CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2013 series

0450 BUSINESS STUDIES

0450/13 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 award.

1 (a) What is meant by 'piece rate'? [2]

Good knowledge [2] Payment system where workers are paid depending on the quantity of products they have produced OR paid for what done [1] so money earned is linked to output/ volume of the worker
Some knowledge [1] e.g. paid for what done [1]

Do not accept answers which refer to amount sold as this relates to commission based pay

(b) Identify <u>two</u> possible cost savings for Akbar Metal of using new machinery. [2]

Application [2 × 1] – 1 mark per cost saving

Areas for savings include:
- accuracy e.g. less mistakes, less wastage of resources
- labour costs e.g. fewer employees to pay/less overtime/training
- maintenance costs e.g. less machine breakdown/lower maintenance costs
- running costs e.g. less electricity (as more efficient)

(c) Identify and explain <u>two</u> possible advantages to Akbar Metal of selling 60% of its products to one customer. [4]

Knowledge [2 × 1] – award 1 mark for each advantage identified

Application [2 × 1] – award 1 mark for each relevant explanation (e.g. show how or why it is an advantage to Akbar)

Points might include:
- **develop better supplier/customer relations [k]** which can help build up loyalty/ reliability to enable them to make requests such as when payments made [app]
- **certainty of sales [k]** so less time and money spent trying to attract new customers as over half parts are already sold [app]
- **able to adapt quicker to changes in customer requirements [k]** as better understanding of bike manufacturers' needs [app]
- **less wasted resources [k]** as parts/products likely to meet customer requirements [an]
- **able to negotiate better terms [k]**
- **reduction in costs of marketing [k]** as already have firm orders for majority of parts so don't need to spend as much attracting new orders [app]
- **reduced transport costs [k]** as over half of stock going to the same customer, rather than lots of places [an]

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(d) Identify and explain <u>three</u> possible problems of flow production for businesses like Akbar Metal. [6]

Knowledge [3 × 1] – award 1 mark for each problem identified

Application/analysis [3 × 1] – award 1 mark for each relevant explanation (i.e. show how or why it might be a problem <u>for</u> manufacturing businesses)

Points might include:

- **repetition of work [k]** – workers could become demotivated as they are always doing the same task [k] so less efficient [an]
- **is there sufficient increase in demand to merit flow [k]** otherwise waste resources/ money [an]
- **high cost of investment [k]** can business afford to invest in flow [an] as Akbar has said he will need to arrange finance [app]
- **if one machine breaks down all production stopped [k]** so he won't be able to meet orders [an]
- **flow inflexible [k]** which could cause problems as most of orders from single customer [app]
- **cost of hiring/retraining new workers [k]**
- **access to reliable supply of materials [k]** otherwise flow production will not work effectively as the work has to stop whilst waiting for the parts to arrive [an]

(e) Explain <u>two</u> suitable sources of finance for the purchase of new machinery. Recommend which source Akbar Metal should use. Justify your answer. [6]

Knowledge/application [2 × 1] – award 1 mark for each suitable source identified

Analysis [2] – award 1 mark for relevant explanation (e.g. why the source is suitable)

Evaluation [2] – justified decision made as to which option to choose

NOTE: For 6 marks must explain why chosen source is the better option

Options include:

- **long term loan [k]** as this will allow AM a long time to repay [an]
- **(retained) profits [k]** as there is no need to repay [an]
- **share issue [k]**
- **leasing/hire purchase [k]** no large initial sum to be paid out [an]

Can accept bank loan on its own, as long as clearly not referring to short term loan

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

Good knowledge [2] – e.g. highly specialised [1] sub part of a large market [1]
Some knowledge [1] – e.g. small part of a market OR specialist
For 2 marks must have both elements

(b) Calculate the selling price of a suit. [2]

Application: Correct answer [2] – i.e. $420

Some application [1] – e.g. correct method: Unit cost + % profit [1] or $300+ (300 × 40%) [1]

(c) Identify and explain <u>two</u> benefits to Walker Fashion of having skilled workers. [4]

Knowledge [2 × 1] – award 1 mark for identification of each benefit

Application [2 × 1] – award 1 mark for each relevant explanation (i.e. show how or why it is a benefit to WF)

Points might include:
- **skilled workers likely to work more efficiently [k]** so more suits can be made in less time [app]
- **likely to make fewer mistakes [k]** so less wastage of fabrics/materials [app]
- **higher quality [k]** can encourage good reputation so attract more customers to buy their suits [app] OR important as making handmade suits [app]
- **added value [k]** as people likely to pay more for handmade/quality suits [app]
- **can meet customer individual requirements [k]** as have ability to make complex designs [app]

(d) Identify and explain <u>two</u> factors Walker Fashion needs to consider when setting a price for its suits. [6]

Knowledge [2 × 1] – award 1 mark for each factor identified

Application [2 × 1] – award 1 mark for relevant reference to WF

Analysis [2 × 1] – award 1 mark for each explanation (i.e. show how or why factor needs to be considered)

