Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **May/June 2022**

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 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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[Turn over

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.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

0450/7115/0086 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
APP	Application	Indicates appropriate reference to the information in the context.
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>two</u> leadership styles that the Managing Director of BB may use.** Award 1 mark for each correct leadership style identified (maximum 2). Award a maximum of 3 additional marks for **each leadership style** identified – **one of which must be applied to this context**. Leadership styles identified could be: • Autocratic • Democratic • Laissez-faire For example: Laissez-faire (1) The broad objectives are provided by the Managing Director, but the **store managers** (app) are left to make the individual decisions in the running of each store. (1) This could mean that each store is managed differently and there is not a consistent approach (1). **Application** could include: sandwich shops; ready-made/made-to-order sandwiches; low motivation; store manager; 21 store employees; drive-through; shop managers overworked; limited promotion opportunities; expansion/takeover; minimum wage; business customers pay at end of month; 40% business customers; cash paid for food ingredients.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Explain the advantages and disadvantages to BB of using the following <u>three</u> methods to motivate the shop employees. Recommend which method BB should use. Justify your answer.

Introduce job rotation
Provide opportunities for promotion
Increase wages

<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 two or more methods.

Well-justified recommendation.

Candidates discussing all three methods in detail, in context and with a well-justified recommendation including why the alternative methods are 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.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more methods in detail and applying them 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 with little/no explanation.

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

Candidates outlining all three methods in context should be rewarded with 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 points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Introduce job rotation</td><td>• Increases variation of task for employees. They can move between making sandwiches and taking orders
• Easier for shop managers to move employees between tasks if an employee is absent
• Helps managers to identify which tasks employees are best at
• Allows employees an opportunity to move up Maslow’s hierarchy and offers access to higher levels of motivation</td><td>• Tasks are still low skill level and do not increase levels of responsibility
• All tasks are repetitive and so employees may still become bored
• It may not reduce the labour turnover in BB if low pay is the main factor to low motivation
• It could take time to move the employees between tasks reducing efficiency
• The organisation structure does not allow for promotion opportunities. Expensive and difficult to change the current organisational structure</td></tr>
<tr><td>Provide opportunities for promotion</td><td>• Employee feels valued and recognised by the shop managers and so will work harder
• Employee knows how the sandwich shop works and so can use their knowledge to improve the business</td><td>• It would be expensive to provide training to shop employees to become newly appointed deputy managers
• It may be demotivating to the shop employees who do not receive the promotion so may increase absenteeism/labour turnover</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Increase wages</td><td>• Shop employees feel that they could be better rewarded for their work as they are paid above the minimum wage
• It is an easy system to implement, everyone will receive the pay increase</td><td>• Increases the costs of the sandwich shop
• Higher wages could make the poor cash flow position of the business worse
• Some employees may think it is unfair if they do more work than others, the employees who do not work as hard should not get the pay increase</td></tr>
<tr><td>Recommendation</td><td colspan="2">• Job rotation is best because it is easy to implement and would reduce the level of boredom which could reduce labour turnover. It would offer some variety. This is simpler for BB to introduce than changing the organisational structure as new deputy manager positions may need to be created to provide opportunities for promotion and would cost less than increasing wages as wages would remain the same.
• Providing opportunities for promotion is best because if the new deputy managers are promoted from within the business this would increase shop employees' responsibilities and it would help reduce the workload of the shop managers and make the business more efficient. It would lengthen the chain of command, but this would only cause minor problems with communication.
• Increasing wages is best because it may reduce the high labour turnover as employees would feel that they are paid in line with competitor shops. This would reduce the recruitment costs incurred by BB and in the longer term possibly save costs as recruitment is expensive.</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer	Marks
2(a)	**Explain <u>four</u> business objectives that BB might have**. Award 1 mark for each relevant objective (maximum of four objectives). Award a maximum of 1 additional mark for **each** explanation of the objective **which must be applied to this context.** Relevant objectives might include: • Growth/increase sales revenue – BB is planning to grow by possibly opening a new store • Increased market share/customer loyalty – as BB wants to expand in one of the cities • Profit – to help convince the bank to give the long-term loan • Survival – as it operates in a competitive environment • Return for shareholders – as it is a private limited company • Provide a service to the community – unused sandwiches could be donated to those on low incomes at the end of the day For example: Growth (1) BB is planning to expand by taking over a competitor store (app). **Application** could include: sandwich shops; ready-made/made-to-order sandwiches; low motivation; store manager; 21 store employees; drive-through; shop managers overworked; limited promotion opportunities; expansion/takeover; minimum wage; business customers pay at end of month; 40% business customers; cash paid for food ingredients.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Using Appendix 2, consider the <u>two</u> locations for the replacement shop. Recommend which location would be most suitable for BB's replacement shop. 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 a well-justified recommendation including why the alternative location is 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 choices made.

