Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Data Response **February/March 2023**

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.

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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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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).

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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.

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0450/7115/0986 Business Studies – Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

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Question	Answer	Marks	Notes
1(a)	**Define 'inflation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. An **increase** in the general price level of goods and services over time [2] Partial definition e.g. an increase in the price of goods/services [1]	**2**	For both marks must have reference to increase in prices [1] and the time element [+1]. Time is +1 only.
1(b)	**Identify <u>two</u> ways technology could change production methods.** Award 1 mark for each relevant way (max 2). Ways might include: • Wide variety/new products can be designed/made • High/faster output • Fewer mistakes / better quality / more accurate / less waste • Fewer employees / replace labour • Automation / become capital intensive • Mechanisation / use (more) machinery • Computer-aided design (CAD) / 3D design • Computer-aided manufacturing (CAM) / 3D printing/robotics • Computer-integrated manufacturing (CIM) Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> ways HCB could become more ethical.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Ways may include: • Pay fair wages [k] to its 200 employees [app] • Ensure fair working conditions for employees [k] in its factory [app] • Pay suppliers on time [k] when buying materials for its cars [app] • Pay fair price to suppliers [k] • Charge customers fair prices / not fix prices with competitors [k] • Source environmentally friendly materials / less pollution / not dump waste / use renewable energy **(allow only once)** [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate on this question: • Cars • Factory • 200 employees • New technology/ changed production method Other appropriate examples can also be credited.
1(d)	**Explain <u>two</u> ways HCB could be affected by an increase in the interest rate in country X.** Award 1 mark for a relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Increase costs of finance/borrowing [k] so less cash/funds to spend on other areas of the business [an] such as becoming more ethical [app] • Decreased demand/fewer sales [k] which could lower revenue [an] from its cars [app] • More difficult to get/more expensive to take out a loan [k] for the factory [app] which could delay investment [an] • Delay investment [k] into new technology [app] so may become less competitive [an] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Cars • Factory • 200 employees • New technology / change production method • (More) ethical Other appropriate examples can also be credited. Some points can be awarded as [k] or [an] but do not award the same point twice.

Question	Answer	Marks	Notes
1(e)	**Do you think manufacturing businesses will always benefit from the introduction of import tariffs? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether manufacturing businesses will always benefit from the introduction of import tariffs. Points might include: • Higher costs of importing raw materials [k] which could lead to higher prices / lower its profit margin / so may need to find new suppliers locally [an] • May increase price of imported finished goods / imported goods more expensive [k] which may lead to fewer sales / less revenue / less imports/increase demand for locally made products [an] • Other countries may retaliate/introduce import tariffs [k] making it more difficult to export [an] Other appropriate responses should also be credited. Justification might include: Imported goods will become more expensive [k] leading to fewer sales [an]. However, businesses have higher costs if they are importing raw materials [k] which could lead to an increase in prices [an]. Overall, whether businesses benefit is likely to depend on the proportion of raw materials which are imported [eval], especially if there are no alternative local suppliers it is more likely to be negatively affected [eval].	**6**	This is a general question so there are no marks for application.

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Question	Answer	Marks	Notes
2(a)	**Identify <u>two</u> possible causes of business failure.** Award 1 mark for each relevant cause (max 2). Causes may include: • Poor planning/lack of objectives • Cash flow problems / lack of working capital • Poor management skills / lack experience / lack of knowledge • Overexpansion / business expands too quickly • Lack of demand/sales / (too much) competition • Poor marketing • Economic influences / changes in business environment Other appropriate response should also be credited.	**2**	Only award the first two responses given.
2(b)	**Calculate WFH's acid test ratio for 2022. Show your working.** Award 2 marks for correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: 0.5:1 [2] Correct method e.g. (current assets - inventory) / current liabilities [1] OR 20 000/40 000 [1] OR (50 000 – 30 000) / 40 000 [1] Where 0.5 is shown with no working, can award two marks.	**2**	

Question	Answer	Marks	Notes
2(c)	**Identify <u>four</u> reasons why businesses hold inventory.** Award 1 mark for each relevant reason (max 4). Points might include: • To maintain production • To protect against delays from suppliers • To benefit from economies of scale • To benefit from special offers / supplier discounts • To reduce transport costs • To meet unexpected changes in demand / sudden order • To meet seasonal changes in demand • To meet orders/ meet (high) demand Other appropriate responses should also be credited.	**4**	Only award the first **four** reasons given.

