Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Structured Response **May/June 2018**

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.

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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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Question	Answer	Marks	Guidance
1(a)	**What is meant by 'import quota'?** Clear understanding [2]: limit on the number of goods allowed into a country Some understanding [1]: limit on number of imports	**2**	Do not award answers which confuse term with tariff.
1(b)	**Rosa's revenue was $5000 in 2017. Calculate her expected increase in revenue in 2018.** Application [2] 15 000 Some application: [1] correct method, e.g. 5000 × 300%	**2**	
1(c)	**Identify and explain <u>two</u> ways Rosa could increase added value.** Knowledge [2 × 1] Award 1 mark for each way identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Increase price [k] to help ensure sales increase by 300% [app] • Reduce cost of materials [k] used in hand creams [app] • Change packaging [k] • Branding OR create a USP [k] to use on social networks [app] • Improve design [k] • Add extra features [k]	**4**	Application marks may be awarded for appropriate use of the following: • Beauty products or related words such as hand cream, face cream, • Enjoys being in control • Rosa does the design and marketing, • five employees, • Looking to have customers in many countries • Sales increase by 300% • Social networks **Do not award** better quality materials – as this would suggest higher costs which would reduce added value

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Question	Answer	Marks	Guidance
1(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to Rosa's business of using social networks for promotion.** Knowledge [2 × 1]: Award 1 mark for 1 relevant advantage and 1 disadvantage Application [2 × 1] Award 1 mark for each relevant reference to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Advantages include: • Large potential audience [k] leading to increased revenue [an] as she is looking for customers in other countries [app] • Target specific groups [k] who want to buy hand creams [app] which can help create brand loyalty [an] • Easy OR quick to update [k] so able to spend more time on other activities [an] • Relatively low cost method of advertising [k] so will not increase expenses [an] so can use money to help fund a bigger factory [app] Disadvantages include: • Customers may not have access to internet OR ignore adverts [k] so will not know about her designs [app] so not able to increase her market share [an] • Have to pay for 'pop ups' on popular sites [k] leading to additional expenses [an] • Lack of control OR comments can be altered [k] which could be an issue as Rosa likes to be in control [app]	**6**	Application marks may be awarded for appropriate use of the following: • Beauty products or related words such as hand cream OR face cream • Enjoys being in control • Rosa does the design and marketing • five employees • Looking to have customers in many countries, • Need a bigger factory • Sales increase by 300%

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Question	Answer	Marks	Guidance
1(e)	**Do you think Rosa should continue to expand her business? Justify your answer.** Knowledge [1] Award 1 mark for identification of relevant issue(s) Application [1] Award 1 mark for a relevant reference to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Award up to 2 marks for a justified decision whether Rosa should continue to expand the business or not. Relevant points might include: • Does she have access to enough finance [k] as would need a new factory [app] which she may not be able to afford [an] • May need to hire more workers [k] as only has 5 [app] so will have to spend time OR money on recruitment [an] which increases her costs [an] • Can she manage a larger business on her own [k] as even though she enjoys being in control [app] leading to mistakes OR increased wastage [an] • She is currently successful OR it would allow her to increase sales [k] as looking for customers in other countries [app] could increase her revenue [an] • Possible economies of scale [k] allowing her to lower average cost [an] • Risk of increased competition [k]	**6**	Application marks may be awarded for appropriate use of the following: • Beauty products or related words such as hand cream, face cream, • Enjoys being in control • Rosa does the design and marketing, • five employees, • looking to have customers in many countries • sales increase by 300% • Needs a bigger factory • Import quotas Either viewpoint is acceptable.

