CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0450 BUSINESS STUDIES

0450/23 Paper 2 (Case Study), maximum raw mark 80

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1 (a) Chris wants to start up a new business. Identify and explain <u>two</u> ways Governments can support new business start-ups. [8]

Knowledge [2 × 1] – award one mark for each relevant way
Application/Analysis [2 × 3] – award up to three marks for a relevant explanation for each way

Award one mark for each relevant way (maximum of two), such as:

- Organise advice
- Provide low cost premises
- Provide loans at low interest rates
- Give grants for capital
- Give grants for training
- Reduced tax payments

Award a maximum of three additional marks for **each** explanation of the ways governments support new business start-ups.

Indicative response:

Governments may provide advice and support sessions for new business start-ups (k). This advice would help Chris, as he does not have any experience of running a business (ap). Without advice then Chris is more likely to make mistakes and the new business may fail (an). The advice could be from experienced entrepreneurs, which would be particularly helpful in the financial management of a small business (an).

Possible application marks: Survival of a small business; biscuit making; large biscuits; food industry; no experience of running a business; partnership; made redundant; qualified as a chef/baker; messages such as Happy Birthday; ingredients; using his own kitchen and oven; high quality biscuits; purchase large oven; target market are parents; financial information from appendix 1.

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

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(b) Chris will need to communicate with his suppliers when ordering ingredients. Consider the advantages and disadvantages of <u>three</u> methods he could use to communicate with his suppliers. Recommend the best method for him to choose if the order is urgent. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
letter	Record of the order – less likely to make mistakes	Slow to arrive
Telephone	Quick to order Instant feedback	May be misunderstood No written record
Email	Quick to send Cheap to send Written record – error less likely	No guarantee is has arrived or read
Text (SMS)	Quick to send Mobile phones often kept nearby so read straight away	No guarantee it has been read Only a brief message – not much space Order not clear

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best method of communication to choose compared to the other methods. 7–8 marks for some limited judgement shown in recommendation as to the best method of communication.
Level 2	4–6 marks Detailed discussion of the advantages and/or disadvantages of methods of communication.
Level 1	1–3 marks Outline of the advantages and/or disadvantages of methods of communication.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. An email is quick to send.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. an email is quick to send and will be received almost straight away. This will be helpful if the order for ingredients is urgent. This will help to ensure production of biscuits is not interrupted. However, there is no guarantee that the email has been received by the supplier and this may delay the order. (4 marks for L2 answer + 1 application mark for mentioning production of biscuits.)

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Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best method to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: Biscuit making; just starting a new business; large biscuits; using his own kitchen and oven; high quality biscuits; target market are parents; financial information from appendix 1.

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

2 (a) Identify and explain <u>two</u> reasons why marketing is important to CB when Chris starts his new business. [8]

Knowledge [2 × 1] – award one mark for each relevant reason
Analysis [2 × 1] – award one mark for a relevant explanation for each reason
Application [2 × 2] – award two application marks for each reason

Award one mark for each relevant reason (maximum of two), such as:

- To identify customer needs
- To satisfy customer needs
- To maintain customer loyalty
- To gain information about customers/conduct market research/collecting data
- To anticipate changes in customer needs
- To raise awareness of new products
- To advertise/promote the new products
- To create a brand image
- To persuade people to buy products
- To increase sales
- To attract new customers
- Reference to importance of the four P's
- To help the business become more competitive

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the reasons why marketing is important.

Indicative response:

To identify customer needs [k] as Chris is starting up a new business it is important for him to know what type of biscuits he should produce (ap). If he doesn't meet customer needs then the new business will not survive very long (an) and as a partnership his own money is at risk as he has unlimited liability (ap).

Possible application marks: biscuit making; large biscuits; no experience of running a business; messages such as Happy Birthday; ingredients; high quality biscuits; target market are parents; financial information from appendix 1.

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

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(b) Chris has to decide on the 'place' part of his marketing mix. Consider the advantages and disadvantages of the <u>three</u> following methods of distributing his biscuits to the target market. Recommend which will be the best one to use. Justify your choice. [12]

Relevant points might include:

	Advantages	Disadvantages
Selling through his own stalls in shopping malls	Control over the displays Control over health and hygiene Use your own sales staff	Restricted number of outlets Fixed costs can be relatively high Pay for own advertising
Selling through a website	Easy access to a large number of customers No overheads/retail costs	Expensive to deliver products Risk of damage
Selling to large supermarkets	Potential for high sales Improved image Supermarket might dictate product design	Reduced profit margin Lack of control over point of sale

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best method of distribution compared to the other methods. 7–8 marks for some limited judgement shown in recommendation as to the best method of distribution to choose.
Level 2	4–6 marks Detailed discussion of advantages and disadvantages of each method.
Level 1	1–3 marks Outline of advantages and disadvantages of each method.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. easy access to a large number of customers when selling through a website.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. easy access to a large number of customers when selling through a website. The internet is used by people in different countries as well as country x. However, biscuits are a food item and can easily be damaged. Therefore it might be expensive to deliver these products as the packaging may have to keep the biscuits fresh and prevent damage. (4 marks for L2 answer + 1 application mark for mentioning biscuits being easily damaged and needing to stay fresh.)