Candidates discussing one location 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 choices made.

Candidates outlining both locations in context should be rewarded with 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>Location A</td><td>• Near to the cinema/bus station – this will mean a potential increase of people passing the sandwich shop and therefore more customers
• Located in the city centre – has a high number of business customers from the offices in this location so more revenue as increased number of customers
• Competitor businesses located nearby – may lose customers to cafe/supermarket located nearby therefore fewer sales as sandwiches may be better
• City centre location will have higher business taxes. Rent is also higher – overall it is $10 000 more expensive than location B each year</td></tr>
<tr><td>Location B</td><td>• Parking available – better if wanting to have a drive-through service as cars have easy access
• Close to customers using the shopping centre
• Annual rent is $8000 less than location A
• Shopping centre has lower taxes $200 – this will reduce the fixed costs of BB</td></tr>
<tr><td>Recommendation</td><td>• I think location A is most suitable because it is likely to have a high number of business customers from the offices behind location A and also has the benefit of being opposite the bus station. Even though the annual rent is higher it has the potential to generate greater revenue than location B which in the long-term could lead to higher profit.
• I think location B is most suitable because it costs less than location A by $10 000. The current difference between BB and its competitors is a drive-through service, location B would be more likely to allow this model to be used in the new shop than location A which has no parking nearby.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
3(a)	**Explain <u>four</u> ways to measure the size of a business.** Award 1 mark for each relevant way (maximum of four ways). Award a maximum of 1 additional mark for **each** explanation of a relevant way to measure the size of a business. Relevant ways might include: • Number of people employed • Value of output/sales • Number of outlets/shops • Value of capital employed • Market share For example: By the number of people employed in the business (1) which will be high if it is a labour-intensive business. (1)	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Using Appendix 3 and other information, consider the <u>two</u> options for growth. Which option should BB choose? Justify your answer using suitable calculations.

Open a new shop
Take over a competitor’s shop

<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 options.

Well-justified recommendation.

Candidates discussing both options in detail, in context and with a well-justified recommendation including why the alternative option is 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 option.

Judgement with some justification / some evaluation of choices made.

Candidates discussing one option 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 options with little/no explanation.

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

Candidates outlining both options in context should be rewarded with 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><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Option 1 – Open a new shop</td><td>• Break-even output is 10 000 units per month which is 4000 units lower than option 2
• Margin of safety is 12 000 sandwiches which is the same as option 2
• Internal growth is easier to manage – the business will be set up with existing structure
• The organisational structure - would be relatively easy to add another shop manager
• Fixed costs are $11 000 per month lower – reduces expenses – may help to improve the monthly cash flow position</td><td>• Profit of $12 000 is lower than option 2
• Can be a slower method of growth – it can take a while for the sandwich shop to be known and build a reputation in the area
• Starting a new business in a new area has a higher risk of failure
• Marketing costs might be higher to promote the new shop
• Lower contribution per unit because of lower price</td></tr>
<tr><td>Option 2 – Take over a competitor’s shop</td><td>• Makes a profit of $18 000
• Revenue is $78 000 per month which is $34 000 higher than option 1
• Horizontal integration – reduces the number of competitors in the area
• An established customer base
• Average price per sandwich is $1 higher than option 1</td><td>• Break-even output is higher than option 1 at 14 000 units per month
• May not allow for differentiation as no drive-through service so this will need to be added and incur costs if BB is to maintain its advantage over competitors
• Taking over another business may be a problem if the way it operates is very different to how BB operates</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
3(b)	Recommendation • Buying a new shop is the better option as it would allow BB to continue to offer a **drive-through service** which is different to its competitors. There is less risk as the break-even output is 4000 units lower than option 2. Internal growth would allow the new shop to be run and managed using the existing organisational structure which would avoid potential conflict. • Taking over a **competing sandwich shop** would be better as it is forecast to make $6000 higher profit with lower risk as the business is well known and has an established customer base.	

