UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

0450 BUSINESS STUDIES

0450/13 Paper 1 (Short Answer/Structured Response), maximum raw mark 100

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This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer and the senior examiners should be consulted if further guidance is required.

Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

1 (a) What is meant by a 'business partnership'? [2]

A clear definition indicating that two or more people own the business. [2] Partnership is an association between people who agree to own and run a business together. [2]
Weak definition showing some relevant knowledge. [1]

(b) Identify two advantages to a business of holding a low level of stock. [2]

Advantages of low level of stock are:
- less capital tied up
- less space needed to hold
- lower overheads such as insurance
- less chance of obsolescence

1 mark per point identified

(c) Identify and explain two reasons why working capital is important to a business. [4]

It is important because:
- without it materials cannot be bought
- wages cannot be paid
- invoices cannot be settled
- interest on loans cannot be paid

Failure to pay these sorts of costs will result in the business ceasing to operate. Hence it is crucial to survival.
Identification of reasons [2]
Explanation for showing why the reasons are important [2]

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(d) Identify and explain <u>three</u> reasons why Gisela and Winny's business may find it difficult to compete against larger clothing shops. [6]

The reasons/explanations will include the following:

- low stock means less choice for customers
- they cannot get discounts from suppliers because they buy in small quantities
- business unable to promote and project itself in the way larger shops can
- higher prices because their costs are greater (lack of economies of scale)

Other reasons could include: lack of capital or access to finance/lack of market knowledge or research.

Just listing of economies of scale <u>without application</u> can only be rewarded once.
Identification of reasons [3]
Explanation of reasons [3]

(e) Do you think that the business is more likely to achieve its objectives if it converts to a private limited company? Justify your answer. [6]

The objectives of the business are growth and profitability. [2]
They are more likely to achieve these objectives because the process of incorporation will allow them access to more capital. This should allow them to compete more effectively against larger competitors. [2]
However, being larger does not automatically increase profitability. Thus potentially it should help and in that sense achievement of objectives is more likely as an outcome. [2]

Candidates might consider the implications of incorporation in terms of limited liability and the resulting reduction in risk to the owners. This should be credited if it relates to the growth objective of the business.

Identification of the objectives [2]
Explanation of how a private limited company might affect the achievement of objectives [2]
Evaluation – a judgement as to the extent to which it will assist [2]

2 (a) What is meant by a 'Human Resources manager'? [2]

Human Resources manager is a manager in charge of the people side of a business. This would include recruitment, development and utilisation of the human resources. [2] Basic idea plus an example will also gain 2 marks.
Simple idea such as deals with people. [1]

(b) Identify <u>two</u> factors that Nigella should consider when deciding where to place the job advertisement. [2]

- advertisement needs to be placed where suitable applicants might see it
- cost

Also accept specific contextual answer, such as catering trade journal (because there is an inference that suitable applicants might see it). Two <u>contextual</u> advertisements will gain 2 marks.
A general answer such as 'newspaper' or 'shop window' will not be credited.
One mark per point identified.

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(c) Identify and explain <u>two</u> advantages to the business of producing a job description for the vacancy of restaurant manager. [4]

Identifies the tasks, responsibilities and functions of the job-holder.
Advantages might include:

- clear idea of what they are looking for in an applicant
- saves time
- makes selection easier
- helps managers decide what the job entails

Identification of advantages [2]
Explanation involves showing why the point identified generates benefits to the business. [2]

(d) Identify and explain <u>three</u> functions of management in a fast food restaurant. [6]

Functions likely to include:

- recruitment of staff
- motivation of staff
- ordering of stock
- maintaining good customer relations
- dealing with complaints from customers

Answers may be either applied or functionally focused (e.g. planning/organising/problem-solving).

Identifies functions of management [3]
Explanation in the context [3]

(e) Nigella thinks that if the right manager is appointed then the restaurant is certain to be successful. Do you agree? Justify your answer. [6]

Reasons for agreeing might be that the manager ensures:

- good customer service
- consistent food quality
- ensuring staff quality
- minimisation of waste/costs

Reasons for not agreeing might be that other factors are also important:

- poor location
- low company image
- lack of customer awareness

The manager is a key factor in determining the success of the restaurant but they are only one element in determining success.

Identification of factors [2]
Explanation/analysis of factors [2]
Evaluative judgement or assessment of relative importance of factors [2]
A one-sided answer cannot exceed more than 5 marks. (2k/2an/1e max)

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3 (a) Calculate the gross profit <u>margin</u> for WWT in 2009. [2]

Gross profit margin is gross profit/sales% [1] 2500/6500 × 100 = 38.46%
Answer = 38.46% [2] 38%–39% acceptable for 2 marks
Method alone or arithmetic error [1]
Correct number without % [1]
If figures for 2008 are used (correctly) then 1 mark could be available.

