Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Structured Response **May/June 2019**

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.

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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 'economies of scale'?** Clear understanding [2]: factors that lead to a reduction in average or unit cost as a business increases in size Some understanding [1]: benefit of increasing in size	**2**	**Do not award** examples as this does not answer the question **Do not award** answers such as 'benefit of being big' as this does not explain the term
1(b)	**What is meant by 'quality control'?** Clear understanding [2]: checking that a product meets the required standard OR checking of goods at the end of the production process [2] OR Checking the standard of goods through inspection [2] OR process of reviewing accuracy of work bought in or completed [2] Some understanding [1]: e.g. checking the work	**2**	**Do not** accept answers that confuse the term with quality assurance e.g. checking throughout production
1(c)	**Identify and explain <u>two</u> reasons why EGT uses batch production.** Knowledge [2 × 1] Award 1 mark for each reason identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Size of output OR level of demand [k] as there may not be sufficient demand to use flow production for its tea [app] • Easier / quicker to respond to changes in demand [k] so if one flavour is more popular it is quick to adapt to that flavour [app] • Not enough capital to use capital-intensive methods [k] as machines used are old and often break down [app] • Various styles/ products produced [k] in the factory [app] • Nature of demand/ seasonal or continuous [k] • Size of business [k] especially as space is limited [app]	**4**	Application marks may be awarded for appropriate use of the following: • tea or leaves • factory • space limited • (leaves) grown locally • machines old OR often break down • no economies of scale • 80 employees • Quality control • Automated line/ flow

Question	Answer	Marks	Guidance
1(d)	**Identify and explain <u>two</u> ways in which the Human Resources manager could use her knowledge of Maslow's hierarchy of needs to motivate employees.** Knowledge [2 × 1] Award 1 mark for each relevant way Application [2 × 1] Award 1 mark for each relevant reference made to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Points might include: • Ways to address physiological needs e.g. wages high enough to meet weekly bills [k] of its 80 employees [app] so have enough money to provide basic needs such as shelter, rest or food [an] • Ways to address safety and security e.g. offer job security/ better working conditions [k] which is important as machines are old [app] so employees feel safe from risk of injury [an] • Ways to address social needs e.g. introduce team working [k] into the factory [app] so that they have a sense of belonging to a team [an] • Ways to address esteem needs e.g. praise [k] which allows them to feel that their hard work is recognised / valued [an] • Ways to address self-actualisation e.g. promotion/ given more responsibility [k] to allow them to reach their full potential [an]	**6**	Application marks may be awarded for appropriate use of the following: • Tea or tea leaves • Factory • space limited • grown locally • machines old OR often break down • no economies of scale • 80 employees • Quality control • Automated line/ flow

Question	Answer	Marks	Guidance
1(e)	**Recommend the best way, other than by improving motivation, EGT could use to increase its level of output. Justify your answer.** Knowledge [1] Award max 1 mark for identification of relevant issue(s) Application [1] Award 1 mark for a relevant reference made to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Justified decision made as to which is the best way for EGT to increase its level of output. Points might include: • Introduce new technology [k] as old machines often break down [app] which is likely to lower the possible output as cannot work when machines are being repaired [an]. However would need to ensure they can afford it [an] but this is only suitable if machines are not too big as factory space is limited [eval] • Employ additional workers [k] so able to produce more in same amount of time [an] but would need to pay to recruit [an] increasing its expenses [eval] • Training workers [k] to make the different stages of tea [app] so less likely to make mistakes/ produce more in same amount of time [an] but it would add to business costs [an] • Buy partial processed materials [k] especially as space is limited [app] • Improve layout / design of building [k]	**6**	Application marks may be awarded for appropriate use of the following: • Tea or tea leaves • Factory • space limited • grown locally • machines old OR often break down • no economies of scale • 80 employees • Cannot afford to move to new location • Quality control • Automated line/ flow **Do not award** move location / new factory or flow production as [k] because these are excluded in the scenario. **Do not award** 'buy cheaper materials' as this does not answer the question **Do not award** lean production or examples such as just-in-time or kaizen

