Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Structured Response **March 2021**

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.

Cambridge International is publishing the mark schemes for the March 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

© UCLES 2021

PUBLISHED

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.

© UCLES 2021

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.

© UCLES 2021

PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

© UCLES 2021

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

© UCLES 2021

Question	Answer	Marks	Notes
1(a)	**Define 'limited liability'.** Award two marks for a full definition. Award one mark for a partial definition. The liability of shareholders / owners in a company is limited to only the amount they invested [2] OR The shareholders in a limited liability company which fails only risk losing the amount they have invested in the company (and not any of their personal wealth) [2] OR Its owners are not liable (responsible) for a company's debts – this means that owners can lose what they have invested (but not their personal possessions). [2] Partial definition e.g. Shareholder only loses what they have put in [1] OR Owners won't lose their personal assets if the business fails [1]	**2**	Do not award 'owners have a separate legal identity to the business' as this does not explain the term. For 2 marks must have the idea of owners and the money invested.
1(b)	**Define 'niche market'.** Award two marks for a full definition. Award one mark for a partial definition. A small, usually specialised, segment of a much larger market [2] OR Involves selling goods to small clearly identifiable segments of a market [2] Partial definition e.g. selling to a small part / small segment of a (large) market [1] OR part of the market with specific needs / characteristics [1]	**2**	

Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> opportunities for consumers of using e-commerce when purchasing RJJ's products.** Award one mark for each relevant opportunity (max 2). Award one mark for each relevant reference to this business (max 2). Opportunities might include: • Convenience / no need to leave the house / products can be delivered to you / can order anytime / save travel costs [k] when buying shoes [app] • Better information / easy to compare prices and products between different websites / access to reviews to make more informed decisions [k] which may be important when it is a niche market [app] • Wider choice / consumers can easily access products from businesses in other countries [k] • Lower prices / avoids having to pay extra to allow for retailers' profit margin [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Women • Shoes • Niche market Other appropriate examples can still be credited.

Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> factors RJJ's Finance Director should consider when deciding on a source of finance for the expansion.** Award one mark for identification of each relevant factor (max 2). Award one mark for each relevant reference made to this business (max 2). Award one mark for each relevant explanation (max 2). Points might include: • Amount of money required [k] as operate in a niche market [app] they may not have enough retained profits, so have to borrow / look for external sources [an] • Length of time / how long to repay / how long the finance is needed for [k] as a long-term project such as the takeover [app] would need to use a long-term source [an] • Level of existing borrowing [k] particularly as profit fallen by $50000 [app] so if have a high level of debt lenders may not be willing to lend any more money [an] • Type of business [k] because they are a public limited company [app] may be seen as lower risk so offer lower interest rates [an] • Credit history / financial status / amount of assets the business has / liquidity [k] as lenders will want to know if you have the ability to repay [an] • Security / collateral [k] • Interest / cost of finance [k] • How quickly the business needs the money [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Shoes • Niche market • Public limited company / limited liability • Takeover (a competitor) • Profit decreased / $50 000 Other appropriate examples can still be credited. Do not award purpose as [k] as this is stated in the question.

Question	Answer	Marks	Notes
1(e)	**Do you think a takeover of a competitor is the best way for a large business to grow? Justify your answer.** Award up to two marks for identification of relevant points. Award up to two marks for relevant development of points. Award up to two marks for justified decision as to whether the takeover of a competitor is the best way for a large business to grow. Points might include: • Possible economies of scale [k] leading to lower average costs [an] • Reduced / less competition / increase market share [k] so able to increase prices / revenue [an] • Access to new skills / expertise [k] • (Bad reputation as) may need to make some workers redundant / negative impact on employee motivation / job insecurity [k] lowering productivity [an] • High cost [k] which the business might not have / be able to afford [an] • Possible clash of management styles / different objectives [k] • Diseconomies of scale e.g. communication problems [k] leading to higher average costs [an] Other ways to grow can also be discussed such as: • Expand product range [k] which can help better control / manage speed of change [an] • Merger [k] • Joint venture [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Candidates can discuss other ways a business can grow but evaluation must focus on the question set. For both evaluation marks judgement must clearly relate to a large business. Do not award mirror answers.

Question	Answer	Marks	Notes
1(e)	Justification might include: Takeover will allow a business to reduce the number of competitors [k] which can increase market share [an]. However, as the business is already large there is a risk of diseconomies of scale as a result of a business growing too quickly [k] increasing average costs [an]. While internal growth is slower, it may be safer especially when the business is large as by being able to control the rate of growth could allow managers time to plan how they would reduce problems such as communication to help to increase the chances of success [eval] [eval].		

