Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/22**

Paper 2 Case Study **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.

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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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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).

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.

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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.

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Question	Answer	Marks
1(a)	**Explain <u>two</u> advantages and <u>two</u> disadvantages of being a sole trader.** One mark for each advantage/disadvantage (maximum of two advantages/ two disadvantages). Award a maximum of one additional mark for **each** explanation of the advantage/disadvantage of being a sole trader. Advantages could include: • Few legal regulations to follow when setting up/easy to set up and close • The owner is their own boss / make own decisions / be in total control • Freedom for the owner to choose their own hours of work/holidays etc. • Owner has close contact with customers • Owner keeps all the profit • Accounting information can be kept private Disadvantages could include: • No one to discuss business decisions with – lack of ideas • Unlimited liability • Limited sources of finance • May have to remain small because of limited capital / lack of economies of scale • There are limited opportunities for promotion / the business may lose talented staff to larger businesses • If owner cannot work, there is no one to run the business in their absence • No separate legal identity – no continuity if owner retires/dies • Owner may not have knowledge/expertise in all areas of running the business • No one to share risks/losses with For example: There is unlimited liability (1) that means the owner's personal possessions are at risk of being taken to pay any debts of the business. (1)	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>

Consider the <u>two</u> orders for ST products in Appendix 2. Which order should ST accept? Justify your answer using relevant calculations.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both orders.

Well-justified conclusion.

Candidates discussing both orders in detail, in context and with well-justified conclusion including why the alternative order was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one order.

Judgement with some justification/some evaluation of choices made.

Candidates discussing both orders in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the orders with little/no explanation.

Simple judgement with limited justification/limited evaluation of choices made.

Candidates outlining both orders in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include
<table>
<tr><td></td><td>Option A</td><td>Option B</td></tr>
<tr><td>Revenue</td><td>$100000 (L1)</td><td>$50000 (L1)</td></tr>
<tr><td>Cost of sales</td><td>$50000 (L1)</td><td>$20000 (L1)</td></tr>
<tr><td>Gross profit</td><td>$50000 (L2)</td><td>$30000 (L2)</td></tr>
<tr><td>GPM</td><td>50% (L2)</td><td>60% (L2)</td></tr>
<tr><td>Additional expenses</td><td>$25000 (App)</td><td>$10000 (App)</td></tr>
<tr><td>Total cost</td><td>$75000 (L1)</td><td>$30000 (L1)</td></tr>
<tr><td>Profit</td><td>$25000 (L2)</td><td>$20000 (L2)</td></tr>
<tr><td>PM</td><td>25% (L2)</td><td>40% (L2)</td></tr>
<tr><td>Order A</td><td colspan="2">• The revenue is much higher
• Gross profit is higher by $20000
• Profit is higher by $5000
• However, GPM is lower at 50%
• PM is lower at 25%
• The customer made low number of orders – 3 times last year – may be a relatively new customer
• Total profit from the 3 orders is $75000</td></tr>
<tr><td>Order B</td><td colspan="2">• Quantity ordered may be much lower as price is higher
• Although gross profit is lower, the GPM is higher at 60%
• Profit is lower but the PM is higher at 40%
• This is a regular customer and ordered 10 times last year and ST will not want to disappoint them
• Total profit from the 10 orders is $200000</td></tr>
<tr><td>Conclusion</td><td colspan="2">To access L3 there must be either correct profit or profit margins calculated for each Order.
• On just the amount of profit made I would recommend choosing Order A as both gross profit and profit are higher than Order B and the quantity ordered is higher at 5000 for each order. This will enable ST to increase the amount of profit made. However, Order A is not made very often at only 3 times last year and so overall the amount of profit made over the year may be less for this Option A and so Option B might be better.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
1(b)	• On the gross and profit margins then Option B is better than Option A. Both margins are higher for Option B and therefore this has the higher profitability. This Option also has a higher number of orders over the year **as each order is 1000 products and was ordered 10 times last year** and so this Option is the better one to choose.	