Question	Answer	Marks	Guidance
2(a)	**What is meant by 'wholesaler'?** Good understanding [2]: Someone (or organisation) that buys and stores large quantities of several producers' goods and then breaks into bulk deliveries to supply retailers with smaller quantities OR An intermediary that buys in bulk [1] and sells to other businesses/ retailers (rather than to consumers) [1] Some understanding [1]: e.g. middleman from whom retailers buy products OR someone who breaks bulk [1]	**2**	Do not award 'middleman' on its own as this does explain the term
2(b)	**Calculate the revenue from selling direct to retailers in 2018.** Good application [2] correct answer = $495 000 Some application [1] e.g. correct method but incorrect answer OR 900000 × 55%	**2**	
2(c)	**Identify and explain how each of the following might affect CYN's exports.** Knowledge [2 × 1] Award 1 mark for each effect identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: Quotas: • (physical) limits on the number of imports [k] which may become a problem as CYN exports 10% [app] Tariff: • increase the price [k] so toys become more expensive [app]	**4**	Application marks may be awarded for appropriate use of the following: • family owned • children OR toys • revenue increased by 15% for last 10 years • competitive market • stop promotion for 6 months • correct use of data from Figure 1

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Question	Answer	Marks	Guidance
2(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to CYN of developing new products.** Knowledge [2 × 1] Award 1 mark for each relevant advantage / disadvantage Application [2 × 1] Award 1 mark for each relevant reference made to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Points might include: Advantages: • Enter new markets / segments OR attract new customers [k] helping to increase revenue [an] by more than 15% [app] • Keep / retain customers [k] which is important in a competitive market [app] to maintain market share [an] • Spread risk [k] when selling toys [app] as they have other products to rely on for sales [an] • Can increase or charge higher price [k] to breakeven quicker [an] • Need to replace products at end of product life cycle [k] Disadvantages: • No guarantee that customers will like new products [k] so could waste time / resources [an] • Reaction of competitors e.g. can gain market share whilst develop OR might introduce rival products [k] • Labour issues e.g. additional training for workers [k] • May need to invest in new machinery [k] but it might be difficult to arrange additional finance [an] for this family owned business [app] • Marketing issues e.g. additional cost of market research OR advertising costs [k] • production issues e.g. sufficient capacity OR technical problems when developing or manufacturing could delay launch OR availability of suitable materials [k]	**6**	Application marks may be awarded for appropriate use of the following: • family owned • children OR toys • revenue increased by 15% (for last 10 years) • competitive market • stop promotion for 6 months • wholesalers or 35% • sell direct to retailers or 55% • exports or 10% • cannot meet demand

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Question	Answer	Marks	Guidance
2(e)	**CYN has decided to stop all marketing promotion for 6 months. Do you agree with this decision? Justify your answer.** Knowledge [1] Award 1 mark for identification of relevant issue(s) [max 1] Application [1] Award 1 mark for a relevant reference made to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Justified decision made as to whether CYN should stop all marketing promotion for 6 months Points might include: • Saves costs / can use money for other purposes [k] such as developing new products [app] • Fewer sales [k] as customer awareness / loyalty might fall [an] of its toys [app] leading to a loss of revenue [an] • Customers may buy from competitors [k] which is important in a competitive market [app] leading a lower market share [k] • Allows time to focus on other activities [k] as cannot meet demand [app]	**6**	Application marks may be awarded for appropriate use of the following: • family owned • children OR toys • revenue increased by 15% for last 10 years • competitive market • wholesalers or 35% • sell direct to retailers or 55% • exports or 10% • cannot meet demand • developing new products **Do not award** answers which discuss alternative methods of promotion or other elements of the marketing mix as this does not answer the question **Do not award answers** which discuss ways to increase output as this does not answer the question