Question	Answer	Marks	Notes
2(a)	**Define 'market segmentation'.** Award two marks for a full definition. Award one mark for a partial definition. Dividing the whole market into segments by consumer characteristics and then targeting different products to each segment [2] OR An identifiable subgroup of a whole market in which consumers have similar characteristics or preferences [2] Partial definition e.g. Dividing the (whole) market into smaller groups [1] OR Part of the market in which consumers have similar characteristics / preferences / interests and choices [1]	**2**	For 2 marks need the idea of dividing the market and for characteristics / preferences.

Question	Answer	Marks	Notes
2(b)	**Identify <u>two</u> pricing methods.** Award one mark per pricing method (max 2). Points might include: • (Market / price) skimming • Penetration (pricing) • Cost-plus (pricing) • Competitive (pricing) • Promotional (pricing) Other appropriate responses should also be credited.	**2**	Only award the first two responses given. Candidates must identify, and not simply describe, the pricing method.

Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> factors which could affect the accuracy of ABA's market research.** Award one mark for each relevant factor (max 2). Award one mark for each relevant reference to this business (max 2). Points might include: • Sample selected / type of sample / sample not representative of the population / how carefully sample drawn up [k] of consumers buying (short-distance) flights [app] • Wrong sample size / sample too small [k] • Type of market research / wrong method research chosen / who carried out the research [k] to collect feedback about customer experiences [app] • People may not answer truthfully / people say what you want to hear / may not (fully) answer questions [k] leading to the business choosing the wrong pricing method [app] • Wording of questions / wrong questions asked / poorly written questions / people do not understand the questions [k] so don't gather views about sustainable development [app] • Way / how questions are asked by the interviewer [k] as may be used in 60 countries [app] • Where carry out market research [k] • Age of the information / data out of date [k] • Bias [k] • Time available [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Flights or associated words such as airline/ planes • 60 countries • Customer experiences • Pricing method • Market segmentation • Sustainable development • Multinational company Other appropriate examples can still be credited. Do not award country X as application.

Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> benefits to ABA of being a multinational company.** Award one mark for identification of each relevant benefit (max 2). Award one mark for each relevant reference made to this business (max 2). Award one mark for each relevant explanation (max 2). Points might include: • Spreading risk [k] as not reliant on one market for all its sales / fall in sales in one country can be offset by increase in another [an] as operate in 60 countries [app] • Increase sales / access new markets / new customers [k] for its flights [app] to increase revenue [an] • Improve brand image / reputation [k] to help increase / maintain customer loyalty [an] • Access government support / grants [k] • Avoid barriers to trade [k] which could reduce costs [an] so may be able to change its pricing method [app] • Reduced tax liability / take advantage of favourable tax rates / lower taxes [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for all responses on this question: • Flights or associated words such as airline/ planes • 60 countries • Market segmentation • Customer experiences • Market research • Pricing method • Sustainable development Other appropriate examples can still be credited. Do not award country X as application. Do not award answers about the advantages of a being large e.g. economies of scale, easy access to finance.

© UCLES 2021

Question	Answer	Marks	Notes
2(e)	**Do you think using renewable energy is the best way for a tertiary sector business to contribute to sustainable development? Justify your answer.** Award up to two marks for identification of relevant points. Award up to two marks for relevant development of points. Award up to two marks for justified decision as to whether using renewable energy is the best way for a tertiary sector business to contribute to sustainable development. Points might include: Renewable energy: • High cost (of installing environmentally friendly equipment) [k] which the business may not be able to afford [an] • May not provide sufficient power / not a reliable power source [k] leading to lost sales / revenue [an] • Retailer may not use a high amount of energy [k] Other options might include: • Recycle [k] but not all materials can be recycled [an] • Change to environmentally friendly packaging / stop using (single-use) plastic / disposable materials [k] but may have limited control over materials [an] • Reduce amount they purchase / use [k] so fewer resources are needed [an] • Only buy from suppliers who provide environmentally friendly products [k] • Reduce waste [k] which may help increase efficiency [an] and lower average cost [an] • Avoid unnecessary travel by promoting a work from home policy [k] • Not throw waste products down the drain / into the river [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Candidates can discuss other ways to contribute to sustainable development. Do not credit answers which clearly refer to a manufacturing business such as: • Change production methods • Reduce output • Restore land to nature when finished For both evaluation marks judgement must clearly relate to a business in the tertiary sector.

