UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2011 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.

Examples of possible answers may also be 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.

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1 (a) What is meant by the term 'variable cost'? [2]

Clear understanding of term [2]: e.g. costs related to the direct operation of a business/costs that change [1] as the level of activity changes [+1].
Some understanding [1]: e.g. costs that vary.

Must link answer to level of activity/output to gain full marks.
Do not accept sales/customers.

(b) Identify <u>two</u> advantages to Klaus of using local shop windows to advertise his business. [2]

Knowledge [2 × 1]: 1 mark per advantage.
Low cost/good access to potential market demand [local], e.g. locals will see.

(c) Using the data given in Table 1, draw a break-even chart for Klaus' business. [4]

Application [4 × 1]:
- Accurately plotted TR [1]. Starts at 0. At 60 units should read $600.
- Accurately plotted TC [2]. Starts at $400 [1]. At 60 units it is $520 [1].
- Correct labelling (showing TR and TC) [+1].

Notes:
- Accurately drawn **unlabelled** break-even chart [3].
- For 4 marks TR and TC must be clearly labelled.
- Lines must be linear to be credited.
- Max 1 mark for inaccurately plotted break-even chart <u>if</u> TR and TC labelled.
- **NO** mark for fixed costs.

(d) Identify and explain <u>three</u> management functions that Klaus performs. [6]

Knowledge [3 × 1]. Functions of management include planning/organising/recruitment/ motivation/control/decision making.

Analysis/application [3]: explain what this function will involve.
This can either be applied to Klaus or functionally focused to explain what it involves or why do it.

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(e) Recommend to Klaus <u>two</u> appropriate ways in which he could raise capital to expand his business. Justify your answer. [6]

Knowledge of options [2 × 1]. Possible options include:
- going into partnership
- seeking a **long-term** bank loan
- creation of a private limited company and restricted issue of shares
- use of own savings
- take loans from family and friends
- retained profit.

Can accept 'bank loan' on own as long as clearly not referring to a short-term loan.

Analysis of options [2 × 1]: explain how this way would work.
Evaluation of options [2 × 1]: justified decision as to why it is suitable for Klaus.

2 (a) What is meant by the term 'profit'? [2]

Clear understanding [2]: e.g. profit is the total amount of money that a business makes once all costs have been subtracted from the revenue [2] or total revenue minus total cost [2].
Some understanding [1]: e.g. money left after costs paid.
Answers such as money made by a business [0].

For both marks must have idea that there is both sales and cost element to profit.

(b) Identify <u>two</u> overhead costs that Nigel's business would incur? [2]

Knowledge [2 × 1]: 1 mark per cost.
Costs include rent/rates/business insurance/heating/lighting/salaries.
Do not accept wages OR taxes.

(c) Identify and explain <u>two</u> reasons why being efficient should help Nigel's business to remain successful. [4]

Knowledge [2 × 1]. Reasons include:
- reduces unit costs
- improves reputation
- less waste of time or resources
- practical examples relevant to Nigel's business, e.g. offer better service.

Analysis [2 × 1]: explain how or why this will help Nigel's business remain successful.
E.g. improves reputation [k] so able to attract more customers [an].

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(d) Identify and explain <u>three</u> advantages to Nigel's business of using a website to promote its services. [6]

Knowledge [3 × 1]. Advantages might be:
- relatively low cost
- wide access to market
- easy to update
- available 24 hours a day.

Analysis [3 × 1]: explain how or why it would help Nigel promote his services.

(e) Do you think that Governments should help people start up small businesses by offering financial support? Justify your answer. [6]

Knowledge of issues regarding small businesses and financial support [2].
Points might include:
- small businesses can meet demands of smaller markets
- larger businesses might not want to produce custom-made goods
- can provide important goods and services to larger businesses
- creativity
- number of jobs
- depends on government objectives.

Analysis of consequences of support [2].
Evaluation of the consequences [2].

3 (a) What is meant by the term 'brand name'? [2]

Clear understanding [2]: unique name of a product [1] that distinguishes it from other brands [1].
Some understanding [1]: e.g. name which makes a product 'stand out' [1] from competition.
Can accept examples as a development point.

(b) What is meant by the term 'capital'? [2]

Clear understanding [2]: e.g. capital is the funds available for a business to carry out its spending requirements [2] or a source of finance used by the business to acquire assets [2].
Some understanding [1]: e.g. money for investing/source of finance/money or resources invested by the owners of a business.

Max 1 mark for explanation of working capital, start-up capital or share capital.

Do not accept answers such as 'to pay wages'/meet running costs on its own.

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(c) Identify and explain <u>two</u> reasons why spending money on advertising might not be cost effective. [4]

Knowledge [2 × 1]. Reasons might include:
- target wrong people/advertise in the wrong places
- message might be 'poor' (and hence impact limited)
- people do not want product
- already well known
- competitors' actions/brand loyalty
- in decline stage of product life cycle.

