Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

IGCSE™ is a registered trademark.

This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

© UCLES 2018

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.

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.

© UCLES 2018

Question	Answer	Marks
1(a)	**Identify and explain <u>four</u> characteristics that have made the two partners successful entrepreneurs.** Award one mark for each characteristic (maximum of four), such as: • Hard working • Risk taker • Creative • Optimistic • Self-confident • Independent • Effective communicator • Innovative Award a maximum of one additional mark for each explanation applied to this context. Indicative response: They are risk takers (1) as Archi And Boris have risked $10 000 of their own money in the business and could have gained interest on this money if they had put it in the bank. (ap) Possible application marks: Installs and repairs heating equipment; set up as a partnership 2 years ago; each partner invested $10 000; install equipment in homes and offices; planning to also install and repair air conditioning equipment; financial information from Appendix 1. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider the advantages of working for AH and the advantages of working for BB Heating. Recommend whether AH employees should apply to work for BB Heating. Justify your answer.

Relevant points might include:

<table>
<tr><th></th><th>Advantages</th></tr>
<tr><td>Working for AH</td><td>• Take part in decision making
• Feel valued as an employee
• More paid holidays
• Sympathetic managers when need time off for personal reasons</td></tr>
<tr><td>Working for BB Heating</td><td>• High wage rates
• More chance of promotion at a much larger business
• Use company vehicles for own use when not at work- beneficial if doesn’t own a vehicle – saves the cost of buying own vehicle</td></tr>
</table>

Level 1 [1–3 marks]

1 mark for outline of an advantage(s) of working for each business. (max of 3 marks)

E.g. Working for a smaller business such as AH means there is a closer relationship with the owners.

Level 2 [4–6 marks]

Detailed discussion of advantage(s) of working for each business. 1 x L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks)

E.g. Working for a smaller business such as AH means there is a closer relationship with the owners. This can make the employee feel more valued and their work appreciated, which is a motivating factor for the employee and makes them work harder installing boilers. (Level 2 plus one application mark for answering in the context of boilers)
</td><td>12</td></tr>
</table>

Question	Answer	Marks
1(b)	Level 3 **[7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of which business to choose to work for. 7–8 marks for limited judgement shown as to which business to choose to work for OR why the alternative business was rejected. 9–10 marks for a well justified recommendation as to which business to work for AND why not the other business. **Award up to 2 additional marks for relevant application.** Possible application marks: Installs and repairs heating equipment; set up as a partnership 2 years ago; install equipment in homes and offices; planning to also install and repair air conditioning equipment; want to expand into larger premises; AH employs 2 fully qualified heating and air conditioning engineers; details about BB Heating pay and conditions. There may be other examples in context that have not been included here.	

Question	Answer	Marks
2(a)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to AH of being a business partnership rather than a private limited company.** Award one mark for each relevant advantage / disadvantage (maximum of two), such as: Advantages • Fewer legal formalities when setting up and running the business • Partners can work in the business/help with decisions/holidays/ responsibility shared/more ideas/ additional specialisms/skills of partners Disadvantages • Unlimited liability • No continuity • Responsible for actions of other partners/ disagreements may cause problems/arguments/profit will have to be shared Award a maximum of three additional marks for **each** explanation of the advantage/disadvantage – **2 of which must be applied to this context**. Indicative response: Fewer legal formalities when setting up [1] their heating repair and installation business. [ap] This will reduce the costs of setting up the business and also the costs of running the business when fewer legal formalities need to be followed. [1] They can use the money saved to keep wages higher and encourage their engineers to stay working for them rather than move to a rival business such as one that repairs boilers. [ap] Possible application marks: Installs and repairs heating equipment; each partner invested $10 000; install equipment in homes and offices; planning to also install and repair air conditioning equipment; located in a small warehouse with no office space; AH employs 2 fully qualified heating and air conditioning engineers; details about BB Heating pay and conditions; financial information from Appendix 1. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Consider the advantages and disadvantages of the <u>two</u> locations for AH. Recommend which location should be chosen. Justify your answer.

Relevant points might include:

<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Location A</td><td>• Near to customers so reduced transport costs
• Twice as large as existing premises so plenty of room to expand
• Available for rent straight away
• On a main road so easy for customers and suppliers to find – can also advertise on the building</td><td>• Additional costs to convert part of premises to an office – needs to be equipped
• As premises are rented there may be restrictions on what can be done in them</td></tr>
<tr><td>Location B</td><td>• Can purchase the building so can change the building – is a business asset
• Larger premises – plenty of room for expansion in the future if needed without moving again
• Office already equipped – lower costs</td><td>• Further away from customers so takes longer to reach them – increased transport costs
• Further for employees to travel to work – may put some off and they may leave</td></tr>
</table>
</td><td>12</td></tr>
</table>

Question	Answer	Marks
2(b)	Level 1 **[1–3 marks]** 1 mark for outline of an advantage and / or a disadvantage of each location. (max of 3 marks) E.g. Location A is near to customers so transport costs will be lower. Level 2 **[4–6 marks]** Detailed discussion of an advantage and / or a disadvantage of each location. One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. Location A is near to customers so transport costs will be lower. This will allow the partnership to gain more profit if the same price is charged for repairing heating systems. (Level 2 plus one application mark for answering in the context of repairing heating systems) Level 3 **[7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation as to which location to choose. 7–8 marks for limited judgement shown as to which location to choose OR why not the alternative location. 9–10 marks for well justified recommendation as to which location to choose AND why not the other location. **Award up to 2 additional marks for relevant application.** Possible application marks: Installs and repairs heating equipment; set up as a partnership 2 years ago; each partner invested $10 000; planning to also install and repair air conditioning equipment; located in a small warehouse with no office space; want to expand into larger premises; information about location A and B such as location B costs $200 000 and is located on the edge of the city. There may be other examples in context that have not been included here.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>

Calculate for 2017:

(i) Gross Profit Margin
GPM = ($500 000 – $100 000) / $500 000 = 80%
2 marks for correct answer – 1 mark if correct method but incorrect answer.

