L1 statement (max of 3 marks) e.g. Large amounts of capital can be borrowed with a bank loan.

Level 2 **[4–6 marks]**

Discussion of the advantages and disadvantages of each source of finance. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Large amounts of capital can be borrowed with a bank loan and the money can be paid back in monthly installments making it easier to pay it back as the café increases its sales of food and drinks. However, there are the increased costs from interest payments payable on the loan. (Level 2 plus one application mark for answering in the context of the food and drinks sold)

</td><td>**12**</td></tr>
</table>

Question	Answer	Marks
4(b)	Level 3 **[7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of the best source of finance to choose. 9–10 marks for well justified recommendation as to the best source of finance to choose rather than the alternatives. 7–8 marks for some limited judgement shown in recommendation as to the best source of finance to choose. **Award up to 2 additional marks for relevant application.** Possible application marks: Set up as his own boss – sole trader; set up 15 years ago; bought a building for $10 000; cafe is open 6 days a week; pay himself a high salary; already has an existing bank loan; advertises using menu board outside the café; information from Appendix 1 such as interest rates are increasing and multinational coffee shop chain; information from Appendix 3 from the cash flow forecast. There may be other examples in context that have not been included here.	