(b) What is meant by 'net profit'? [2]

Net profit is the profit after all costs have been deducted from sales revenue. [2]
So it is gross profit minus overheads or other indirect costs. [2]
Simple idea such as the amount of money made by the business. [1]

(c) Identify <u>two</u> stakeholders who might be interested in the data in Table 1. Explain why each stakeholder would be interested in the data. [4]

Two marks for identification:
stakeholders identified likely to be: shareholders/management/employees/lenders of capital/ government/competitors.
Two marks for explanation:
the reason why depends on their interest in the business. Shareholders may be looking for a return on their investment/management assessing performance of business/employees looking at ability of business to increase wages.
(Customers are only acceptable as an example of stakeholders if their interest in the accounts is made explicit.)

(d) Using the data in Table 1, identify and explain <u>three</u> possible reasons why the net profit of WWT fell in 2009. [6]

The net profit fell in 2009 because: volume of sales fallen/unit selling price reduced/salaries risen/administration costs risen/marketing costs have risen/interest charges increased (1 mark per reason identified).
Candidates can identify that sales revenue has fallen [1] overheads have risen [1].

Identification of reasons [3]
Explanation of reasons [3] i.e. showing why these factors reduced the net profit.

(e) Recommend <u>two</u> ways that Roberto could use which might increase the future profits of WWT. Justify your answer. [6]

Roberto could seek to widen the product/service range, looking for new markets, changing the selling price. These ways will potentially increase revenue. [1]
Roberto could seek to improve efficiency or use cheaper resource inputs. These ways will potentially cut costs. [1]
The analysis needs to consider **how** these ways could be implemented.
Evaluation will assess the circumstances when such policies would be appropriate and therefore would be likely to lead to success in increasing future profits. Identification of ways [2] Just saying increasing revenue <u>and</u> cutting costs [1]
Analysis/explanation of how they would increase profit [2]
Evaluative judgement [2]

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4 (a) Identify <u>two</u> factors that Giovani should consider before deciding which new beauty products to sell. [2]

Look for gaps in the market/listen to the requests of customers/seek products that fit in with the image of his business/potential profit margin/competitors.
1 mark per factor identified.

(b) What is meant by a market being 'very competitive'? [2]

The term implies that there are many other businesses/intense rivalry in the same segment of the market. [2] Similar services are being offered and that probably prices are keen. [2]
Simple answer like other businesses exist against you. [1]

(c) Identify and explain <u>two</u> ways in which advertising might help Giovani launch the new product range successfully. [4]

Ways would be to increase awareness of the existence of the new products/to influence buying decisions by persuading customers of the improvements in the new range.
Identification of ways [2]
Explanation of ways [2]

(d) Identify and explain <u>three</u> methods, other than advertising, Giovani could use to increase the sales turnover of his hairdressing business. [6]

Methods might include relevant promotions/introduce a wider range of services such as nail care/open longer hours/offer home visits/employ new stylists with reputation/price changes/ improving salon facilities.
Identification of methods – must be appropriate to context to be credited. [3]
Explanation of methods [3]

(e) Do you think that it is important for a business to sell more than one type of product or service? Justify your answer. [6]

Advantages of widening the range of products/service include:
- spreading risk
- increasing sales when markets are saturated in one area
- spin-off sales from complementary products
- widening the appeal of the business

Disadvantages of widening the range of products/services include:
- less specialised
- might damage reputation
- increases stock holding costs
- extra training costs
- image of business affected

Identification of advantages/disadvantages [2]
Analysis of factors [2]
Evaluation [2]
One-sided answer likely to gain maximum of 5 marks.

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5 (a) What is meant by 'effective communication'? [2]

Effective communication means that information sent by a source is received and recipient provides feedback/understood. [2]
Basic idea such as source talks to receiver, i.e. answer ignores effective but just refers to communication. [1] An appropriate example also 1 mark.

(b) Identify <u>two</u> advantages of using e-mails as a means of communication within a business. [2]

Advantages might include: usually seen immediately by intended recipient/hits target/speed of transfer/low-cost method/can reach multiple people/can be saved or referred to.
1 mark per point identified.

(c) Identify and explain <u>two</u> barriers to effective communication that might exist within a business. [4]

Barriers include:
- inappropriate medium used
- language problems in terms of ability of recipient to understand
- overload of information
- no opportunity for feedback
- too long a chain of communication
- technical issues

Identification of barriers [2]
Explanation as to impact on effective communication [2]

(d) Identify and explain <u>three</u> consequences to a business of centralising decision making at its Head Office. [6]

Consequences which could be 'good 'or 'bad' include:
- greater control over business
- speeds up the decision making process
- reduction in levels of bureaucracy
- probably lower costs
- problems associated with transmitting decisions to regional offices
- head office may lack knowledge and awareness of local issues
- may create a feeling of remoteness in staff
- may demotivate regional staff

Issues identified [3]
Issues explained [3]

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(e) Do you think that multinational businesses are of benefit to your own country's economy? Justify your answer. [6]

Multinational businesses bring potential benefits in terms of:
- job creation
- inward investment/infrastructure development
- technical know-how
- increased consumer choice

However, they may:
- destroy local businesses
- deplete resources
- exploit the country where they locate

Identification of likely consequences [2]
Analysis of consequences [2]
Making an evaluative judgement of the consequences [2]
An answer that makes no specific reference to a country – max 5 (2k/2an/1e)

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