CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Data Response **May/June 2024**

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 descriptions 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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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).

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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.

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.

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0450/7115/0986 Business Studies – Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	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.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
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.

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Question	Answer	Marks	Notes
1(a)	**Identify <u>two</u> reasons why a government might support business start-ups.** Award 1 mark per reason (max 2). Points might include: • Create jobs/reduce unemployment • Increase/contribute to output/GDP • Gain more taxes/revenue (for the country) • Bring ideas for/provide goods/services/ innovation • Increase competition/increase choice/motivate other businesses to start up • To benefit society Other appropriate responses should be credited.	**2**	Only award the first two responses given.
1(b)	**Identify <u>two</u> ways a business can build customer relationships.** Award 1 mark per reason (max 2). Points might include: • Offer good quality services/products • Provide special offers or discounts to **regular** customers/loyalty schemes • Market research/find out what customers want/ask for feedback • Communicate with customers e.g. send newsletters • Respond to complaints/offer refunds • Provide extra services such as credit/delivery/after sales service • Build brand image Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
1(c)	**Outline <u>one</u> benefit and <u>one</u> limitation to Nicky's business of operating in a niche market.** Award 1 mark for each relevant benefit/limitation (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: Benefits: • Less/low competition [k] for her start-up business [app] • Needs of customers can be focused on/help to target customers [k] for her holidays [app] • Builds up specialist skills/knowledge [k] which can help build customer relationships [app] • Can often charge a higher price [k] influencing decision-making [app] Limitations: • Lack of economies of scale [k] which can affect business plan [app] • Limited sales/revenue/customers/**target market** is small [k] for this entrepreneur [app] • Does not spread risks/relying on one product [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Entrepreneur • Start-up/new business • Building customer relationships • (Walking) holidays/tickets • Travel business/tourism • Business plan • Decision-making • Government support Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
1(d)	**Explain <u>one</u> way each of the following sections in the business plan might be helpful to Nicky.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Business objectives: • Can act as a goal/target/sense of direction [k] for the travel business [app] which she can use to measure/monitor progress/to provide motivation [an] • Improved decision-making/planning [k] so fewer errors/chance of failure/increase efficiency/save cost/saves time/increase sales [an] of the new business [app] • Act as a measure of success [k] so able to check progress [an] to know whether she is a successful entrepreneur [app] Data about the market: • Show size of market/can spot trends/gaps [k] so know level of demand [an] in this niche market [app] • Show whether/where there is sufficient demand [k] which will affect sales/revenue/location [an] for her walking holidays [app] • Information about her **target** market [k] so decide how to promote the business [an] which can help build customer relationships [app] • Information about competitors/level of competition [k] so help decide on a suitable method of pricing [an] • Help set prices/make marketing decisions [k] increasing sales [an] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Entrepreneur • Start-up/new business • (Walking) holidays/tickets • Travel business/tourism • Niche market • Government support • Building customer relationships Other appropriate examples can be credited. K can be awarded for identifying what the section shows or how it can be used.

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Question	Answer	Marks	Notes
1(e)	**Explain <u>two</u> characteristics of a successful entrepreneur. Which characteristic is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which characteristic is likely to be the most important. Points might include: • Creative [k] have (new/unique) ideas / make a business stand out from its competitors [an] therefore help gain sales [an] • Risk-taker [k] as investment may be lost [an] • Perseverance/determination/resilience/self-motivated [k] as will need to be prepared to keep going when faced with problems [an] • Effective communicator [k] as may need to convince its suppliers/banks/customers to provide goods/lend/buy products [an] • Good decision-maker/manager [k] as changes in market may require action [an] • Hard-working [k] as must be ready to do everything themselves [an] • Independent [k] as be able to work without any help [an] • Optimistic [k] so always think they will succeed [an] • Self-confident [k] so convince people/banks to invest [an] • Innovative [k] able to put ideas into practice in new/different ways [an] • (Multi-)skilled [k] may not need to recruit employees for specific roles [an] Other appropriate responses should be credited.	**6**	This is a general question so there are no marks for application. [k] can only be awarded for identifying characteristics. [an] is awarded for explaining the characteristic or explaining why it is important. To access [eval], must discuss two valid characteristics. The second [eval] mark must be awarded for a comparison between two valid characteristics.

