Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **May/June 2020**

MARK SCHEME

Maximum Mark: 80

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

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

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

© UCLES 2020

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 2020

Question	Answer	Marks
1(a)	**Explain <u>four</u> reasons why governments support business start-ups.** Award 1 mark for each relevant reason (maximum of four). Relevant reasons might include: • to reduce unemployment – as new businesses will create jobs • to increase competition – as new businesses will increase the number of competitors providing more choice of goods and services • to increase output – as new businesses will provide more goods and services for consumers to buy • to benefit society – as entrepreneurs may create social enterprises for example providing jobs and profit for local disadvantaged groups • may grow in the future – as large businesses started small at the beginning and the new start-up may become a large important business in the future Award a maximum of 1 additional mark for each explanation of why governments support businesses start-ups. For example: To reduce unemployment (1) as the country might have high unemployment and new businesses will create jobs (1).	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>

Explain the benefits and limitations to EC of using on-the-job training and off-the-job training. Which method of training should EC use when changing production methods? Justify your answer.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both methods of training.

Well-justified conclusion.

Candidates discussing both methods of training in detail, in context and with well-justified conclusion including why the alternative method was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one method of training.

Judgement with some justification/some evaluation of choice made.

Candidates discussing both methods of training in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss methods of training with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining both methods of training in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant discussion might include:
<table>
<tr><td>On-the-job</td><td>• Individual tuition is given
• Trained in the workplace so does not need to be sent away – possibly lowering costs
• Some production of cars from the worker whilst training
• Usually costs less than off-the-job training
• Training is for the specific needs of the business as they develop new electric cars
• The trainer will not be as productive when they are showing the trainee what to do
• The trainer may pass on bad habits to the trainee
• No qualifications may be gained by the trainee</td></tr>
<tr><td>Off-the-job</td><td>• A broad range of skills can be taught
• The training may take place in the evening and outside of work time so will not interfere with normal work of the trainee
• Output of cars will be lost while training – only payment for the course is required
• A wider variety of skills may be taught by experts in the new technology
• Up-to-date knowledge and skills may be taught
• May not have anyone in the business who can teach the new skills as the technology is new to EC production employees
• Costs are higher than on-the-job training
• Wages are paid but no output of cars from the trainee
• Additional qualifications may make it easier for trainee to leave for another job</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• The production methods for the new electric car model may require very different technology so off-the-job training may be needed as there may not be anyone employed at EC who knows how to use the new technology.
• On-the-job training might be best to use as it is cheaper than sending an employee on a course and output of cars will not be lost whilst they are being trained by an existing worker. This is assuming that there are employees who have the skills to operate the new technology.</td></tr>
</table></td><td></td></tr>
</table>

© UCLES 2020

Question	Answer	Marks
2(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage for EC's senior managers when they delegate tasks.** Award 1 mark for each relevant advantage/disadvantage (maximum of two): Relevant advantages might include: • able to concentrate their time on other important management functions – as they complain that they have too many tasks to do – delegating tasks will allow them to concentrate on the most important tasks – leading to better decisions being made • less likely to make mistakes if some of the tasks are carried out by others – have time to focus on specific tasks – not rushed or too many other tasks to complete taking up time • can measure tasks performed by juniors more easily – easier to measure the success of their staff – more motivating Relevant disadvantages might include: • may be afraid subordinates perform the tasks better than them – makes them insecure • subordinates may make mistakes – as they may not be trained to perform all the tasks they have been asked to do – for example order the wrong components for the cars • tasks are still the senior managers responsibility if things go wrong – if junior managers carrying out the tasks make mistakes – it is the senior managers who will have to sort out the problems Award a maximum of 3 additional marks for each explanation of the advantage/disadvantage of delegation for senior managers– **one of which must be applied to this context**. For example: The senior managers will be able to concentrate their time on other important management functions (1) as they often complain they have too many tasks to do (app). If the senior managers are carrying out too many basic tasks it will allow less time to focus on more important decisions such as developing a new car (1) making it more likely for mistakes to be made or opportunities missed (1).	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Consider how the following <u>two</u> changes in the market are likely to affect EC:

• Change in customer spending patterns away from diesel cars to electric cars
• Markets for petrol and diesel cars are becoming more competitive

Which change is likely to have the most effect on EC’s profit? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both changes.

Well-justified conclusion.

Candidates discussing both changes in detail, in context and with well-justified conclusion including why the alternative change was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one change.

Judgement with some justification/some evaluation of choice made.

