CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2014 series

0450 BUSINESS STUDIES

0450/23 Paper 2 (Case Study), 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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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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 and the senior examiners should be consulted if further guidance is required.

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.

Application marks are not awarded for the name of the business or person from the case material. Application is by answering in the context of the case or by using the information in the case to help answer the question.

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1 (a) Identify and explain two benefits to Selina of making most of the jewellery herself rather than buying it from a manufacturer. [8]

Content:

- Lower costs
- Unique products
- Self-satisfaction

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application and 4 marks for explanation/analysis.

1 mark for each benefit identified (2 marks maximum). Up to two further marks are available for explaining why it is a benefit to Selina. 2 application marks are also available.

Possible application marks: hand-made jewellery; gold and silver jewellery; paid per item of jewellery sold; 5 shop workers and 2 office workers; jewellery shop; shopping mall; $5 000 in savings; information from Appendix 1 and 2.

There may be other examples in context which have not been included here.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each benefit
(4 marks × 2 benefits)

Benefit: Selina can make unique products as she designs the jewellery herself (1 mark for knowledge).

Developed explanation: Selina can make unique products as she designs the jewellery herself. (1) This means she can get satisfaction from being creative (2) and making jewellery to her own style so it might appeal to more customers and so sales increase (3).

Application: The application mark could be achieved as the answer makes reference to making her own design of jewellery (1 application mark).

(b) Selina wants to increase sales of her jewellery. Consider the advantages and disadvantages of each of the following ways of promoting the jewellery. Recommend which is the best way to promote the jewellery. Justify your answer. [12]

Content:

(i) '*Buy one get one free' on certain items of jewellery* – encourages more sales; may buy other jewellery not on offer at the same time; costs the price of one product to the business.

(ii) *25% price reduction on all jewellery for one month* – may increase sales of jewellery; reduces sales revenue if do not sell many more items; reduction in profits as gross profit margin reduced; cannot make more revenue on other items as the discount applies to all jewellery.

(iii) *Advert in national newspaper* – seen by many people; attracts more customers; expensive; seen by more than target population of jewellery shop.

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Level 1 – 1 mark for each statement.
E.g. The 25% discount may increase sales of jewellery as it attracts customers to the jewellery shop (1 mark).

Level 2 – 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to maximum of 8 marks.
E.g. The 25% discount may increase sales of jewellery as it attracts customers to the jewellery shop because they will be making a saving on gold or silver jewellery they might want to buy. However, it might reduce the sales revenue of the shop if it does not sell more items to compensate for the reduced gross profit margin on the jewellery.
5 marks for level 2 answer plus one application mark for mentioning gold and silver jewellery and the shop.

Level 3 – Detailed discussion of at least two level 2 answers and then a recommendation at the end which justifies which is the best method of promotion to choose compared to the other methods of promotion.

Possible application marks: hand-made jewellery; gold and silver jewellery; paid per item of jewellery sold; shop.

There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks At least 2 × Level 2 + well justified recommendation as to which method of promotion to choose compared to other methods of promotion.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of advantages/ disadvantages of each method of promotion OR balanced argument. Some limited judgement shown in the recommendation about which method of promotion to choose.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Outline of advantages/disadvantages of each method of promotion.

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2 (a) Identify two stakeholder groups of Selina's business and explain why their different stakeholder objectives for the business might conflict. [8]

Content:
- Workers and Selina
- Customers and Selina
- Workers and customers

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application and 4 marks for explanation/analysis.

1 mark for each stakeholder group (2 marks maximum). Up to two further marks are available for explaining how each stakeholder is in conflict with the other stakeholder.

2 application marks are also available.

Possible application marks: hand-made jewellery; gold and silver jewellery; 5 shop workers and 2 office workers; shop; $5000 in savings; information from Appendix 1 and 2.

There may be other examples in context which have not been included here.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each stakeholder group (4 marks × 2 stakeholders)

Stakeholders: Workers and customers (2 marks for knowledge)

Developed explanation: Workers and customers are the two stakeholder groups in conflict (2). Workers will want to raise their wages (3) this means they will want customers to buy higher priced jewellery so they can gain more pay (4) but the customers may not want particular gold jewellery (5) and may feel pressurised into buying something they did not want or could not afford (6).

Application: Two application marks could be achieved as the answer makes reference to gold jewellery and higher priced jewellery (2 application marks).

