UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0450 BUSINESS STUDIES

0450/12 Paper 1 (Short Answer/Structured Response), maximum raw mark 100

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.

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This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer.

Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

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1 (a) What is meant by 'market research'? [2]

Clear understanding [2]: e.g. process of finding out what consumers want or need before a product is made [2]/process of gathering primary and secondary data on the buying habits and attitudes [1] of potential customers [+1]/collection of data about existing or potential products [2].
Some understanding [1]: e.g. find out what customers want [1].

Do NOT accept examples of primary research or secondary research on own e.g. questionnaires. Acceptable only as a development point.

(b) Identify <u>two</u> possible objectives Made Fresh could have. [2]

Knowledge [2 × 1]: one mark per objective.
Objectives include: expansion OR growth/survival/increased market share OR more customers OR increased sales/customer service/profit/enter new overseas markets/added value.

Do NOT accept reduce cost.

(c) Identify and explain <u>two</u> advantages to a business of branding. [4]

Knowledge [2 × 1]: award 1 mark per relevant advantage.

Analysis [2 × 1]: award 1 mark per relevant explanation (i.e. how helps the company).

Advantages might include:
- able to differentiate product from rivals [k] customers want to buy more of your product [an]
- way to encourage brand loyalty [k] so maintain level of sales [an]
- means to attract potential customers [k]
- means of achieving a competitive advantage [k]
- able to charge higher prices [k] as products can be seen to be of higher quality [an]
- instant recognition/well known/identity/brand image [k]
- way to add value to a product [k]
- easier to launch new products [k] as customers are aware of and/or trust name [an].

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(d) Identify and explain <u>three</u> possible problems Made Fresh might face if they have to import organic ingredients for the foods they manufacture. [6]

Knowledge [3 × 1]: award 1 mark per relevant problem.

Analysis/Application [3 × 1]: award 1 mark for each relevant explanation. (explain how or why it might be a problem for Made Fresh.)

Problems include:

- government rules or restrictions [k] which might limit/restrict what food items can be imported which affects what they can get [an]
- tariffs [k] could make imported goods too expensive [an]
- quotas [k] which would limit the quantity of ingredients that MF could obtain [an]
- language problems [k] – so order wrong items/unable to order what needed [an]
- transport issues e.g. time [k] If buy from long way, food could perish in transit [an]
- exchange rates [k] depreciation of own currency could lead to higher cost of imports [an]
- costs of transport [k] if long distance need to protect perishable goods could increase expenses [an]
- delay in delivery [k] which could slow down production of food items [an]/lead to customers cancelling orders from MF [an]
- lack of contacts overseas [k]
- quality of fresh food [k] which could damage reputation of MF if imported items not fit to sell [an]/different standard between locally sourced and imports [k]
- too much paperwork [k].

Do not award analysis/application marks for points which clearly cannot be applied to a food manufacturer.

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(e) The Government in country J wants to encourage international trade. Do you think this would be an advantage to Made Fresh? Justify your answer. [6]

Knowledge [2 × 1]: identifies advantages/disadvantages [2].

Analysis [2]: explain how factors could affect MF.

Evaluation [2]: reasoned judgement as to whether it is an advantage to MF or not.
For two evaluation marks, the answer must be clearly in the context of this business.

Possible advantages include:
- access to materials not available in home country [k]
- access to new markets and products [k]
- means to raise international profile of business [k]
- increased sales by selling to larger global market [k]
- increased demand could increase production [k] so able to benefit from economies of scale [an]
- government might offer them grants/incentives [k].

Disadvantages include:
- increased competition [k] in home and international markets could mean that MF must offer lower prices [an]
- increased costs of transport if try to sell to overseas customers [k]
- increased costs of marketing [k] as need to promote business more so potential customers aware [an]
- possible shortage of some resources if other competitors set up in your home country [k].

Context could include: High quality crops produced, farm crops failing, branding, grown by local farmers, organic, recent bad weather, countries nearby.

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2 (a) What is meant by 'batch production'? [2]

Clear understanding [2]: e.g. products are made in groups [1] of items of a certain amount, usually to meet a specific order/as orders come in
OR identifies two distinctive features of batch production.
Some understanding [1]: identifies one distinct feature of batch e.g. made in (small) groups.

Do not accept 'batch' as part of answer as stated in question.
Do not accept examples on own.