© UCLES 2021

Question	Answer	Marks	Notes
2(e)	Justification might include: Renewable energy may be expensive to install [k] which the business may not be able to afford [an]. However, a tertiary sector business is unlikely to have much influence over products themselves [k] and not all the products / materials used in a tertiary sector business can be recycled which would have a limited impact [an]. Therefore, renewable energy is the best way for a tertiary sector business especially as the money and resources saved by using renewable energy can reduce long-term costs [eval] [eval].		

Question	Answer	Marks	Notes
3(a)	**Calculate the values of X and Y.** Award one mark for each correct calculation. X: (300) Y: (400)	**2**	Answers must be shown as negative values to be credited.
3(b)	**Define 'batch production'.** Award two marks for a full definition. Award one mark for a partial definition. The production of goods whereby each batch of products passes through one stage of production at the same time before moving on to the next stage [2] OR A production method where similar items are produced together – a whole batch moves through the different stages of production together [2] OR Is where a quantity of one product is made, then a quantity of another item will be produced [2] Partial definition e.g. similar items made together (in a group) [1]	**2**	Do not credit answers which simply reorder the words e.g. production done in batches.

Question	Answer	Marks	Notes
3(c)	**Identify <u>four</u> methods a business could use to ensure the quality of its products.** Award one mark for each relevant method (max 4). Points might include: • Quality control / hire inspectors • Quality assurance • (Additional) training for employees / use skilled workers • Total quality management / Kaizen/ quality circles • Improve or use high quality raw materials • Introduce automation / new technology / machinery • (Apply for a) quality mark / ISO scheme / quality standard Other appropriate responses should also be credited.	**4**	Only award the first four responses given.

© UCLES 2021

Question	Answer	Marks	Notes
3(d)	**Explain <u>two</u> ways SMR could overcome its cash-flow problems.** Award one mark for identification of each relevant way to overcome cash flow problems (max 2). Award one mark for each relevant reference made to this business (max 2). Award one mark for each relevant explanation (max 2). Points might include: • Negotiate longer credit terms with suppliers / delay payment of bills [k] for ingredients for snacks [app] to keep cash in the business for longer [an] • Overdraft [k] would allow the business to have a negative cash balance for a while [an] for this snack/food business [app] • Asking customers to pay earlier / offering discounts to encourage quicker payments / insisting on cash sales [k] to get over $900 in May [app] would allow business to receive cash inflow sooner [an] • Bank loan [k] as this would increase cash inflow [an] • Reduce level of stock bought [k] • Increase number of customers [k] could increase cash inflows [an] • Delay / cancel purchases of capital equipment / sell surplus non-current assets [k] • Find cheaper suppliers [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Batch production • Snack/food business • Sports events • 3 / part-time (employees) • Correct use of data from table 3.1 such as closing balance $(1200) in June Other appropriate examples can still be credited. Note: The analysis should focus on effect on cash inflow or outflow. Candidates can use the same analysis for both answers where appropriate.

© UCLES 2021

Question	Answer	Marks	Notes
3(e)	**Do you think paying bonuses is the best way to motivate employees in a small business? Justify your answer.** Award up to two marks for identification of relevant points. Award up to two marks for relevant development of points. Award up to two marks for justified decision as to whether paying bonuses is the best way to motivate employees in a small business. Points might include: • Workers can feel recognised / special if they receive a bonus (which then motivates them) [k] • Taylors' theory suggests money is the main motivator [k] which could lead to an increase in productivity [an] • Business only has to pay out if the target is reached [k] • Maslow's theory suggests that money is needed to meet basic needs [k] and each level must be achieved before you can move to the next level [an] • Not all employees are motivated by bonuses / money is not the only motivator [k] • May only have a short-term boost to motivation [k] so any increase in productivity may only be temporary [an] • Increases costs [k] which a small business may not be able to afford / reduces capital available for other purposes [an] • If some employees receive a bonus and others don't this may lead to conflict [k] • Employees may be demotivated by unrealistic targets [k]	**6**	This is a general question so there are no marks for application. For both evaluation marks judgement must clearly relate to a small business.

Question	Answer	Marks	Notes
3(e)	Other methods might include: • Praise [k] involves no additional cost [an] • Job rotation [k] but may have to pay for training / not all employees able or willing to switch between jobs [an] lowering quality / output [an] • Opportunities for promotion [k] • Profit-sharing [k] • Increase wage rates [k] • Fringe benefits (only once) [k] Other appropriate responses should also be credited. Justification might include: Bonuses could lead to conflict if one employee receives a bonus and another does not [k]. This could decrease productivity [an]. An alternative could be praise [k] which could motivate employees as they feel valued by their managers [an]. I do not think offering bonuses is the best method because small businesses may be short of finance and may not be able to afford to pay bonuses. Whereas a non-financial method such as praise can be just as effective at no extra cost to the business [eval] [eval].		