Question	Answer	Marks	Guidance
2(a)	**What is meant by 'public limited company'?** Clear understanding [2]: e.g. a business whose shares can be sold to the general public [2] Some understanding [1] e.g. a business that can sell shares OR outlines general features, e.g. have limited liability OR separate legal identity from owner OR incorporated	**2**	**Do not accept** in private sector OR no Government involvement as generic statement also applies to unlimited businesses.
2(b)	**Calculate the values for <u>X</u> and <u>Y</u>.** Application [2] Award one mark per correct answer X = 18 000; Y = (3000)	**2**	**Note:** answer for Y must be shown as a negative value
2(c)	**Identify and explain <u>two</u> ways in which ASZ could use cost data to help make decisions.** Knowledge [2 × 1] Award 1 mark for each way identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Help set prices [k] for products sold to retailers [app] • Decide whether to stop OR change production [k] of certain tools [app] • Help choose suitable technology to use [k] as looking to change its production methods [app] • Help choose a suitable OR best location to sell its products [k] • Identify how to reduce costs [k]	**4**	Application marks may be awarded for appropriate use of the following: • Garden tools or related words such as digging, forks, wheelbarrows, • Retailers OR wholesalers • Customer loyalty • Correct use of data from table 1 • Change production methods

Question	Answer	Marks	Guidance
2(d)	**Identify and explain <u>two</u> ways in which new technology could change production methods at ASZ.** Knowledge [2 × 1]: Award 1 mark for each relevant way identified Application [2 × 1] Award 1 mark for each relevant reference to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Relevant points might include: • Allows for CAD OR help design new products OR more variety [k] of garden tools [app] to help increase target markets [an] • Automation or capital intensive OR flow production [k] leading to possible economies of scale [an] could help lower its total costs below $38 000 [app] • Fewer workers needed [k] reducing wage costs [an] • Less errors OR wastage OR consistent quality [k] improving reputation [an] so able to gain customer loyalty [app] • Improve productivity OR efficiency OR increased speed of production OR increased output [k] so able to make more goods available to wholesalers OR retailers [app] so able to meet demand [an] • Improved stock control [k] as easier to keep track of how many wheelbarrows [app] so do not have to produce unnecessary items [an] • Different skill set for workers [k] • More complex work possible [k] • Continuous production (24/7) / no breaks [k]	**6**	Application marks may be awarded for appropriate use of the following: • Garden tools or related words such as digging, forks, wheelbarrows • Retailers OR wholesalers, • Customer loyalty • Correct use of data from table 1 Candidates can identify methods or advantages of using new technology in production

Question	Answer	Marks	Guidance
2(e)	**Do you think ASZ should change its channel of distribution? Justify your answer.** Knowledge [1] Award 1 mark for identification of relevant issue(s) Application [1] Award 1 mark for a relevant reference to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Award up to 2 marks for a justified decision as whether ASZ should change its channel of distribution Relevant points might include: Use of wholesaler: • Have lots of contacts OR customers [k] for its tools [app] leading to more revenue [an] • Able to focus on other tasks [k] as do not need to deal with lots of retailers [app] saving time to focus on production [an] • Wholesalers buy in bulk [k] so may receive cash more quickly [an] improving cash flow [an] • Lower administration costs OR no additional employees [k] as fewer invoices OR customers to manage [an] • Can provide feedback from customers OR identify trends • Can keep more of the profit per item [k] as no need to pay share / money to middleman [an] • Needs to develop links with each retailer [k] • Can gain direct feedback from its customers [k] so able to design more appropriate products [an] • More control of marketing mix [k] • May need to employ extra workers to manage paperwork [k]	**6**	Application marks may be awarded for appropriate use of the following: • garden tools or related words such as digging, forks, wheelbarrows • Retailers OR wholesalers • Customer loyalty, • Correct use of data from table 1 **Note:** For either option it should mean holding less stock and either could help with advertising – will need to be clearly explained to award these points. For evaluation either viewpoint is possible.