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Question	Answer	Marks	Notes
2(d)	**Explain why the following <u>two</u> stakeholder groups might be interested in WFH's financial statements.** Award 1 mark for a relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Employees: • To know if they have job security / whether made redundant [k] as profit is falling [app] so may decide to look for jobs elsewhere [an] • To know if they will receive wage payments on time [k] as there is less cash in the business [app] so may not be able to cover their basic needs/better standard of living [an] • To know whether to ask for a pay rise [k] when making hats [app] they might look at the level of profit [an] Suppliers: • To see current level of debt [k] to help decide whether to give/extend trade credit [an] for materials needed for the hats [app] • To see level of cash /liquidity [k] to know whether they will receive payments on time [an] • To know whether will receive payment on time [k] as if not may stop supplying [an] especially as WFH might fail [app] • Assess level of sales [k] as high/low may lead to additional/fewer orders [an] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate on this question: • Hats • 15 000 / 10 000 / cash has decreased • ($10 000) / loss • 50 000 / 60 000 (current assets) • High levels of inventory • 30 000 / 20 000 / 10 000 increase (inventory) • 0.5 (acid test ratio) OFR applies • Mass market • Business might fail Other appropriate examples can also be credited. The [k] and [an] can be interchangeable.

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Question	Answer	Marks	Notes
2(e)	**Do you think it is always better for a business to sell to a mass market? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for a justified decision as to whether it is always better for a business to sell to a mass market. Points might include: Mass marketing: • (Potential for) high sales/customers [k] increases revenue [an] • Benefit from economies of scale [k] so lower average/unit costs (an) • Spreads risk [k] so falling sales in one area may be offset by sales elsewhere [an] • High levels of competition [k] may mean have to lower prices [an] Niche marketing [k] • May be possible to charge higher prices [an] which can increase profit margin [an] • Able to closely meet customer needs [an] could lead to high customer loyalty [an] • Opportunity to earn higher profits might attract new competitors [an] so prices may have to be reduced [an] Other appropriate responses should also be credited. Justification might include: Businesses in a mass market may benefit from economies of scale [k] which reduces average costs [an]. However, a niche market [k] may be better as businesses are able to charge higher prices [an]. I think it is better for a business to operate in a mass market because lower average costs may allow lower prices which is likely to attract more customers which could mean a higher overall amount of revenue than is possible in a niche market. [eval]. [eval]	**6**	This is a general question so there are no marks for application. Some points could be expressed as the advantage or disadvantage of each method but do not award the same point twice.

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Question	Answer	Marks	Notes
3(a)	**Identify <u>two</u> responsibilities of supervisors.** Award 1 mark for each responsibility (max 2). • Provide feedback/report to managers (on progress/issues) • Give out tasks/orders (to employees) • Make sure employees carry out tasks • Check/monitor quality of work/product • Check workers are being efficient Other appropriate responses should also be credited.	**2**	Only award the first two responses given.
3(b)	**Identify <u>two</u> methods of written communication.** Award 1 mark for each relevant method (max 2 marks). Points might include: • Letter • Notice/notice board • Text • Memo • Email • Newsletter • Website • Social media/Facebook/WhatsApp • Billboards/posters • Leaflets/flyer • (Local/national) newspapers • (Specialist/general) magazines Other appropriate answers should also be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
3(c)	**Outline <u>two</u> benefits to AH of taking over a competitor.** Award 1 mark for each relevant benefit (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increase in market share [k] from 5% [app] • Benefit from economies of scale [k] in the competitive market [app] • Power to set/influence market prices [k] for insurance [app] • Gain brand name of competitor [k] • Gain skills/resources (from other business) [k] • Protection from risk of takeover [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Insurance • 5% (market share) • 1000 employees • 50 supervisors • Competitive market Other appropriate examples can be awarded.

Question	Answer	Marks	Notes
3(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to AH of its supervisors using an autocratic leadership style.** Award 1 mark for a relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Quick/faster decision-making [k] so can respond to opportunities sooner [an] such as taking over a competitor [app] • Do not need to consult with employees [k] leading to quick(er) decision-making [an] • Decisions are made by (more) experienced workers [k] so less chance of mistakes [an] in the insurance business [app] Disadvantages: • Demotivate employees [k] from the 1000/950 employees [app] leading to higher labour turnover / because they have no input into decisions [an] • Supervisors have less time to focus on other tasks [k] leading to lower productivity / as employees are closely monitored [an] • Lack of ideas from employees [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for responses on this question: • Insurance business • 1000/950 employees • 50 (supervisors) • Take over a competitor • Competitive market • 5% (market share) • Methods of communication Other appropriate examples can be credited.