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Question	Answer	Marks	Notes
1(e)	Justification might include: Creative [k] as ideas can make a business stand out from competitors [an]. A risk-taker [k] as investment may be lost [an]. A risk-taker is likely to be most important because if they do not take risks, they may miss out on the opportunity to make sales [eval] and therefore may never know whether the new idea could be successful or not [eval].		

Question	Answer	Marks	Notes
2(a)	**Define 'tertiary sector'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Provides services to consumers/other sectors of industry [2] OR Firms that supply a service to consumers/other businesses [2] Partial definition e.g. business that provides services [1] OR service sector business [1]	**2**	1st mark is for understanding it provides services. 2nd mark for reference to whom services are provided.

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Question	Answer	Marks	Notes
2(b)	**Calculate GTB's Return on Capital Employed (ROCE). Show your working.** Award 2 marks for the correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: 20% [2] Correct method but incorrect answer e.g. Profit/capital employed × 100 [1] OR 150 000 / 750 000 × 100 [1] OR 20 [1] If correct answer given with no working shown, award 2 marks.	**2**	Answer must be shown as a percentage (%) to gain both marks. Award only 1 mark if 20% is written as part of the answer but is not given as the final answer.
2(c)	**Outline <u>two</u> ways GTB could improve its profit margin.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increase price [k] of the food [app] • Lower/control fixed costs (or examples such as lower rent) [k] of its cafes [app] • Lower/control variable costs (or examples) [k] which could help increase the profit margin of 25% [app] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Café • Selling food/drinks or examples such as coffee • 5 (cafes) • 25% (profit margin) • $ 600 000 (revenue) • $ 150 000 (profit) • $ 750 000 (capital employed) • Social media for promotion Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> advantages to GTB of using social media as its method of promotion.** Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Can **target** specific groups of customers [k] which could help encourage brand loyalty [an] at each of the 5 locations [app] • Low-cost [k] so fewer cash outflows/lower expenses [an] which could help improve the profit margin of 25% [app] • Cover wide area/seen by many people [k] increasing sales/revenue/attract customers [an] for the cafe [app] • Quick **to update** [k] so can spend time on other tasks [an] such as analysing the financial statements [app] • Can reach groups that are difficult to reach any other way [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Café • Selling food/drinks or examples such as coffee • 5 (cafés) • 25% (profit margin) • Improve profit margin • $ 600 000 (revenue) • $ 150 000 (profit) • $ 750 000 (capital employed) • Tertiary sector Other appropriate examples can be credited. Advantages must be to the business not the customer.

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Question	Answer	Marks	Notes
2(e)	**Do you think banks are the main external users of the accounts of a business? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether banks are the main external users of the accounts of a business. Points might include: Banks: • **Whether** to give a bank loan [k] to see if a business can repay [an] • Whether a business can repay loans/overdraft [k] as this will influence the terms/interest rate/period of the loan [an] • To help decide the interest rate to set [k] to reflect the level of risk [an] • To decide the amount to lend [k] • Check interest payments can/are being made [k] Other users might include: Government [k]: • Want to check the profit [an] / to know the correct amount of tax has been paid/will be paid [an] Suppliers/Trade payables [k]: • Assess/shows liquidity position [an] to know whether the business is likely to be able to repay them [an] • See level of debt [an] Other appropriate responses should be credited.	**6**	This is a general question so there are no marks for application. Some points can be [k] or [an] but do not award the same point twice. [K] can be awarded for identifying what information the user is looking for, or how they would use the accounts. Some points can be awarded for different external users but only award once.