Question	Answer	Marks	Guidance
3(a)	**Identify <u>two</u> features of a sole trader business.** Knowledge [2 × 1] award 1 mark for each feature Points might include: • Keeps all the profit • unlimited liability • (one person has) all the risk • takes all the decisions OR own boss / works for him/herself • unincorporated OR no separate legal identity • few legal requirements • Has total ownership OR full control	**2**	**Do not accept** in private sector as this applies to all types of organisation in the private sector. **Do not award** features of an entrepreneur **Do not award** answers such as Independent fast decision making OR no one to help run/ manage or make decisions as too vague
3(b)	**Calculate values for X and Y** Application: [2 × 1] award 1 mark for each correct answer • X: (220) • Y: 0 or zero	**2**	X must be shown as negative value to be awarded
3(c)	**Identify and explain <u>two</u> factors that Hashim's suppliers might consider before deciding to offer him trade credit.** Knowledge [2 × 1] Award 1 mark for each factor identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Amount required/ how much stock he wants [k] for his gift shop [app] • Length of credit terms [k] especially when October – June is the busy time [app] • Credit history / chances of being repaid [k] as his first business failed [app] • Whether he has done any planning [k] such as his business plan [app]	**4**	Application marks may be awarded for appropriate use of the following: • sole trader • gift shop • city centre • popular tourist site • business plan or cash flow statement • correct use of data from Table 1 • first business failed (within 6 months) OR poor financial planning • Parents OR interest free loan for rent • October – June is the busy time

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Question	Answer	Marks	Guidance
3(d)	**Identify and explain <u>two</u> ways in which a business plan might help Hashim's new business to be successful.** Knowledge [2 × 1] Award 1 mark for each relevant way Application [2 × 1] Award 1 mark for each relevant reference made to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Points might include: • Help get a bank loan / finance [k] such as asking for trade credit [app] as lender is able to see that the business is able to repay [an] • Helps set targets / clear aims / future planning [k] as can see what need to do to achieve aims [an] of his small gift shop [app] • Helps understand OR reduce possible risks [k] as have time think about possible solutions to problems [an] especially as first business failed within 6 months [app] • Help decision making [k] so will not waste time / money on buying the wrong products [an] to ensure this business does not fail within 6 months [app] • Act as a checklist / track progress [k] especially when October–June is likely to be busy time [app] • Provide an estimate of costs/ help set budgets [k]	**6**	Application marks may be awarded for appropriate use of the following: • sole trader • gift shop • city centre • popular tourist site • correct use of data from Table 1 • poor financial planning • Parents OR interest free loan for rent • first business failed (within 6 months) • October – June is the busy time • Parents • Cash flow forecast • Trade credit **Do not award** answers which identify sections of a business plan as NAQ

Question	Answer	Marks	Guidance
3(e)	**Do you think Hashim should start the new business? Justify your answer using the information in Table 1.** Knowledge [1] Award max 1 mark for identification of relevant issue(s) Application [1] Award 1 mark for a relevant reference made to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Justified decision made as to whether Hashim should start the new business Points might include: • Has predicted cash flow problems [k] as has negative closing balance after 4 months [app] • Cash inflows are increasing each month [k] • Cash flow forecast does not cover period of higher demand [k] as October and June is the busy time [app] • The data may not be accurate as it is only a forecast [k] Other points could include: • Does not have a good business record [k] as first business failed within 6 months [app] which could indicate he lacks the necessary skills [an] • Has learned from past mistakes [k] as this time has produced a cash flow forecast [app] • Risk is part of setting up a business [k] • Has support of his family [k] who provided interest free loan for shop rent [app] which will reduce cash outflows [an] • Level of competition [k] as may be other businesses near the popular tourist site [app] leading to fewer sales [an]	**6**	Application marks may be awarded for appropriate use of the following: • sole trader • gift shop • city centre • popular tourist site • business plan or cash flow statement • correct use of data from Table 1 • poor financial planning • Parents OR interest free loan for rent • first business failed (within 6 months) • October – June is the busy time • Trade credit