Question	Answer	Marks	Notes
3(e)	**Explain <u>two</u> sources of finance which could be used to fund business growth. Which source of finance would be the best to use? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for a justified decision as to which source of finance should be used to fund business growth. Points might include: (Bank) loan [k] • Can receive all the money at once [an] • (Long time to) repay [an] • Need to pay interest [an] which can increase costs [an] Retained profit [k] • No repayment costs [an] • May not be enough funds available [an] Sell shares /share issue [k] • No need to repay /permanent source of capital [an] • Will dilute ownership / lead to loss of control [an] • Shareholders may expect dividends [an] • Sell (unwanted) non-current assets [k] Other appropriate responses should also be credited. 3(e): Justification might include: One option is a bank loan [k] but the business will need to pay interest [an]. An alternative could be retained profits [k] as there is no need to repay [an]. I think a bank loan is the best source because there may not be sufficient retained profit which may delay the expansion. [eval] [eval]	**6**	This is a general question so there are no marks for application. Some points can be expressed as an advantage or disadvantage of different sources but only award once.

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Question	Answer	Marks	Notes
4(a)	**Identify <u>two</u> ways legal controls could affect marketing strategy.** Award 1 mark for each relevant way (max 2). Points may include: • Cannot make misleading/false claims in advertisements / may have to change/withdraw/restrict how or where advertise/promote • Increase costs/time (spent on marketing) • May have to change what is written on packaging / make sure product description is accurate/not misleading <u>on packaging</u> • Could lead to restrictions about where they can sell it • Cannot sell underweight goods • Goods must be **fit for purpose** • Cannot charge less than **minimum** price set / cannot charge more than **maximum** price set / cannot fix prices (with competitors) Other appropriate responses should also be credited.	**2**	Only award the first two responses given.
4(b)	**Define 'quality control'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Checking for quality at the end of the production process [2] OR Checking the quality of goods through inspection [2] Partial definition e.g. Checking the (standard/quality of) work [1]	**2**	

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Question	Answer	Marks	Notes
4(c)	**Outline <u>two</u> reasons why Viktor might use sampling when carrying out market research.** Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Cheaper (than researching the whole market) [k] which is important for a start-up business [app] • Quicker (than researching the whole market) [k] to find out what photography customers want [app] Other appropriate responses should also be credited.	**4**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Start-up • Photography • 5 employees • Sole trader Other appropriate examples can be credited.
4(d)	**Explain <u>two</u> disadvantages to Viktor of operating as a sole trader.** Award 1 mark for each relevant disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Difficult to raise capital [k] which could restrict growth [an] of the photography business [app] • Unlimited liability [k] of his start-up business [app] so his personal assets are at risk if he cannot pay debts [an] • Has all the responsibility / make decisions on own [k] so may lead to wrong decisions being taken [an] • May have to work long hours [k] • Business does not have a separate legal identity [k] • No continuity of business/ if die, the business will close [k] • No one to share risks/losses with [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for responses on this question: • Photography • Start-up/new business • 5 employees • (Carry out) market research • Motivate employees • Legal controls (over marketing) Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
4(e)	**Explain <u>two</u> ways a service business could motivate its employees. Which would be the best way to use? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for a justified decision as to which is the best way for a service business to motivate its employees. Points might include: • Bonus [k] employees will try to achieve targets set [an] • Job rotation [k] (as variety) can make the work more interesting [an] • Job enrichment [k] as employees feel that they are being given more responsibility [an] • Training [k] so employees have a higher level of skills [an] • Increase wage (rate) [k] increases business costs [an] • Profit sharing [k] which only pay if a profit is made [an] • Praise [k] no cost / free [an] • Commission [k] employees will have an incentive to try to sell more products [an] • Opportunities for promotion [k] Other appropriate responses should also be credited. 4(e): Justification might include: Bonus [k] as employees will try to achieve targets set by the business [an]. Whereas job rotation [k] creates a more flexible workforce [an]. I think that job rotation is best as the flexible workforce means that services can still be offered when other employees are absent [eval] which could still help the business to achieve its targets [eval].	**6**	This is a general question so there are no marks for application. Some development could be expressed as an advantage or disadvantage of different methods but only award the same point once.

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