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Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best method to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: biscuit making; large biscuits; taste the samples; food industry; no experience of running a business; partnership; messages such as Happy Birthday; high quality biscuits; target market are parents; financial information from appendix 1.

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

3 (a) Chris knows quality will be very important when producing his products. Identify and explain <u>two</u> ways Chris could achieve quality production. [8]

Knowledge [2 × 1] – award one mark for each relevant way
Analysis [2 × 1] – award one mark for a relevant explanation for each way
Application [2 × 2] – award two application marks for each way

Award one mark for each relevant way (maximum of two), such as:

- Quality control
- Quality assurance
- TQM

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the ways to ensure quality production.

Indicative response:

Chris could use quality control [k] to check that the ingredients which are purchased are fresh and suitable to use (ap). This will ensure that no poor quality ingredients are used to make the biscuits and therefore there are no unhappy customers (ap). Quality control will be implemented by checking the biscuits at the end of the production line before they are sold to customers (an).

Possible application marks: biscuit making; large biscuits; food industry; qualified as a chef/baker; messages such as Happy Birthday; ingredients; high quality biscuits; target market are parents.

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

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(b) Chris has <u>two</u> options to start up his business. Consider Option A and Option B. Recommend which option he should choose. Justify your answer by calculating the profitability of each of the two options [12]

Relevant points might include:

Option A	Net profit = 700 (L2) Net profit margin = 16% (15.55%) (L2) Gross profit margin = 37.7% (L2)
Option B	Net profit = 500 (L2) Net profit margin = 20% (L2) Gross profit margin = 40% (L2)

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best option compared to the other option. 7–8 marks for some limited judgement shown in recommendation as to the best option to choose.
Level 2	4–6 marks Profit and profitability ratio calculations for the two options.
Level 1	1–3 marks Outline of the two options listed.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. the fixed costs for option A is higher than option B.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. the net profit for option A is higher than option B. Option A has a net profit margin of 16%. (4 marks for L2 answer.)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best way.

Award up to 2 additional marks for relevant application.

Possible application marks: Biscuit making; large biscuits; food industry; no experience of running a business; partnership; made redundant; qualified as a chef/baker; messages such as Happy Birthday; ingredients; using his own kitchen and oven; high quality biscuits; purchase new oven; target market are parents; financial information from appendix 1.

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

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4 (a) Governments pass laws which affect businesses such as minimum wage laws. Identify and explain <u>two</u> legal controls (other than minimum wage laws) which could affect Chris's new business. [8]

Knowledge [2 × 1] – award one mark for each relevant legal control
Analysis [2 × 1] – award one mark for a relevant explanation for each legal control
Application [2 × 2] – award two application marks for each legal control

Award one mark for each relevant legal control (maximum of two), such as:

- Discrimination legal controls
- Health & Safety legal controls
- Environmental legal controls
- Consumer protection legal controls

Award a maximum of three additional mark for **each** explanation– **2 of which must be applied to this context**.

Indicative response:

Chris will need to abide by Consumer protection laws [k] as he will need to make sure the biscuits contain the ingredients listed on the packaging (ap). If he does not do this then he could be prosecuted and get a poor reputation (an). Customers would not buy from CB and sales of biscuits would fall (ap).

Possible application marks: biscuit making; large biscuits; food industry; qualified as a chef/baker; messages such as Happy Birthday; ingredients; using his own kitchen and oven; high quality biscuits; target market are parents; financial information from appendix 1. There may be other examples in context which have not been included here.

(b) Chris is thinking of starting his business as a partnership rather than as a sole trader or a private limited company. Explain why the following <u>three</u> factors are important to Chris when deciding on the type of business organisation to choose. Do you think Chris's decision to start his business as a partnership is the right one? Justify your answer. [12]

Relevant points might include:

Liability	Limited or unlimited liability Own possessions at risk if partnership or sole trader
Finance	Amount of capital required to set up the business Owners funds available – may need additional investment
Owner's experience in running a business	Does the owner needs additional owners to help give advice

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Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to whether becoming a partnership was the right decision instead of the alternative forms of business organisation. 7–8 marks for some limited judgement shown in recommendation as to whether becoming a partnership was the right decision.
Level 2	4–6 marks Detailed discussion of the factors and related to different types of business organisation.
Level 1	1–3 marks Outline of the factors and how they apply to different types of business organisation

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. liability can be limited or unlimited.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. liability can be limited or unlimited. If Chris chooses to be a partnership then he will have unlimited liability and this will put his personal possessions at risk if the business goes bankrupt. However, if he forms a private limited company then his personal possessions will be safe. (4 marks for L2 answer.)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best type of business organisation to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: biscuit making; large biscuits; food industry; no experience of running a business; qualified as a chef/baker; high quality biscuits; purchase large oven; target market are parents.

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

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