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Question	Answer	Marks	Guidance
3(a)	**What is meant by 'chain of command'?** Clear understanding [2]: structure within an organisation through which orders are passed down from senior management to the lower levels of management OR way to pass messages up and down the hierarchy. Some understanding [1]: 'shows who gives orders'	**2**	For 2 marks must have idea of 'messages passed OR communication' AND 'who between'. **Do not award** answers which confuse term with span of control or organisation chart.
3(b)	**Identify <u>two</u> examples of business activity in the tertiary sector.** Knowledge [2 × 1] Award one mark for each relevant example Points might include: Accountants, retailers, hairdressers, doctors, restaurants, airlines, transport or distribution businesses	**2**	Accept any reasonable suggestion **Do not award** specific company names such as McDonalds, Starbucks as this does not answer the question.
3(c)	**Identify and explain <u>two</u> reasons why maintaining customer loyalty is important to AUC.** Knowledge [2 × 1] Award 1 mark for each reason identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Improve reputation [k] of the bank [app] • Spend less on advertising [k] which can help cut costs [app] • Word of mouth advertising or recommend to others [k] in the tertiary sector [app] • Increase sales OR more likely buy other products [k] may help reduce $60m loss [app] • Good source of feedback [k] about what to improve in its 2000 branches [app]	**4**	Application marks may be awarded for appropriate use of the following: • Bank • $60m loss • Small business customers • 500 or 1500 or 2000 (branches) • 20% or 3800 or 19 000 (employees) **Do not award** definitions of customer loyalty.

Question	Answer	Marks	Guidance
3(d)	**Identify and explain <u>two</u> factors that AUC should consider when deciding which employees to make redundant.** Award 1 mark for each relevant factor identified Award 1 mark for each relevant reference made to this business Award 1 mark for each relevant explanation Relevant points might include: • Identify which jobs are important OR not essential [k] in bank [app] as would not want to spend money recruiting employees again [an] • Performance OR experience OR skills OR flexibility [k] so will want to get rid of people who make mistakes [an] • Amount of wages OR salary [k] higher paid employees could be part of the 20% [app] could save greater amount of money (than if low paid) [an] • Length of service OR cost of redundancy [k] if only worked for a short time at bank [app] might be cheaper to make redundant [an] • Attitude OR attendance OR disciplinary record [k] in order to maintain customer loyalty [app] will want to lose poor OR lazy workers [an] • Where they work [k] as could let go all people at the 500 branches [app] as there will not be any work for them to do there [an]	**6**	Application marks may be awarded for appropriate use of the following: • Bank • Maintaining customer loyalty • $60m loss • Small business customers • 500 or 1500 or 2000 (branches) • 20% or 3800 or 19 000 (employees)

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Question	Answer	Marks	Guidance
3(e)	**Explain <u>two</u> methods of communication that AUC could use to inform customers about the planned closures. Recommend which one AUC should use. Justify your answer.** Knowledge [1] Award 1 mark for identification of relevant points Application [1] Award 1 mark for a relevant reference to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Award up to 2 marks for a justified decision on which method of communication AUC should choose Relevant points might include: • Meeting [k] can provide opportunity for feedback [an] but will take long time to meet every customer [an] of the 500 branches [app] • Email [k] as this will provide hard copy which people can refer back to [an] but will everyone have internet access or trust emails [an] • Letter [k] can be personalized to each customer [an] which may help maintain customer loyalty [app] but they may not receive it [an] • Text messages [k] but this would have a word limit [an] • Notice on bank door [k] but may not be seen by all customers [an] of the bank [app] • Phone call [k] but will take time to call every customer [an]	**6**	Application marks may be awarded for appropriate use of the following: • Bank • Maintaining customer loyalty • $60m loss • Small business customers • 500 or 1500 or 2000 (branches) • 20% or 3800 or 19 000 (employees) **Do not award** answers which discuss methods of promotion, e.g. television For evaluation can choose any suitable method of external communication if justified. For second evaluation mark, must explain why chosen method is better than alternative.