Question	Answer	Marks
4(a)	**Explain <u>two</u> possible reasons why BB might have cash-flow problems.** Award 1 mark for each relevant reason (maximum 2 reasons). Award a maximum of 3 additional marks for **each explanation** of the reasons why BB might have cash-flow problems – **one of which must be applied to this context**. Relevant reasons might include: • High levels of credit sales – **40%** of sales are on credit. This means cash has left the business to pay for raw materials but there is a delay in receiving cash in from **business customers** • No trade credit – cash leaves the business immediately when **food ingredients** are delivered from the suppliers • If the costs of **expansion** are higher than forecast this will lead to higher cash outflows/repayment of the interest on the loan – expansion may take a long time to increase cash inflows • Poor management decisions as **store managers are overworked –** they don't have time to look for the best deal to try and reduce the cash outflows / mistakes are made when preparing an order which means that **sandwiches** have to be made again For example: BB has high levels of credit sales (1) the company currently allows **business customers to pay at the end of the month** (app). The business has to buy all the ingredients for the sandwiches in advance but does not receive any income for up to one month later (1). This means that there is a delay between cash paid out to suppliers and cash being received from the customers (1). **Application** could include: sandwich shops; ready-made/made-to-order sandwiches; low motivation; store manager; 21 store employees; drive-through; shop managers overworked; limited promotion opportunities; expansion/takeover; minimum wage; business customers pay at end of month; 40% business customers; cash paid for food ingredients.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Consider how the following <u>two</u> changes could affect BB's marketing. Which change is likely to have the most effect on BB's marketing? Justify your answer.

Customers are becoming more health conscious
More people are working from home instead of in offices

<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 a well-justified conclusion including why the alternative change is 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 choices made.

Candidates discussing at least one change 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 changes with little/no explanation.

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

Candidates outlining both changes in context should be rewarded with 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>Customers are becoming more health conscious</td><td>• May need to change the menu – include healthier sandwiches and salad bowls – takes time to develop a new menu – increases costs to print new menus for the store
• Change of menu may result in needing to change suppliers – may need new sandwich fillings that current supplier can’t provide – these could be more expensive – increase variable costs
• If BB charges higher prices for the healthy options – this could increase revenue
• May need to promote new healthier sandwich range – increases marketing costs</td></tr>
<tr><td>More people working from home instead of in offices</td><td>• More people are working from home – so promotion method for the sandwiches could be leaflets to local houses
• Creates new opportunities – BB could start home delivery service as well as office delivery service – this increases the methods of distribution
• Improving packaging for safe delivery of sandwiches to customers’ homes
• Increased orders from customers working from home so may have to increase price to cover the cost of delivery</td></tr>
<tr><td>Conclusion</td><td>• Consumers becoming more health conscious will have the most effect on BB’s marketing. Changing the menu and method of promotion will be essential. BB may also have to increase prices to cover the cost of healthier ingredients. However, customers may be willing to pay higher prices and the new menu could attract new customers. Whereas the increased number of people working from home will not need any change to the menu or method of promotion, and BB already has a delivery service.
• BB already deliver to business customers so they are already set up for delivery they will need to change the method of promotion and improve the packaging as well as extending the delivery service to a wider range of customers so the impact on marketing would be greater.</td></tr>
</table></td><td></td></tr>
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