(ii) Profit margin
PM = $125 000 / $500 000 = 25%
2 marks for correct answer – 1 mark if correct method but incorrect answer.

(iii) Explain why these profitability ratios have changed between 2016 and 2017.

Award a maximum of two additional marks for **each** explanation of the profitability ratios.

Indicative response:

The gross profit margin has improved because the cost of sales has not increased (1) in line with the increase in revenue. (1)

The profit margin has stayed the same, which means that although revenue has increased, costs of sales did not increase but profit did increase. (1) However, expenses increased which kept the ratio the same. (1)

</td><td>**8**</td></tr>
<tr><td>3(b)</td><td>

Consider the effects of the following <u>three</u> changes in legal controls on AH. Which change is likely to have the biggest impact on AH? Justify your answer.

Relevant points might include:

<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Heating engineers must now have health and safety qualifications</td><td>• Fewer accidents as all staff are qualified
• One off payment for training</td><td>• Increased training costs
• May need to train employees as some are part-qualified</td></tr>
<tr><td>Employees are now protected against unfair dismissal</td><td>• Motivating – increased security</td><td>• Harder to get rid of unsatisfactory employees – may reduce efficiency</td></tr>
<tr><td>Increase in the minimum wage</td><td>• Higher wages – happier workers – increased motivation</td><td>• Higher wage costs – lower profit
• Increased costs – increased prices – lower demand</td></tr>
</table>

</td><td>**12**</td></tr>
</table>

Question	Answer	Marks
3(b)	Level 1 **[1–3 marks]** 1 mark for outline of impact of each change. (max of 3 marks) E.g. Wage costs will increase. Level 2 **[4–6 marks]** Detailed discussion of the impact of each change. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. Wage costs will increase as heating employees will get a pay rise to maintain the wage differential with other employees. However, it will also motivate these workers and they will install boilers more efficiently. (Level 2 plus one application mark for answering in the context of the heating business) Level 3 **[7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which will have the greatest impact. 7–8 marks for limited judgement shown in recommendation as to which will have the greatest impact on AH OR why the other changes will have less impact. 9–10 marks for a well justified recommendation as to which effect will have the greatest impact on AH AND why other changes will have less impact. **Award up to 2 additional marks for relevant application.** Possible application marks: Installs and repairs heating equipment; install equipment in homes and offices; planning to also install and repair air conditioning equipment; want to expand into larger premises; AH employs 2 fully qualified heating and air conditioning engineers; details about BB Heating pay and conditions. There may be other examples in context that have not been included here.	

Question	Answer	Marks
4(a)	**Refer to Appendix 3. Identify and explain how the change in the exchange rate could affect:** • **AH** • **AH's customers** Award one mark for identifying how AH / AH's customers will be affected (maximum of one each), such as: • Exports may become cheaper • Imported goods may become more expensive Award a maximum of three additional marks for **each** explanation of how AH / AH's customers will be affected – **2 of which must be applied to this context**. Indicative response: Import prices will rise (1) therefore the components purchased by AH for repairing heating equipment will cost more. (ap) The prices charged to business customers will have to be increased (ap) which may lead to a decrease in demand from customers. (1) Possible application marks: Installs and repairs heating equipment; install equipment in homes and offices; planning to also install and repair air conditioning equipment; financial information from Appendix 1; information from Appendix 3 such as depreciation in the currency and components being imported. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Consider the following <u>three</u> methods of promotion AH could use for its new service. Recommend the best method of promotion for AH. Justify your answer.

Relevant points might include:

<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Hand out fliers in the street</td><td>• Cheap to produce
• Domestic customers likely to see the advert
• Written record to keep</td><td>• May be thrown away and not looked at
• May not be in a location where target customers go
• Unsuitable for business customers</td></tr>
<tr><td>Email existing business customers</td><td>• Increases sales to existing customers
• Low cost and goes directly to target market for business customers</td><td>• Will not reach new domestic customers</td></tr>
<tr><td>Billboard adverts by the side of main roads</td><td>• Seen by many people
• Remain in position for some time</td><td>• Little detail / information included
• May not be seen by target audience</td></tr>
</table>

</td><td>**12**</td></tr>
</table>

Question	Answer	Marks
4(b)	Level 1 **[1–3 marks]** 1 mark for outline of an advantage and / or a disadvantage of each method of promotion. (max of 3 marks) e.g. Fliers are fairly cheap to produce. Level 2 **[4–6 marks]** Detailed discussion of an advantage and / or a disadvantage of each method of promotion. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. Fliers are fairly cheap to produce and can be handed out to domestic customers in the street. The location where the fliers are handed out can be carefully chosen to reach the target domestic customers who might want to purchase air conditioning equipment. However, fliers are often discarded and not looked at. (Level 2 plus one application mark for answering in the context of the domestic customers of air conditioning equipment) Level 3 [**7–10 marks]** For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of the best method of promotion to use. 7–8 marks for limited judgement shown in the recommendation as to which form of promotion to use OR why the alternative methods were rejected. 9–10 marks for a well justified recommendation as to which form of promotion to use AND why the alternatives were less suitable. **Award up to 2 additional marks for relevant application.** Possible application marks: Installs and repairs heating equipment; install equipment in homes and offices; planning to also install and repair air conditioning equipment; financial information from Appendix 1. There may be other examples in context that have not been included here.	

© UCLES 2018