Candidates discussing both changes in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the changes with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining both changes in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><td>Change in customer spending patterns away from diesel cars to electric cars</td><td>• More investment needed in electric cars – and the government is providing grants to do this
• Fewer diesel cars produced
• Production will need changing and more investment ($200m) required
• May need to change suppliers of car components
• Possibly higher costs of production
• Low profit initially – unhappy shareholders
• If don’t change production to electric cars, then will lose market share as consumers want to buy products that do not harm the environment</td></tr>
<tr><td>Markets for petrol and diesel cars are becoming more competitive</td><td>• Need to keep costs down to remain competitive
• Could focus on cheaper quality – use cheaper imported components – but may be lower quality
• May lose reputation
• Tariffs on imported cars may make it easier to compete for EC</td></tr>
<tr><td>Conclusion</td><td>Justification might include:
• Depends on the demand for electric cars and the price consumers are willing to pay. If willing to pay a higher price for electric cars that do not harm the environment, then revenue and profit may be higher.
• Reduce production of diesel cars as demand is falling but could concentrate on petrol cars to retain market share even though this will be difficult as several new car companies entered the market. Price of petrol cars may have to be reduced to keep market share and this may lead to profit falling.</td></tr>
</table></td><td></td></tr>
</table>

© UCLES 2020

Question	Answer	Marks
3(a)	**Explain <u>four</u> sources of finance that EC could use for the investment in the new product.** Award 1 mark for each relevant source (maximum 4 marks). Relevant sources might include: • retained profit – is a large company selling to both home and export markets so likely to have reserves of retained profit • bank loan – investment needed in new technology to produce more environmentally friendly cars • sell shares – as already a public limited company so can issue new shares • government grant – as these are being provided for the development of electric cars Award a maximum of 1 mark for each explanation of the source, **applied to this context**. For example: Bank loan [1] as EC needs to invest in new technology [app].	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Consider the information for the <u>two</u> car models outlined in Appendix 2. Which car model should EC start producing? Justify your answer using break-even calculations.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both car models including break-even calculations.

Well-justified recommendation.

Candidates discussing both break-even outputs in detail, in context and with well-justified recommendation including why the alternative car model was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one car model’s break-even calculation.

Judgement with some justification/some evaluation of choice made.

Candidates discussing both break-even outputs in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss break-even output with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining the cost or price differences of both car models in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><td>Model 1</td><td>• B/E = 800 cars
• Lower price than car B
• FC per car is lower but fixed cost per month is the same at $4m
• Variable costs per car are $5000 lower at $15 000
• Output twice the output of car B at 1000 per month instead of 500 per month
• Profit = $1m per month</td></tr>
<tr><td>Model 2</td><td>• B/E = 200 cars
• Higher price at $20 000 per car instead of $40 000
• Variable costs per car are higher at $20 000- better components
• FC per car is higher – higher quality
• Output is half of car A at 500 cars per month
• Profit = $6m per month</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• Model 1 because the price is lower at $20 000, and sales will be higher at 1000 cars even though the B/E output is higher – profit should still be made.
• Model 2 – B/E output lower and is therefore easier to achieve – price is higher at $40 000 per car, and higher profit by $5m per month.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
4(a)	**Explain <u>two</u> ways import tariffs might affect EC.** Award 1 mark for each way (maximum 2 marks). Relevant ways might include: • Likely to cause a higher price for imported goods – as tariffs are a tax on imported goods – may have increased sales in country Z as EC cars have more competitive process – increased revenue and possibly profit • Raise costs for EC – as car components will cost more – may have to increase prices- may make EC products less competitive – lose sales in export markets Award a maximum of 3 additional marks for each explanation of the ways import tariffs might affect EC – **one of which must be applied to this context**. For example: Tariffs are a tax on imported goods (1) this will increase the price of imported cars (app) EC cars will become more competitive in the domestic market (1) making it easier for EC to increase sales, revenue and possibly profit. (1)	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Using Appendix 3, consider the advantages and disadvantages of locating EC's new factory in country A and country B. Which country should EC choose? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both locations.

Well-justified recommendation.

Candidates discussing both locations in detail, in context and with well-justified recommendation including why the alternative location was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one location.

Judgement with some justification/some evaluation of choice made.

Candidates discussing both locations in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss locations with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining both locations in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table></td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><td>Country A</td><td>• Increased wage costs – as wage rates are high in country A
• No need for training so lower training costs as workers are highly skilled and well trained
• Large car market easily accessible – as has a very good road network
• Limited growth potential for sales as saturated market
• Car component supplies readily available making JIT possible
• Road congestion may cause delays for JIT deliveries</td></tr>
<tr><td>Country B</td><td>• Low wage costs as wage rates low
• Training required raising costs – as workers are low skilled
• Potential growth in car market sales as emerging market
• Car components suppliers not nearby – may make supply chain less reliable and more expensive
• Investment in road network so future may be better road network
• No competitors located there – so may make it easier to get established and sell in this market</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• Country A as it is an established market with suppliers nearby so production can be established quickly
• Country B has much lower labour costs and possibly high sales from rising incomes in this country as it grows. There is long-term potential for market growth, and this would be the first company there so it will be established to take advantage of the growth in the market for cars.</td></tr>
</table></td><td></td></tr>
</table>

© UCLES 2020