Points might include:
- **production cost [k]** need to cover at least fixed costs or face a loss [an]
- **level of competition [k]** if it a competitive market might have to react to changes in competitor's price to gain business [an]
- **product/what is being sold [k]** luxury items should have a high price whilst necessities tend to be lower priced [an]
- **level of demand [k]** if it is a popular product might be able to charge a higher price [an]
- **stage in product life cycle [k]** e.g. at launch might offer discounted prices to encourage sales [an]

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(e) Explain <u>two</u> methods (other than pricing) that Walker Fashion could use to improve sales. Recommend which method Walker Fashion should use. Justify your answer. [6]

Knowledge/application [2 × 1] – award 1 mark for identification of suitable method

Analysis [2 × 1] – award 1 mark for each relevant explanation (i.e. show how method works)

Evaluation [2 × 1] – justified decision as to why each one is appropriate for WF

Methods might include:
- advertising [k]
- other promotional methods e.g. discounts
- introduce new designs/features [k]
- target new markets [k] e.g. country or gender

Do not accept methods which would not be appropriate for this type of business e.g. free samples

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3 (a) What is meant by 'revenue'? [2]

Good knowledge [2] – e.g. Income of the business [1] during a given period of time from the sale of goods or services [1] OR Quantity sold × price per unit
Some knowledge [1] – e.g. Income of the business

(b) Identify <u>two</u> features of batch production. [2]

Knowledge [2 × 1] – 1 mark per feature

Features could include: goods produced in sets/no variety in each group made/machines need to be reset between batches/lower unit costs <u>than</u> job production

(c) Identify and explain <u>two</u> ways that Kipta could improve the safety of workers. [4]

Knowledge [2 × 1] – award 1 mark for identification of way

Application [2 × 1] – award 1 mark for each relevant explanation (i.e. show how or why it could improve worker safety)

Points might include:
- **provide safety equipment [k]** as chemicals used in products could harm workers [app]
- **training [k]** so workers know how to handle materials/liquids safely [app]
- **good ventilation [k]** otherwise chemicals used could cause breathing problems [app]
- **rest breaks [k]** as working for long periods of time could lead to mistakes being made in
- **guards on machines [k]** so that workers don't get splashed using chemicals [app]

(d) Identify and explain <u>three</u> benefits for consumers of increased competition. [6]

Knowledge [3 × 1] – identification of benefit [1 mark per benefit]

Analysis [3 × 1] – award 1 mark for each relevant explanation (i.e. show how it helps customers)

Points might include:
- **lower prices [k]** so goods more affordable – so able to buy item/more items/save some money for other things[an]
- **better quality [k]** as businesses will compete to produce goods to attract customers,
- **better value for money [k]** as could see more features for same amount of money as business try to gain consumers/sales [an]
- **wider choice of goods produced [k]** so more likely to find something to meet individual needs
- **better customer service/extra services [k]** as businesses try to treat customers nicely to ensure they don't switch to rival companies [an]

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(e) How important is market research to the successful introduction of a new product? Justify your answer. [6]

Knowledge [2] – award up to 2 marks for identification of issues

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to how important market research is to successful introduction of a new product.

Points might include:
- **find out customer needs [k]** so able to adapt/make products that customers want [an]
- **able to determine possible demand [k]** so know whether it is worthwhile spending money on developing the new product [an]
- able to determine effective promotion/pricing strategies [k]
- limitations of market research [k] e.g. sample size, who or what questions asked

Other factors include:
- **level of competition [k]**
- 4 Ps – product, pricing, promotion, place
- government rules (as this business is dealing with chemicals)

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4 (a) What is meant by a 'balance sheet'? [2]

Good knowledge [2] – e.g. shows the value of a business's assets and liabilities [1] as a particular time [+1]
Some knowledge [1] – e.g. shows assets and liabilities of a business OR value at certain time

(b) Calculate the acid test ratio for 2012. [2]

Application [2] – Correct answer = 0.20 OR 0.2:1 [2]

Method [1] – e.g. Current assets – stock/current liabilities [1] OR 30 – 20/50 [1]

(c) Identify and explain <u>two</u> problems for a business caused by many of its staff leaving. [4]

Knowledge [2 × 1] – award 1 mark for each problem identified

Analysis [2 × 1] – award 1 mark for each relevant explanation (e.g. show how or why it is a problem for a business or the hotel)

Points might include:
- **poor level of service [k]** so fewer customers might want to return/lower sales [an]
- **higher training costs [k]** as new workers need to learn what to do [an]
- **existing staff have to work harder/demotivated [k]** output/efficiency drops [an]
- **higher costs of recruitment [k]** as will have to spend time/money advertising/ interviewing new staff [an]
- **poor reputation [k]** so more difficult to recruit new workers [an]
- **reduction in output/efficiency [k]** as takes time for new workers to learn the necessary processes [an]

(d) Identify and explain <u>three</u> suitable ways to improve motivation of staff at Bolton Hotel. [6]