(b) Identify <u>two</u> ways of measuring the size of a company. [2]

Knowledge [2 × 1]: one mark per measure.
Measures include:
- sales value OR <u>value</u> of output OR revenue
- capital employed
- number of employees
- value of balance sheet
- market share.

Do NOT reward profit/outlets/machines/number of assets/amount of output.

(c) Identify and explain <u>two</u> benefits of lean production for a business. [4]

Knowledge [2 × 1]: award 1 mark per relevant advantage.

Analysis [2 × 1]: award 1 mark per relevant explanation (i.e. how it helps a business).

Benefits might include:
- reduction in waste [k] can lead to improved efficiency [an]/lower production costs [an]
- by **being involved in process** workers are motivated [k] could lead to better quality [an]
- reduced stock holding costs [k] as lower levels of stock required on site [an]
- less resources required as less waste [k] so lower cost [an]
- less operational space needed as production is better organised [k] which could lower fixed costs [an].

Points <u>must</u> be linked to lean production to be credited.
Do not accept simple statements as faster/cheaper/more output/more efficient/time saving/ motivated unless explained.

Do not accept identification of methods e.g. JIT/Kaizen/TQM.

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(d) Identify and explain <u>three</u> advantages to the management of Bray Electrics of introducing new technology in the business. [6]

Knowledge [3 × 1]: award 1 mark per relevant advantage.

Analysis/application [3 × 1]: award 1 mark for each relevant explanation (how helps management).

Advantages include:
- improve quality [k] so able to charge higher prices for products [an]
- increase output [k] so able to meet more orders [an]
- improves productivity [k] which can help reduce average costs [an]
- way to reduce labour costs [k] so lower total costs for business [an]
- machines do not need breaks [k] so more parts can be made/less errors [an]
- faster production [k] as machines can make more in less time [an]
- machines are able to handle more complex work [k]
- role in designing prototypes/development of new products [k]
- improves stock control for ordering parts [k]
- improved communication (internal or external) [k].

Note: advantages must clearly relate to <u>business</u> not employees.

Do not award analysis/application marks for points which clearly cannot be applied to a manufacturing company.

(e) The Managing Director believes 'our workers like change'. Do you think that all the workers at Bray Electrics would like the introduction of new technology? Justify your answer. [6]

Knowledge [2]: identifies relevant issues.

Analysis [2]: explanation to show how it might affect <u>employees</u>.

Evaluation [2]: reasoned judgement made as to whether *all* workers will like introduction of new technology.
For two evaluation marks, the answer must be clearly in the context of a manufacturer.

Issues might include:
- need for re-training [k] which could create promotion opportunities [an]
- impact on motivation (either positive or negative) [k]
- fear of change [k]
- fear of redundancy as machines replace jobs [k] could decrease motivation [an]
- deskilling [k]
- implications for pay e.g. lower wages [k] so lower living standards [an]
- opportunities to learn new skills [k]
- chances for self improvement or promotion [k]
- safer conditions as up to date technology [k] so less risk of injury [an].

Do not accept points such as 'more efficient' unless clearly link benefit to employees.

Context could include: large company, engine parts, batch production, always looking for ways to introduce new technology, manufacturer.

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3 (a) What is meant by 'public limited company'? [2]

Clear understanding [2] e.g. a company whose shares can be sold on the stock exchange
OR identifies specific features of public limited company e.g. shares issued to and owned by public/shares sold freely on the stock market.
Some understanding [1] e.g. identifies general features of limited companies e.g. have limited liability/separate legal identity from owners/can sell shares/freedom of access to financial statements.
Do not accept private sector on its own.

(b) Calculate the Return on Capital Employed for 2012. [2]

Correct answer [2]: 15%.
Method only [1]: e.g. correct formula for ROCE = net profit/capital employed * 100 [1], 75/500 * 100 [1].
N.B. answer must include % sign to be awarded 2 marks.

(c) Identify and explain <u>two</u> reasons why shareholders might be interested in the accounts of HTB. [4]

Knowledge [2 × 1]: award 1 mark per relevant reason.

Application/analysis [2 × 1]: award 1 mark per relevant explanation (i.e. explain why issue for shareholders).

Reasons might include:
- will want to know how well the company has performed (e.g. are they making a profit) [k] to know how much dividend they might receive [an]/whether it is worthwhile to CARRY on investing in the company [an]
- potential investors will want to know if it is worth investing in company [an] as if returns are poor they will look for alternative investments [an]
- is the company being run efficiently (e.g. liquidity, debt levels) [k]
- whether likely to see a rise in share price if business is successful [k]
- to compare with other businesses accounts [k] to decide which one to invest in [an].