© UCLES 2021

Question	Answer	Marks	Notes
4(a)	**Identify <u>two</u> ways of measuring the size of a business.** Award 1 mark per way [max 2]. Points might include • (Value of) capital employed • Market share • Value of output / value of sales / revenue • Number of employees • Value of business • Number of customers / volumes of output / number of services Other appropriate responses should also be credited.		Only award the first two responses given.
4(b)	**Identify <u>two</u> methods of training employees.** Award one mark per method (max 2). Two from: • Induction • On-the-job • Off-the job	**2**	Only award the first two responses given.

© UCLES 2021

Question	Answer	Marks	Notes
4(c)	**Outline <u>two</u> effects of a high rate of labour turnover to SCT.** Award one mark for each relevant effect (max 2). Award one mark for each relevant reference to this business (max 2). Points might include: • (Higher) cost of recruiting new / replacing workers [k] as have 50 employees [app] • (Higher) cost of training new employees [k] as all workers need to be trained [app] • Disruption to production / lower productivity / lower output / more mistakes / lower quality [k] when making tables [app] • Can damage business reputation / more difficult to recruit new employees [k] especially as manager has an autocratic leadership style [app] • Takes managers time away from other important work [k] which might be a problem as it's a small business [app] • Time taken to recruit new / replace workers [k] for the factory [app] • Time taken to train new employees [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • 50 employees • Trained (employees) • (Handmade) Tables or associated words such as wood • Factory • Autocratic leadership style • Relocate • Small (business) Other appropriate examples can still be credited.

Question	Answer	Marks	Notes
4(d)	**Explain two factors SCT should consider when deciding on the location of a new factory in the same country.** Award one mark for identification of each relevant factor (max 2). Award one mark for each relevant reference made to this business (max 2). Award one mark for each relevant explanation (max 2). Points might include: • Cost of land [k] to see if they can afford it [an] as they are a small business [app] • Availability / cost of (suitable) labour [k] as they will need trained employees [app] otherwise quality may drop [an] • Government influence or examples such as grant / legal controls [k] which may influence or restrict where / how the business is allowed to operate [an] when making tables [app] • Access to suppliers / raw materials [k] as if far away could increase transport costs [an] • Transport / communication links [k] • Access to power / water [k] • Possible external economies of scale [k] • Enough space / scale of production [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • 50 employees • Trained (employees) • Tables • High labour turnover • Small (business) Other appropriate examples can still be credited.

© UCLES 2021

Question	Answer	Marks	Notes
4(e)	**Do you think autocratic leadership is the best style for a small business to use? Justify your answer.** Award up to two marks for identification of relevant points. Award up to two marks for relevant development of points. Award up to two marks for justified decision as to whether autocratic leadership is the best style for a small business. Points might include: Autocratic leadership • Decisions can be made quickly [k] so able to respond to opportunities quicker / so work can happen more quickly [an] • No employee involvement / employees cannot give opinions / ideas / one-way communication [k] which can demotivate them [an] leading to absenteeism / higher labour turnover [an] • Employees are closely supervised [k] so leaders / managers have less time to spend on other tasks [an] could lead to more mistakes [an] Other leadership styles might include: Democratic leadership [k] • Can lead to more / better ideas [an] increasing productivity [an] • Allows for better relationships between workers and managers [an] • Involving employees in decisions / likely to delegate [an] can help improve employee motivation [an] • Takes time to ask people especially when many employees [an] • Unpopular decisions cannot be made using this method [an] • Some employees may not want / cope with extra responsibility [an]	**6**	This is a general question so there are no marks for application. Advantages of one method can be presented as disadvantages of the other method but do not award the same point twice as mirror answers are not accepted. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

Question	Answer	Marks	Notes
4(e)	Laissez-faire leadership [k] • Highly motivating for employees as given most responsibility [an] • Task / work may not be suitable to delegate power [an] Other appropriate responses should also be credited. Justification might include: Decisions are made more quickly with autocratic leadership [k] so employees can get on with their tasks sooner [an]. One problem is that there is no input from employees [k] so the business could miss out on new ideas [an]. Overall, I think it can be a good style when you need to make quick decisions but as a small business is less likely to have specialist managers for each department, they need to embrace the ideas of all employees, even if this takes longer [eval] [eval].		

© UCLES 2021