Question	Answer	Marks	Guidance
4(a)	**What is meant by 'pressure group'?** Clear understanding [2]: people who have a common interest who take action to change OR influence business (or government) decisions Some understanding [1]: e.g. group formed by people with a common interest	**2**	Do not accept examples
4(b)	**Identify <u>two</u> advantages to a business of selling to a mass market.** Knowledge [2 × 1] award one mark for each advantage Points might include: • High or large number of sales • Could benefit from economies of scale OR lower average costs • No need to develop specialist products • Help build brand awareness OR reputation OR status	**2**	
4(c)	**Identify <u>two</u> stakeholder groups of SWQ. Explain <u>one</u> possible objective for each stakeholder group.** Knowledge [2 × 1] Award 1 mark for each stakeholder group identified Application [2 × 1] Award 1 mark for each explanation in context Points might include: • Employees [k] as want job security in its 200 shops [app] • Owners OR shareholders [k] maximise profits OR dividends from this public limited company [app] • Suppliers [k] may want prompt payment or increased orders to the 3 local suppliers [app] • Government [k] who may have to respond to pressure group action [app] • Customers [k] want access to a wider range of clothes [app] • Lenders [k] • Local community [k]	**4**	Application marks may be awarded for appropriate use of the following: • public limited company • 200 or shops • Clothing or related words such as sewing • 3 or local (suppliers) • information from news article • pressure groups • mass market • (customers) want low prices • 15-hour days • $2 • 8-year-olds or children or child labour .

Question	Answer	Marks	Guidance
4(d)	**Identify and explain <u>two</u> suitable methods of communication SWQ might use with manufacturers in country C if it decided to purchase supplies from them.** Knowledge [2 × 1] Award 1 mark for each relevant way Application [2 × 1] Award 1 mark for each relevant reference made to this business Analysis [2 × 1] Award 1 mark for each relevant explanation Points might include: • Phone call [k] so able to obtain instant feedback to its questions [an] about the possible use of child labour to sew buttons [app] • Email [k] as able to include attachments OR additional information [an] about the clothing required [app] • Letter [k] as have hard copy to refer to in future [an] • (Face to face) meeting [k] • Video conference or FaceTime or skype [k] • Text or messaging system such as WhatsApp [k]	**6**	Application marks may be awarded for appropriate use of the following: • public limited company • 200 or shops • Clothing or related words such as sewing • 3 (local suppliers) • pressure groups • mass market • (customers) want low prices • 15-hour days • $2 • 8-year-olds or children or child labour **Do not award** answers such as verbal, written, electronic, one way or two-way as knowledge as need to identify the method. **Do not award** answers such as quicker / cheaper as analysis unless explained, otherwise. **Do not award** examples of social media as not appropriate methods

Question	Answer	Marks	Guidance
4(e)	**Do you think SWQ should start buying its products from country C? Justify your answer.** Knowledge [1] Award max 1 mark for identification of relevant issue(s) Application [1] Award 1 mark for a relevant reference made to this business Analysis [2] Award up to 2 marks for relevant development of point(s) Evaluation [2] Justified decision made as to whether SWQ should start buying its products from country C • Could lower inventory costs [k] which is important as customers want lower prices [app] allowing SWQ to remain competitive [an] • Could lower sales [k] as customers do not want to be associated with unethical businesses [an] that use 8-year olds to sew buttons [app] • Different quality standards [k] so may have to spend time OR money to check quality [an] of the clothes [app] • Transport or distribution problems [k] as did use 3 local manufacturers [app] it may take too long for stock to arrive in its shops lowering possible sales [an] • Could lose some employees may not want to work for an unethical business [k] • Some shareholders may not want to invest in an unethical business [k] leading to less capital to invest [an]	**6**	Application marks may be awarded for appropriate use of the following: • public limited company • Clothing or related words such as sewing • 200 or shops • 3 or local (suppliers) • 15-hour days • $2 • 8-year-olds or children • pressure groups • mass market • (customers) want low prices Candidates can discuss either / both the practical issues when importing or the ethical considerations in relation to country C. Do not award lower quality as knowledge unless explained

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