Question	Answer	Marks
2(a)	**Explain <u>two</u> ways Saanvi can increase the added value of ST products.** One mark for each way (maximum of 2). Award a maximum of 3 additional marks for **each** explanation of how added value can be increased – **one of which must be applied to this context.** Relevant answers might include: **Increase price** (1) – explanation of why/how prices can be increased (1) such as: • improve quality of the T-shirts • improve reputation for high quality logos on the products • establish brand image • improve product features such as excellent customer service/USP **Reduce input/raw material costs** (1) explanation of how these can be reduced (1) such as: • buy cheaper raw materials/find cheaper suppliers of T-shirts • lower the quality of inputs such as cheaper fabric • reduce the amount of inputs needed, for example redesign the T-shirts so they do not use as much fabric For example: Reduce raw material costs (1) such as buy cheaper fabric/material (app). ST could change to a cheaper supplier of raw materials (1). This will increase the gap between price and input costs and therefore increase added value (1). **Application** could include: t-shirts; customers' own designs; no other company offers guarantee of 100% satisfaction; high priced products aimed at niche markets; digital sewing machines; logo name or picture provided by customer. *Note: The two ways can both come from either increased price or reduce input costs or one from each.*	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
To expand the business in the future ST need to decide whether to change from niche marketing to mass marketing. Consider the advantages of both methods. Which method should ST use? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of niche and mass marketing.

Well-justified recommendation.

Candidates discussing both types of marketing in detail, in context and with well-justified recommendation including why the alternative type was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one type of marketing.

Judgement with some justification/some evaluation of choices made.

Candidates discussing both types of marketing in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss niche and mass marketing with little/no explanation.

Simple judgement with limited justification/limited evaluation of choices made.

Candidates outlining niche and mass marketing in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><td>Niche marketing</td><td>• ST T-shirts are a better match to customer needs whereas competitors' products may be aimed at mass markets
• Appeals to a specific type of customer wanting their own designs/brand loyalty
• May be able to charge a higher price
• Higher profit margin
• Build market expertise in their specialist field
• Marketing well targeted and more cost effective</td></tr>
<tr><td>Mass marketing</td><td>• Mass marketing usually has a large number of potential customers
• Targets a wide market – greater opportunities for increased sales
• Standardised T-shirts can be mass produced
• Lower unit costs for standardised product
• Prices may be lower as unit costs lower – increased demand – higher profit</td></tr>
<tr><td>Recommendation</td><td>• Stay with niche marketing as ST already has a good reputation for high-quality products and has many loyal customers. If ST went into mass marketing, there are many competitors and it might be more difficult to expand sales. New products and operations would also be required to expand into a mass market, and this may be expensive and difficult to finance.
• Mass marketing could also be justified because it will be a larger market with more opportunities for sales of standardised T-shirts and higher revenue. This may be high enough to cover the higher capital costs of setting up production of standardised T-shirts.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
3(a)	**Explain <u>two</u> benefits to ST of having well-motivated employees.** One mark for each benefit (maximum of 2). Award a maximum of 3 additional marks for **each** benefit of having well-motivated employees – **one of which must be applied to this context**. Relevant answers might include: • Increases labour productivity / higher output per worker – increases number of products produced – **possibly** increases revenue • May reduce unit costs • Reduced / low labour absenteeism • Reduced labour turnover – reduces recruitment costs • Improved reputation so easier to recruit workers • More willing to accept changes / new methods of working • Improved quality of products if more pride in their work – help reduce waste / better or maintained reputation – lower costs / increases sales For example: May reduce labour absenteeism (1) as employees will be happy in their work and will not take time off unless absolutely necessary (1) therefore, employees will produce more T-shirts and ST's output will increase (app). This should help ensure that ST can satisfy demand and increase sales (1). **Application** could include: t-shirts; customers' own designs; no other company offers guarantee of 100% satisfaction; high priced products aimed at niche markets; digital sewing machines; produced using batch production; plans for expansion.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
ST need to recruit a new Operations Manager. Consider the advantages and disadvantages of the <u>three</u> applicants in Appendix 3. Which of the applicants should ST employ? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more applicants

Well-justified recommendation.

Candidates discussing all three applicants in detail, in context and with well-justified recommendation including why the alternative applicants were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one applicant.

Judgement with some justification/some evaluation of choices made.

Candidates discussing two or more applicants in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss applicants with little/no explanation.

Simple judgement with limited justification/limited evaluation of choices made.

Candidates outlining three applicants in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><td></td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Aarav</td><td>• Well qualified in management as has a degree which should make him more equipped to manage the department
• Has the skills to manage people in the Operations department</td><td>• Lacks experience as worked for only 1 year and not as an Operations Manager only the assistant</td></tr>
<tr><td>Vivaan</td><td>• Skilled at designing T-shirts and can use the computer programs to do this
• Is very experienced as he has worked for 20 years for one clothing manufacturer
• Loyal employee as he has worked for the same business for 20 years</td><td>• May be set in his ways as only worked for one business for 20 year – may not adapt easily to the culture of a different business
• Lacks experience of working for several textile businesses which may mean a lack of new ideas</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
<table>
<tr><td>Sai</td><td>• He has a wide range of experience as he has worked for three different clothing businesses – suggests he is a talented employee
• He is able to repair digital sewing machines – so can save ST the cost of repair – but he should be focusing on managing the Operations department and not repairing machinery</td><td>• Does not have a degree so may lack knowledge of how to run a department
• Lacks experience of management of a department as he has only been a Supervisor and an Assistant Manager</td></tr>
<tr><td>Recommendation</td><td colspan="2">• Vivaan should be chosen as he has the most experience and this may help to increase output and improve efficiency for ST. Aarav lacks experience even though he is well qualified in management and Sai has not been an Operations Manager only an Assistant so also lacks the relevant experience when compared to Vivaan.