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Question	Answer	Marks	Notes
2(e)	Justification might include: Banks will use the accounts to check whether a business can repay loans [k] as this is likely to influence the interest rate offered [an]. Suppliers [k] will want to know the liquidity position of a business [an]. Banks are likely to be the main external users of accounts because banks often lend large sums of money [eval], whereas suppliers may be less interested in the accounts if orders are small [eval].		

Question	Answer	Marks	Notes
3(a)	**Define 'laissez-faire leadership style'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Makes the broad objectives of the business known to employees, but then they are left to make their own decisions and organise their own work [2] OR A style of leadership that supports employees in achieving targets at the same time as allowing them the freedom to decide how to meet the targets [2] Partial definition e.g. managers do not tell workers what to do/how to organise work [1]	**2**	For both marks need the idea that it links to decision making – and it is the employees/workers who make them.

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Question	Answer	Marks	Notes
3(b)	**Identify <u>two</u> roles of a manager.** Award 1 mark per role (max 2). Points might include: • Planning • Controlling • Organising • Leading/commanding/directing/give instructions/tasks • Coordinating • Motivating/inspiring others • Decision-making/solve problems • Communicating/give feedback • Delegating Other appropriate responses should be credited.	**2**	Only award the first two responses given. Accept any tasks that managers are likely to do. Do not award: • Managing activities <u>on own</u> e.g. managing finance

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Question	Answer	Marks	Notes
3(c)	**Outline <u>one</u> external cost and <u>one</u> external benefit RBG's business activities might create.** Award 1 mark for each relevant external cost/benefit (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: External costs: • Loss of space/land [k] from its operations in 6 countries [app] • Pollution/waste or examples such as gas emissions [k] which is why it must respond to pressure groups [app] • Congestion/traffic [k] • Deplete/exploit natural/non-renewable resources [k] • Use of energy [k] External benefits: • Employment opportunities/lower unemployment [k] as may recruit more than 2000 employees [app] • Taxes will be paid to governments [k] from extracting oil [app] • Improved infrastructure/better transport systems [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Oil • 6 countries • Pressure groups • 2000 employees • 60 managers • IT based methods Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
3(d)	**Explain <u>two</u> methods of IT based communication RBG might use with its employees.** Award 1 mark for identification of each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Email [k] written record [an] for all 2000 employees [app] • Text messages/SMS/DM [k] saves time/quick [an] for the 60 managers [app] • Website/social media or examples e.g. Facebook/X/Twitter [k] seen by many people at once [an] in the 6 countries [app] • Video conferencing or examples e.g. Zoom/Teams/ **online** meeting [k] as can see body language [an] • Phone/mobile (call) [k] at the oil company [app] as able to get feedback/allows for two-way communication [an] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Oil • 6 countries • 2000 employees • 60 managers • Laissez-faire Other appropriate examples can be credited. Can award the following as [an] for different methods but only award once: • Low cost • Quick • Send to many people at once • Send large amounts of information/able to send attachments • Written record/can refer to later • Able to get (instant) feedback • Do not have to travel

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Question	Answer	Marks	Notes
3(e)	**Explain <u>two</u> ways a pressure group might try to influence business decisions. Which way do you think is likely to be the most effective? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which is the most effective way for a pressure group to try to influence business decisions. Points might include: • (Customer) boycotts/encourage customers not to buy [k] leading to fewer sales [an] and possibly less revenue [an] • Raise/increase awareness or examples such as cause negative publicity / publish information / write to newspaper / publicity stunts [k] which could damage the business' reputation [an] • Lobbying (politicians)/send letters to government [k] which could lead to changes in the law / which could take time [an] • Demonstrations/protests [k] which could lead to fewer people willing to invest in the business [an] • Arrange petitions [k] • Take legal action [k] but may increase costs [an] Other appropriate responses should be credited. Justification might include: A pressure group could organise boycotts [k] leading to fewer sales [an]. It could lobby politicians [k] which could influence government decisions [an]. A boycott is the most effective way because fewer sales could mean less revenue which directly affects the business [eval], whereas lobbying may not achieve anything other than raising awareness [eval].	**6**	This is a general question so there are no marks for application. Some points of analysis can be used for different ways but do not award the same development twice. To access [eval], must discuss two valid ways.