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Question	Answer	Marks	Guidance
4(a)	**What is meant by 'shareholder'?** Clear understanding [2]: Shareholders are the owners of a limited company. Some understanding [1]: some one who owns part of business	**2**	
4(b)	**Identify <u>two</u> reasons why a business might need short-term finance.** Knowledge [2 × 1] Award 1 mark per reason. Points might include: • Avoid cash flow problems • Ensure survival • Pay day to day costs • Offer credit to customers • Increase level of inventory	**2**	Accept any reasonable suggestion. **Do not accept** examples of short-term finance, as this does not answer the question.

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Question	Answer	Marks	Guidance
4(c)	**Identify and explain <u>two</u> ways increased interest rates could affect CLG.** Knowledge [2 × 1] Award 1 mark for each way identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Cost of borrowing increases [k] so less incentive to build new runway [app] • Lower sales OR consumers reduce spending [k] as cannot afford to pay for flights [app] • Increased cost of any current loans [k] so have high level of non-current liabilities [app] • Higher interest rates attract more savings [k] • Can delay OR reduce investment OR less likely to expand [k] at the 6 airports [app] • Look to sell assets for cash to reduce existing loans [k] • Workers may want a pay rise [k] • May have to increase prices (to remain profitable) [k]	**4**	Application marks may be awarded for appropriate use of the following: • $300 m • 6 (airports) • Airport or related words such as runway, planes • 50 flights • Correct use of data from Table 2 **Do not award** 'lower profit'

Question	Answer	Marks	Guidance
4(d)	**Identify and explain <u>two</u> factors (other than interest rates) that CLG should consider when choosing a source of finance to pay for the expansion.** Knowledge [2 × 1] Award 1 mark for each relevant factor identified Application [2 × 1] Award 1 mark for each relevant reference to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Relevant points might include: • Amount [k] as need $300 m [app] may not have enough funds to use internal methods so have to borrow [an] • Time span [k] for a long term project like a runway [app] would need to use a long term source [an] • Current level of debt [k] as non current liabilities are $230 m [app] lenders may not be willing to lend any more money [an] • Type of organization [k] as limited companies (shareholders) a business is seen as lower risk [an] • Security [k] as have non-current assets of $350 m [app] it may help guarantee any loan [an] • Credit history OR financial status [k] as lender will want to know that you have paid back previous loans [an] • Purpose of loan [k]	**6**	Application marks may be awarded for appropriate use of the following: • $300 m • 6 (airports) • Airport or related words such as runway, • 50 flights, • Correct use of data from Table 2 **Do not award** sources of finance as this does not answer the question.

Question	Answer	Marks	Guidance
4(e)	**Considering the external costs and external benefits, do you think the Government should allow CLG to build the new runway? Justify your answer.** Knowledge [1] Award 1 mark for identification of relevant issue(s)] Application [1] Award 1 mark for a relevant reference to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Award up to 2 marks for a justified decision on whether the government should allow the new runway to be built Points might include: • Nearly all business activity creates some social costs [k] • Create additional jobs [k] at airport [app] could reduce unemployment [an] • Infrastructure improvements [k] which can help speed up / improve access for local community and business [an] • More tourists [k] as 50 extra flights [app] leading to additional business for local shops and hotels [an] • Assist economic growth [k] • Additional tax revenues [k] • Lost land cannot be replaced [k] as loss of green spaces [app] could deter people /businesses from visiting/ setting up in area [an] • Additional road congestion [k] so local businesses receive deliveries late [an] • Increased levels of noise OR air pollution [k] caused by the extra pollution [app] • Help maintain business or countries competitiveness [k]	**6**	Application marks may be awarded for appropriate use of the following: • $300 m, • 6 (airports) • Airport or related words such as planes, • 50 extra flights, • Correct use of data from Table 2 • Loss of green spaces • Extra pollution **Do not accept** runway as application as stated in question **Note:** question should focus on the external costs and benefits and not impact on the business.