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(b) As sales have grown, Selina now needs to employ someone to help her make jewellery. Consider the advantages and disadvantages of the two people outlined in Appendix 3. Recommend which person Selina should choose. Justify your answer.

[12]

Content:

Petra – she is already trained by a large jewellery manufacturer – cheaper as no training needed; ready to start work straight away; may not know how to make Selina's jewellery; may need additional training.

Misha – she has never made jewellery and needs training by Selina – trains them in the ways Selina wants; cheaper to employ as not trained; low output whilst being trained; may make costly mistakes.

Level 1 – 1 mark for each statement.
E.g. – Selina can train them in the ways she wants and not the general way of making gold and silver jewellery (1 mark).

Level 2 – 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to maximum of 8 marks.
E.g. – Selina can train Misha in the ways she wants and not the general way of making gold and silver jewellery. It is also cheaper to employ Misha as she is not trained and so Selina can pay her a lower wage but she may make costly mistakes whilst being trained.
5 marks for level 2 answer plus one application mark for mentioning making gold and silver jewellery.

Level 3 – Detailed discussion of at least two level 2 answers and then a recommendation at the end which justifies which person to choose and why not the other person.

Possible application marks: hand-made jewellery; gold and silver jewellery; paid per item of jewellery sold; shop; information from Appendix 1 and 2.

There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks At least 2 × Level 2 + well justified recommendation as to which person to choose and why not the other person.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of advantages/disadvantages of each person OR balanced argument. Some limited judgement shown in recommendation about which is the best person to choose.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Outline of advantages/disadvantages of each person.

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3 (a) Identify and explain two factors that affect how much stock of jewellery Selina's shop should have. [8]

Content:

- Demand from customers
- Storage space in the shop
- Availability of purchases of stock
- Seasons/celebrations
- Need for security/insurance

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application and 4 marks for explanation/analysis.

1 mark for each factor (2 marks maximum). Up to two further marks are available for explaining how each factor affect stock levels. 2 application marks are also available.

Possible application marks: hand-made jewellery; gold and silver jewellery; $5000 in savings; information from Appendix 1 and 2.

There may be other examples in context which have not been included here.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each factor
(4 marks × 2 factors)

Factor: Need for security (1 mark for knowledge).

Developed explanation: Need for security (1) as if the shop is in an area of high crime Selina might need to pay high insurance costs for the gold and silver jewellery. (2) So if she keeps stock levels low this might reduce the cost of insurance on the jewellery shop (3).

Application: One application mark could be achieved as the answer makes reference to gold and silver jewellery and the jewellery shop (1 application mark).

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(b) Consider three factors Selina should think about when deciding whether to lease the new machine. Recommend whether she should lease the new machine. Justify your answer. [12]

Content:
- Cost of lease
- Efficiency gains
- Space available for machinery
- Increased training required
- What finance is available

Level 1 – 1 mark for each statement
E.g. How much the machinery costs to lease (1 mark)

Level 2 – 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to maximum of 8 marks.
E.g. How much the machinery costs to lease because if it is very expensive Selina might not be able to afford it. She will have to compare the cost of the machinery with how much more quickly she can make jewellery and whether it improves the quality of the items of jewellery she makes.
5 marks for level 2 answer plus one application mark for mentioning jewellery.

Level 3 – Detailed discussion of at least two level 2 answers and then a recommendation at the end which justifies whether to lease the machine or not.

Possible application marks: hand-made jewellery; gold and silver jewellery; 5 shop workers and 2 office workers; shop; shopping mall; $5 000 in savings; information from Appendix 2.

There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks At least 2 × Level 2 + well justified recommendation which justifies whether to lease the machine or not.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of the factors affecting whether to lease the new machine. Some limited judgement shown in recommending whether to lease the new machine.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Outline of the factors affecting whether to lease the new machine.

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4 (a) (i) Refer to Appendix 1. Calculate the break-even sales per month for 2013. [2]

500/50 = 10

2 marks for correct answer (1 mark for correct method but incorrect answer).

(ii) Identify and explain two benefits to Selina of calculating the break even sales for the shop.

Content:
- Sales target to aim for
- Identifies if the fixed costs are too high
- See effect on break-even sales if price is changed

The marks available for this question are as follows: 2 marks for knowledge and 4 marks for explanation/analysis.