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Question	Answer	Marks	Notes
4(a)	**Define 'import quota'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Physical limit on the number/amount of goods that can be imported/allowed into a country [2] OR Restriction on the quantity of a product than can be imported [2] Partial definition e.g. limit on number/quantity of goods [1] OR limit on imports [1]	**2**	To award both marks the answer must include the idea of limit on number/quantity of goods and the idea of imported/into the country. Do not award: • answers which confuse the term with a tariff.
4(b)	**Identify <u>two</u> benefits to a business of lower rates of taxation.** Award 1 mark per benefit (max 2). Points might include: • May encourage investment/growth • Increase sales/revenue/income • Lower costs/less cash outflow/lower expenses/cheaper raw materials/cheaper imports • More (retained) profit • Higher profit margin Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
4(c)	**Identify <u>four</u> legal controls over employment.** Award 1 mark per legal control (max 4). Points might include: • Unfair dismissal • Discrimination/equal opportunities • (Health and) safety/working conditions/working environment • Minimum wage • Contract of employment or examples such as sickness policy / holiday entitlement / notice period / **rate of** pay/salary / pension entitlement • Redundancy • **Working** hours/provide breaks • Legal working age/child labour Other appropriate responses should be credited.		Only award the first four responses given. Allow examples of discrimination only once. Do not award: • Ethical points such as fair pay.

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Question	Answer	Marks	Notes
4(d)	**Explain <u>one</u> reason why DLT needs to consider each of the following factors when deciding where to relocate in country X:** Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Suppliers: • Distance [k] if closer to the factory [app] may reduce transport costs/may be able to get resources quicker [an] • May need to change supplier/can they still use current supplier [k] leading to delays [an] so cannot meet increase in demand [app] • Quality/range of materials [k] could damage its reputation [an] of its cups/plates [app] • Cost [k] which could lower its profit margin [an] Suitability of land: • May need a large area/space [k] otherwise this could limit production/so able to expand [an] for its exports [app] • Access to power/water/electricity [k] as using flow production [app] so need continuous supply to operate 24 hours a day [an] • Cost of land/rent [k] as may increase fixed costs [an] • Links to transport/accessible [k] to ensure deliveries can be made on time [an] • Environmental impact [k] • Government influence or examples such as taxes [k] Other appropriate responses should be credited	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Cups/plates • Flow production • (30%) exported • Factory • 75 employees • Increased demand (for its products) Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
4(e)	**Do you think the advantages for a manufacturing business of using flow production are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether the advantages to a manufacturing business of using flow production are greater than the disadvantages. Points might include: Advantages: • Benefit from economies of scale [k] lowering **unit/average** costs [an] • Capital intensive [k] so can lower the labour/wage costs [an] • Output can be produced 24 hours a day/continuous [k] • Workers can specialise/little training may be needed [k] Disadvantages: • Inflexible/difficult to change/cannot customise products [k] so may not meet customer needs [an] • Demotivate employees [k] raises absenteeism/labour turnover [an] • If one machine breaks down the whole production line will stop [k] so delays output [an] • Requires high level of raw materials/inventory [k] increasing storage space/cost [an] Other appropriate responses should be credited.		This is a general question so there are no marks for application. Analysis: • Some [an] can be used for different points but only award once. • [An] of economies of scale [k] must be lowers **unit/average** costs, and not simply lowers costs. • Lower cost can be [an] but only award once unless clearly specify two different costs e.g. labour and training costs. To access [eval] must discuss a valid advantage and a valid disadvantage.

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Question	Answer	Marks	Notes
4(e)	Justification might include: One advantage is economies of scale [k] which lowers unit costs [an]. This method is inflexible [k] so the business may not meet customer needs [an]. The advantages are greater, as the lower unit costs could result in lower prices [eval] which can increase demand. If the product has high sales this could reduce the need for flexibility [eval].		

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