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(d) Identify and explain <u>three</u> factors that HTB should consider before issuing more shares. [6]

Knowledge [3 × 1]: award 1 mark per relevant factor.

Analysis [3 × 1]: award 1 mark per relevant explanation (i.e. explain why an issue for HTB).

Factors might include:
- likely take up by the market (ease of selling) [k]
- anticipated impact on share price [k]/impact on market's view of the company [k] if market don't like issue it could affect reputation or share price [an]
- risk of takeover [k] or loss of control of existing shareholders [k] who might not allow HTB to issue more shares [an]
- do they have any other options of raising capital [k]/is it an appropriate way to raise the amount needed [k].

Allow practical issues such as cost of issuing shares e.g. prospectus/time/complexity of the process of issuing shares/amount of shares to be issued as separate points.

Do not allow points such as 'do they need the money' or 'can they pay dividends'.

(e) Do you think that the product is the most important element of the marketing mix for HTB? Justify your answer. [6]

Knowledge [2]: – general discussion of role of product/identifies relevant issues.

Analysis [2]: – Explains why the issue needs to be considered.

Evaluation [2]: – judgement made as to importance of product in HTB's marketing mix.
For two evaluation marks, the answer must be clearly in the context of this business.

Points include:
- product is what consumers buy [k] If the product is not what consumers want, they will not buy it [an]
- price, promotion and place also have important role [k]
- having the right pricing strategy is important [k] as it is a competitive market [an]
- promoting the products can attract customers [k] which can help increase sales [an]
- the product must also be sold in the right places [k].

Context could include: computers, competitive market, spends a lot on advertising, increasing demand, looking to expand, using figures from the data.

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4 (a) What is meant by 'organisational structure'? [2]

Clear understanding [2] e.g. the number of levels of management and division of responsibility/authority within a business [2]/staff and their positions in relation to each other [2].
Some understanding [1] e.g. how many levels in a business/Shows how business is organised/shows who reports to whom/hierarchy.
Some understanding plus example can gain full marks.

(b) What is meant by 'chain of command'? [2]

Clear understanding [2]: structure within an organisation through which orders are passed down from senior management to the lower levels of management/pass messages up and down the hierarchy.
Some understanding [1]: 'shows who gives orders'.

For 2 marks must have idea of 'messages passed/communication' AND 'who between'.

(c) Identify and explain <u>two</u> possible disadvantages for a business of having a wide span of control. [4]

Knowledge [2 × 1]: award 1 mark per relevant disadvantage.

Analysis [2 × 1]: award 1 mark per relevant explanation (i.e. explain why might be disadvantage for a business).

Points might include:
- difficult to control so many people [k] so less work is done [an]
- communication problems as too many subordinates to inform/ask [k] so harder to get feedback about the work [an]/messages lost [an]
- workers might not have enough skills to cope with extra responsibility [k] so more mistakes are made [an]
- supervisors might not have the right skills to manage so many people [k]
- fall in productivity [k] as hard to motivate so many people [an].

Note: disadvantages must clearly relate <u>to business</u> not employees to be credited.

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(d) Identify and explain <u>three</u> reasons why effective communication within a business is important to the management. [6]

Knowledge [3 × 1]: award 1 mark per relevant reason.

Analysis [3 × 1]: award 1 mark per relevant explanation (i.e. explain why it is important to management).

Reasons might include:
- improves efficiency [k]
- as workers as feel involved in the business decisions [k] so more productive [an]
- ensures the right orders are passed to the right people [k] so orders are completed properly or on time [an]
- avoids confusion or misunderstanding [k] so less mistakes [an]
- avoids duplication of work [k] which can waste time and resources
- less mistakes as know what to do [k] so prevents faults [an].

Note: reasons must clearly relate <u>to management/business</u> not employees or customers.
Do not allow 'workers motivated' unless linked to idea of effective communication.

(e) The management of Cole Brokers think that the disadvantages of e-commerce are greater than the advantages to their business. Do you agree? Justify your answer. [6]

Knowledge [2 × 1]: identification of relevant issues.

Analysis [2]: explain how or why might affect business.