Knowledge [3 × 1] – award 1 mark for each way identified

Application/analysis [3 × 1] – explain how way could help improve motivation **at BH**

Ways include:
- **job enrichment [k]** by adding more responsibility to workers, they will feel important so increasing job satisfaction [an]
- **job rotation/enlargement [k]** workers won't become bored by doing the same jobs all the time [an]
- **increased pay [k]**
- **use of incentives** e.g. bonuses, employee of the month
- **chance of promotion [k]**
- offer **fringe benefits** e.g. discounts on stays at hotel/use of facilities [k]
- **training [k]**

Do not accept methods which are not appropriate for a hotel staff e.g. piece rate

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(e) Explain <u>two</u> ways to improve the liquidity of the hotel. Recommend which way the Managing Director should use. Justify your answer. [6]

Knowledge/application [2 × 1] – award 1 mark for each relevant way identified

Analysis [2 × 1] – award 1 mark for each relevant explanation (i.e. show how measure would work)

Evaluation [2] – justified decision made as to which is the better option for the hotel to choose

Measures could include:

- encourage customers to pay in advance for bookings [k] so that the cash is received quicker into the business [an]
- increase time taken to pay creditors [k] so cash is held in the business rather than paid out straightaway [an]
- reduce stock levels in the hotel [k] e.g. hold less stock of food in the restaurant
- ask for short term loan or overdraft [k] could be arranged quickly so able to meet short term debts [an]
- sell any surplus fixed assets [k] this would release cash held in unused assets [an]
- ask debtors to pay sooner/use of factoring [k]

NOTE: For 6 marks must explain why chosen way is better option

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5 (a) What is meant by a 'market economy'? [2]

Good knowledge [2] – e.g. an economy in which the Government has no control over the factors of production OR an economy which allows markets to decide the allocation of resources
Some knowledge [1] – e.g. no public sector/no role for government

(b) What is meant by a 'trade union'? [2]

Good knowledge [2] **–** A group of workers who join together [1] to ensure their interests are protected [1]
Some knowledge [1] **–** e.g. group of workers who join together/fight for workers rights

Note: Some understanding plus example can gain two marks

(c) Explain the possible effect of an appreciation in country G's exchange rate on the competitiveness of GreenStar. [4]

Knowledge [2] – award 1 mark for identification of effect/knowledge of exchange rates

Application/analysis [2] – award up to 2 marks for relevant explanation (i.e. show how explanation of effect on appreciation on competitiveness

Points might include:

- **higher exchange rates good for imports [k]** as cost likely to fall as own currency will be worth more so able to buy more clothing [app] with same amount of money [an]
- **as imports cheaper, sales could increase [k]** if pass on lower prices to customers in country G [an]
- **as imports cheaper G could increase profit margins [k]** if keep same prices which could help improve profits [an]
- **exports could become less competitive [k]** as prices seem more expensive [an] so less likely to encourage sales in Asian or European markets [app] which could restrict GreenStar's ability to grow its business [an/app]

NOTE: candidates can gain full marks for development of 1 effect

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(d) Identify and explain <u>three</u> reasons why the Managing Director of GreenStar might want the business to grow. [6]

Knowledge [3 × 1] – award 1 mark for each reason identified

Application/analysis [3 × 1] – award 1 mark for each relevant explanation (i.e. show how or why it they might want to grow)

Points could include*:*

- **increased market share/dominate market [k]** so more influence over the market [an]/so able to set prices
- **improved status/recognition [k]** as seen as larger business so able to gain access to more sources of finance to further help expansion plans [an]
- **economies of scale [k]** so able to benefit from lower average costs [an]
- **increased profitability [k]** as they should be able to increase output which could lead to increased sales of clothing [app]
- **stated objective [k]**
- **reduces risk of takeover [k]**
- **spread risk [k]** as if expand into Asia/Europe, if sales in one market falls, they have other markets to rely on [app]

(e) Do you think it would benefit businesses in country G if there were employment laws? Justify your answer. [6]

Knowledge [2] – award 1 mark for identification of relevant issues

Analysis [2] – award up to 2 marks for each relevant explanation (i.e. show how help/hinder businesses)

Evaluation [2]: justified decision as to whether **businesses** would benefit from employment laws. Either viewpoint is acceptable if supported.

Points might include:

- **additional costs to meet protection laws** [k] which could make them less competitive so reducing levels of sales/profits [an]
- **could restrict number of hours can work** [k] so not able to fulfil orders with current worker levels
- **all employers would have to follow same rules** [k] so helpful if all have same standards [an]
- **set framework for decisions** [k] as know when able to dismiss workers/might not be able to dismiss workers easily without paying compensation for redundancy [an]
- **contract is a reference point** in case of dispute [k] so can dismiss workers easily without fear of worker reaction [an]
- **minimum wages [k]** which could increase labour costs for businesses [an]

NOTE: **issues must be for employers/businesses** NOT employees

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