1 mark for each benefit identified (2 marks maximum). Up to two further marks are available for explaining the benefit.

1 knowledge mark + up to 2 explanation marks for each benefit (3 marks × 2 benefits)

Benefit: Selina can see the sales target she should aim for (1 mark for knowledge).

Developed explanation: Selina can see the sales target she should aim for (1) and so she will know if sales of her jewellery are not reaching that target each week or each month (2). If sales of her jewellery are not selling well enough then Selina can do something about this such as increase her advertising to attract more customers (3).

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(b) Selina wants to expand by opening another shop. Consider the advantages and disadvantages to Selina of Shop 1 and Shop 2 (as outlined in the Insert). Recommend which shop she should choose. Justify your answer. [12]

Content:

Shop 1 – for purchase; high price; busy mall so high footfall; competitors nearby; long opening hours; small size of shop.

Shop 2 – low rent; main road so busy; large size of shop; no competition nearby; shops around to attract shoppers; fewer days to trade.

Level 1 – 1 mark for each statement.
E.g. Shop 1 is in a busy shopping mall and so there will be a high number of shoppers passing the shop (1 mark).

Level 2 – 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to maximum of 8 marks.
E.g. Shop 1 is in a busy shopping mall and so there will be a high number of shoppers passing by the shop. With many shoppers passing by they might be attracted to go into the jewellery shop and buy some gold or silver jewellery. Shoppers will pass by the shop when going to other shops and when they want to buy jewellery they will think to go and look in Selina's shop and they may make a purchase, therefore leading to increased sales.
5 marks for level 2 answer plus one application mark for mentioning gold and silver jewellery.

Level 3 – Detailed discussion of at least two level 2 answers and then a recommendation at the end which justifies which is the best shop to choose compared to the other shop.

Possible application marks: hand-made jewellery; gold and silver jewellery; shopping mall; $5 000 in savings.

There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks At least 2 × Level 2 + well justified recommendation as to which shop to choose compared to the other shop.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of advantages/disadvantages of each shop OR balanced argument. Some limited judgement shown in recommendation about which shop to choose.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Outline of advantages/disadvantages of each shop.

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5 (a) Governments often want to encourage the growth of small businesses. Identify and explain two reasons why the Government would want to help small businesses like Selina's. [8]

Content:
- To increase employment
- To increase economic growth
- Small businesses may grow into large businesses

1 knowledge mark + up to 3 explanation marks for each reason (4 marks × 2 reasons)

Simple explanation: To raise employment levels (1 mark for knowledge)

Developed explanation: To raise employment levels (1) as small businesses will employ many workers in their shops and factories and so reduce unemployment (2). Without government help, businesses like Selina's jewellery shop may not open and therefore these workers would not have a job (3). This may reduce benefit payments or increase income tax for the government (4).

(b) The government of country X is increasing international trade with other countries. Consider the likely advantages and disadvantages of increased international trade for small businesses such as Selina's. Do you think Selina's business will benefit from increased international trade? Justify your answer. [12]

Content:

Advantages	Disadvantages
• Larger market • More tourists – diversify products • Increased sales • Easier access to stock • Lower tariffs	• High competition • Increased delivery costs • Increased risk of non-payment on exports • Exchange rate changes

Level 1 – 1 mark for each statement.
E.g. Easier access to stock from abroad (1 mark)

Level 2 – 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to maximum of 8 marks.
E.g. Easier access to stock because if the government encourages more international trade then it might mean trade barriers are removed from imports and it could be cheaper and easier to obtain stock of gold and silver from abroad. If costs are reduced then Selina could increase the profit margin on her jewellery or reduce her prices and possibly increase sales.
5 marks for level 2 answer plus 1 application mark for answering in context of a jewellery shop.

Level 3 – Detailed discussion of at least two level 2 answers and then a conclusion at the end which justifies whether or not the business will benefit from increased international trade.

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Possible application marks: hand-made jewellery; gold and silver jewellery; jewellery shop.

There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks At least 2 × Level 2 + detailed conclusion which justifies whether or not the business will benefit from increased international trade.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of the advantages and disadvantages of international trade OR balanced argument. Some limited judgement shown in conclusion which justifies whether or not the business will benefit from increased international trade.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Outline of the advantages and disadvantages of international trade.

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