Analysis [2 × 1]: explain how or why this might lead to it not being cost effective.
E.g. if target the wrong people then the business will not get extra sales so advertising money is wasted.

(d) Identify and explain <u>three</u> factors that a company should consider in deciding on the name for a new brand of breakfast cereal. [6]

Knowledge [3 × 1]. Factors might include:
- name must be easy to remember
- be appropriate for product
- reinforce the image created for the product
- differentiate it as successful in minds of consumers
- who targeted at
- whether already copyrighted/used by someone else.

Application/Analysis [3 × 1]: explain why this is a factor that should be considered.

(e) Do you think that automation in the factory would benefit Banbury's employees and shareholders? Justify your answer. [6]

Understanding of issues [2]. Issues might include:
- possible loss of jobs
- changes to working practices
- skill and training implications
- impact of efficiency/costs on profits for shareholders.

Issues <u>must</u> relate to shareholders and employees, <u>not the business</u> as such.

Analysis of issues [2]: explain how or why the factor might be an issue.
Evaluation of issues [2]: justified decision related to whether employees and shareholders benefit, based on points raised.

Note: must consider both employees and shareholders to gain all marks.
Max 4 if only consider one of these groups.

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4 (a) What is meant by the term 'productivity'? [2]

Clear understanding [2]: e.g. a measure of the output of a business in relation to its inputs [2] or effective utilisation of resources.
Some understanding [1]: e.g. output per worker/measure of efficiency.

(b) Identify <u>two</u> reasons why communication within a large business is often difficult. [2]

Knowledge [2 × 1]: 1 mark per reason.
No direct contact/opportunity for feedback limited/long chain/too many people to inform/people might work at different times (shift workers).

(c) Identify and explain <u>two</u> possible reasons why Wesso uses bonuses as a means of paying staff. [4]

Knowledge [2 × 1]. Reasons include:
- industry norm
- incentive to work hard/motivation/productivity
- performance-related pay/hit targets/recognition
- can help increase output
- retention of workers/loyalty.

Analysis [2 × 1]: explain how this method works.
E.g wages linked closely to performance so only pay out more if hit target.

(d) Identify and explain <u>three</u> non-financial ways of motivating staff in a business. [6]

Knowledge [3 × 1]. Ways include:
- fringe benefits
- job enlargement
- job enrichment
- job rotation
- direct management interest in performance
- encouragement.

Analysis [3 × 1]. Analysis must show how the method impacts on motivation.

Note: only allow one example of fringe benefits.

(e) How can the management at Wesso persuade the trade union to accept the proposed changes in working practices? Justify your answer. [6]

Identification of ways [2]. Ways could include:
- meeting
- negotiation
- practical strategies such as offer better pay/conditions.

Analysis of issues [2]: explain why or how it would work.
Evaluation of approach [2]: justified decision as to why it is suitable.

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5 (a) Identify <u>two</u> ways that employees may be protected at work by employment laws. [2]

Knowledge [2]. 1 mark per way:
- job security increased
- protected against exploitation – e.g. hours/conditions/low wages/discrimination/unfair dismissal.

Do not credit knowledge of specific laws **as such** unless identify how to help protect employees.

(b) Identify <u>two</u> reasons why Governments put taxes on goods. [2]

Knowledge [2]: 1 mark per reason.
Raise money/discourage purchase of undesirable goods/restrict imports/discourage inflation/ switch consumption to other goods.

(c) Identify and explain <u>two</u> reasons why many business managers think the decision to build more roads is a good one. [4]

Knowledge [2 × 1]. Reasons might include:
- speed up distribution
- cut costs associated with distribution
- improve availability/open up new markets
- create jobs if construction-related business
- create better transport links for employees.

Application/analysis [2 × 1]: explain how this will help businesses.

(d) Identify and explain <u>three</u> social costs that the road building programme might create. [6]

Knowledge [3 × 1]. Social costs might include:
- visual pollution
- noise
- environmental impact
- congestion during building process
- loss of homes along route

Analysis/application [3 × 1]: explain how or why it might create a problem.

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(e) The management of many businesses in the private sector think that consumer and employment legislation increases business costs. Do you think society would benefit from a reduction in such laws? Justify your answer. [6]

Knowledge of consumer and employment laws/identification of issues [2]. Content might include:

- misleading advertising
- effect of faulty goods
- cost of health and safety regulations and training
- additional time and resources used to implement and monitor
- impact on reputation
- lower costs could help business become more competitive
- actions of rivals in other countries
- job losses/exploitation of workers.

Analysis of consequences of reduction in laws [2].
Explain why or how this might be an issue for society (e.g. business costs/customer/ employee).

Evaluation of consequences [2]: justified decision on whether all identified stakeholders would benefit from the reduction in laws based on points raised.

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