• Aarav should be chosen as he is well qualified and should be able to communicate well with employees which is required due to the previous Operations Manager not motivating employees. Motivation and productivity need to be increased and Aarav seems to be more of a people person, whereas the other two applicants are skilled in using and repairing machines which is not required for the Operations Manager who should be focusing on running the factory.

• Sai should be chosen as he is very experienced having worked in 3 different clothing factories and should be able to easily cope with gaining promotion to the Operations Manager having been an Assistant Manager for 2 years. This is better experience than the other two applicants as Aarav only has one years' experience and not as an Operations Manager only an Assistant and Vivaan has only worked for one business so may lack new ideas from other businesses.</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer	Marks
4(a)	**Explain <u>four</u> reasons why high quality is important to ST.** Award one mark for reason (maximum of 4). Award a maximum of 1 additional mark for **each** explanation **in the context of ST** of the reason of why quality is important. Relevant answers might include: • Establishes a brand image – for its T-shirts • Builds brand loyalty – for the own-designed products • Maintains a good reputation for its products / avoids a bad reputation being communicated to potential customers – ensures 100% guarantee of satisfaction for customers as stated in the advert • Increases sales of ST products • Attracts new customers to buy the products • Decreased costs from not replacing faulty products / reduces waste • May lead to increased market share / improved competitiveness • Allows ST to charge a higher price For example: Avoids a bad reputation being communicated to potential customers (1) so ST can maintain its excellent brand image for high quality T-shirts (app). **Application** could include: t-shirts; customers' own designs; no other company offers guarantee of 100% satisfaction; high priced products aimed at niche markets; digital sewing machines; plans for expansion; business has grown quickly; producing designs with a logo or pictures.	**8**

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

Consider how the following <u>two</u> changes might affect ST. Which change is likely to have the most effect on ST's revenue? Justify your answer.

- **The business cycle in country Z moves into a slump**
- **The government of country Z focuses on reducing unemployment**

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both changes.

Well-justified conclusion.

Candidates discussing both changes in detail, in context and with well-justified conclusion including why the alternative change is rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one change.

Judgement with some justification/some evaluation of choices made.

Candidates discussing both changes in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the changes with little/no explanation.

Simple judgement with limited justification/limited evaluation of choices made.

Candidates outlining both changes in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><td>The business cycle in country Z moves into a slump</td><td>• Unemployment rises
• Economic growth falls into negative
• Demand for many products such as T-shirts will fall
• Prices may fall as demand has fallen
• Many businesses will fail – especially those that sell non-essential or luxury products such as high-quality T-shirts</td></tr>
<tr><td>The Government of country Z focuses on reducing unemployment</td><td>• May increase government spending to boost spending in the economy
• Reduce tax / income tax / indirect taxes / profits tax
• Lower interest rates
• All these changes in economic policies are designed to boost spending in country Z
• If effective, then demand for many products will increase – may include demand for ST’s T-shirts
• Businesses will see demand increase and the demand for specialist T-shirts may increase – leading to increase in revenue for ST</td></tr>
<tr><td>Conclusion</td><td>• Moving into a slump is likely to have a bigger effect on revenue than other changes. Demand will fall significantly, and many businesses will fail leading to much lower sales of personalised T-shirts for businesses – even those businesses that survive will reduce spending on non-essential marketing such as buying ST products. Whereas increased government spending or lower taxes will take time to be effective and to have an effect on business marketing budgets.
• Government policies aimed at increasing spending could be argued as having the biggest effect on ST’s revenue and moving into a slump as having less effect. This is because T-shirts are not an expensive item and if consumers have increased incomes from lower direct taxes then sales are likely to increase significantly. Also, if incomes have increased then the high-quality T-shirts may be more attractive than standardised ones leading to sales increasing by a higher amount and revenue therefore rising by a higher amount.</td></tr>
</table></td><td></td></tr>
</table>