Evaluation [2]: reasoned judgement made as to whether disadvantages are greater or not for CB Brokers.
For two evaluation marks, the answer must be clearly in the context of this business.
Either viewpoint is possible depending on points discussed.

Disadvantages include:
- vulnerability to viruses/technical breakdown/security issues [k]
- government restrictions/laws concerning what and how sell insurance in other countries [k]
- loss of personal contact with customers [k]
- need for system support/security/training costs for staff [k] which will increase costs [an]
- threat of increased competition [k].

Advantages include:
- access new markets as not restricted to existing locations [k] which could lead to more sales [an]
- possible cost savings can lead to lower prices and more business
- opportunity for 24 hour business [k].

1 sided argument maximum 4 marks.

Context could include: medium sized, customers around the world, highly competitive market, many insurance businesses using the internet.

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5 (a) What is meant by a 'job description'? [2]

Clear understanding [2] outlines the responsibilities and duties [1] expected to be done by someone employed to do a specific job [+1].
Some understanding [1] e.g. what have to do for a job.
Some understanding plus example can gain 2 marks.

(b) Identify <u>two</u> possible features of a person specification. [2]

Knowledge [2 × 1]: one mark per feature.
Features include:

- knowledge of various elements such as qualifications, experience, skills, personal qualities

OR

- practical examples such as able to manage people
- age and/or gender (allow only 1 mark).

Allow any reasonable feature.
Do not accept examples which clearly relate to details of a CV e.g. where went to school, previous employer.

(c) Identify and explain <u>two</u> suitable places where Manuel could advertise the vacancies. [4]

Knowledge [2 × 1]: award 1 mark per suitable place.

Application [2 × 1]: award 1 mark for each relevant explanation (i.e. say why suitable place).

Places include:

- internal – notice board/staff publication.
- external – job centre/advertising in local paper or local radio/specialist trade magazines/ recruitment agency/internet or jobs website or online.

Do not accept 'shop', in the street, internal or external or in the business unless explained.

Award relevant examples of either two internal or two external or one example of each.

Do not award analysis/application marks for points which clearly cannot be applied to role of supervisor e.g. Television, national radio, national newspaper and magazines.

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(d) Identify and explain <u>three</u> factors that Sachs-Tech should consider when deciding where to locate a new factory. [6]

Knowledge [3 × 1]: award 1 mark per relevant factor.

Analysis/application [3 × 1]: award 1 mark for each relevant explanation (i.e. explain how/ why factor is important to Sachs-Tech).

Factors include:
- available space [k]
- cost of site [k] can they afford the rent [an]
- utilities e.g. power, water, internet [k]
- transport links/infrastructure [k] so it is cheaper/easier to distribute the parts [an]
- access to market/access to (necessary) materials [k]
- government rules [k]
- availability of grants/incentives [k]
- access to (suitable) labour [k]
- cost of labour [k] e.g. cheap labour could reduce their variable costs [an]
- personal preference of owner as to where they want to live/work [k]
- environmental issues e.g. waste disposal or pollution [k]
- local opposition to plans/pressure groups [k].

Do not award analysis/application marks for points which clearly cannot be applied to a mobile phone manufacturer e.g. 'near retailers'.

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(e) The Finance manager is worried that the business might be growing too quickly. Do you think he is right to be worried? Justify your answer. [6]

Knowledge [2 × 1]: identification of relevant issues.

Analysis [2]: explain how or why issue needs to be considered.

Evaluation [2]: reasoned judgement made as to whether business might be growing too quickly.
For two evaluation marks, the answer must be clearly in the context of this business.

Either viewpoint is possible depending on points discussed.

Possible issues include:

- demand for the product is growing [k] so need to expand to meet customer requirements [an]
- growth can bring many advantages e.g. economies of scale [k]
- depends on objectives of the business/attitude to risk [k]
- costs of expansion e.g. more equipment [k]/extra factory space needed [k] can the business afford to pay [an]
- management issues e.g. do they have sufficient skilled managers to oversee the expansion [k]
- recruitment problems e.g. are they able to recruit enough workers or the right people? [k]
- finance issues e.g. access to necessary sources of finance [k]
- diseconomies of scale [k]
- quality may suffer in rush to meet demand [k]
- sales could fall as quickly as sales have risen [k]
- problems of excess stock [k].

Context could include: mobile phone industry, sales are rising quickly, meet demand, new production supervisors, makes parts, new factory.

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