CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2015 series

0450 BUSINESS STUDIES

0450/13 Paper 1 (Short Answer/Structured Response), maximum raw mark 80

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1 (a) What is meant by a 'private limited company'? [2]

Clear understanding [2] e.g. a business whose shares cannot be sold to the general public [2] OR shares only sold to family and friends [2]
Some understanding [1] e.g. outlines general features of limited companies e.g. have limited liability/separate legal identity from owners/can sell shares/incorporated

Do NOT accept in private sector/no Government involvement as generic statement also applies to unlimited businesses.

(b) Calculate the output per employee per week in 2014. [2]

Application [2]: 32 000 (cans)
Some application [1] e.g. total output per week/number of employees OR 800 000/25

(c) Identify and explain two reasons why calculating the output per employee is important for PYG. [4]

Knowledge [2 × 1] – award 1 mark for each relevant reason [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Reasons could include:
- Has an impacts on unit cost [k] which can help PYG when exporting [app]
- Measures labour efficiency [k] which has fallen by 1000 in a year [app]
- Make comparisons with previous years/other businesses [k]
- Identify training needs [k] for its 25 workers [app]
- Indicate if able to meet orders/staffing levels correct [k] whether needed to hire 5 more employees [app]
- Help calculate wages [k]
- Useful in employee appraisal [k]

Note: do NOT accept motivation

Application marks may be awarded for appropriate use of the following: (metal) cans, appropriate use of data, flow production, exports.

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(d) Identify and explain <u>two</u> possible problems for PYG of using flow production. [6]

Knowledge [2 × 1] – award 1 mark for identification of relevant problem [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:
- Boring/lack motivation [k] so might not work as efficiently [an] which could be why 15 workers left [app]
- Significant storage requirements [k] space needed for metal [app] so higher rent [an]
- Cost of storage [k] likely to be high as cans need to stored safely [app]
- High set up/machinery costs [k] if relocate [app] which means a large capital outlay [an]
- If one machine breaks down whole production line stops [k] so might not be able to meet export orders [app] which could damage reputation [an]
- Inflexible/standard size [k] so not easy to alter production to meet new requests [an]

Application marks may be awarded for appropriate use of the following: metal cans, appropriate use of data, exports, relocate (to other country), productivity.

(e) Do you think that the benefits of relocating production to another country would be greater than the disadvantages for PYG? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to whether the benefits of moving production to another country are greater than the disadvantages

Relevant points might include:
- Cost of land/rent might be cheaper/higher [k] as need a large site [an] to install flow system [app]
- Recruitment issues/suitability of workers [k] as found it difficult to replace workers [app] so might have pay more to get workers [an]
- Distribution/transport issues e.g. road access [k] as most is exported [app]
- Access to raw materials [k] as need a lot of metal for cans [app]
- How important are labour costs in relation to total costs (i.e. what would be saved) [k]
- Legal controls [k] about metals used [app] might restrict/change how operate [an]
- Level/any Government support available [k]
- Communication problems [k] as would need to use different language [an]
- Labour/trade union response [k] at factory [app] once move is announced could impact on ability to meet current orders [an]

Application marks may be awarded for appropriate use of the following: metal, cans, use of data, flow production, exports, difficult to replace workers, factory, productivity.

Note: Candidate's final decision can be either for or against the statement.

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2 (a) What is meant by 'tertiary sector'? [2]

Clear Understanding: [2] e.g. industry which provides/sells services to consumers and/or other sectors of the economy
Some understanding: [1] e.g. provide services plus an example [+1]

Do NOT accept examples on own OR names of businesses.

(b) Identify <u>two</u> ways (other than training) that Toddles could use to motivate its workers. [2]

Application [2 × 1] – award 1 mark per way

Points might include: fringe benefits (only once), increased pay, bonuses, more responsibility, job enrichment, job rotation, praise

Accept any reasonable suggestion.

Do NOT accept commission as this is not appropriate for this business.

(c) Identify and explain <u>two</u> advantages to Toddles of having fully trained employees. [4]

Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Relevant points might include:
- Increased motivation [k] as know how to look after the children [app]
- Improved quality service/image [k] which is important in tertiary sector [app]
- Fewer customer complaints [k] from parents [app]
- Improved customer loyalty [k] as family would use nursery again [app]
- Able to train other employees [k] which might help business become profitable [app]
- Fewer accidents [k]

Application marks may be awarded for appropriate use of the following: (3) children, parents, childcare, tertiary sector, (make business) profitable.

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(d) Identify and explain <u>two</u> possible reasons why profit is important for businesses like Toddles. [6]

Knowledge [2 × 1] – award 1 mark for identification of relevant reasons [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Source of funds [k] as a sole trader [app] likely to have few other options available [an]
- Reward for risk taking [k] as invested their money in hope of making money [an]
- Inexpensive source of funds [k] as no interest to pay [an] helping keep costs low [app]
- Needed for long term survival [k] as made loss this year [app] it will allow them to continue [an]
- Represents a return on owners' capital [k] as otherwise would invest elsewhere [an]
- Pay employee bonuses [k] to help attract/retain employees [an] so able to keep its employees well-motivated [app]
- Measure of success/performance [k] as indicate/reinforce image of good years trading [an] which could attract parents [app]
- Attract investors/finance [k]

Application marks may be awarded for appropriate use of the following: 2-5 years, trained staff, financial loss, 3 children, parents.

Do NOT accept answers which suggest profit is used to pay for day-to-day expenses or repay loans.

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(e) Explain <u>two</u> ways in which Toddles could become more profitable. Recommend which way Toddles should use. Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant way(s) [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to which is best option to use

Note: For 6 marks must explain why chosen method is better than the other option

Methods could include:

Ways to increase sales:
- Advertising [k] in parenting magazines [app] which could increase size of target market [an]
- Lower/increase prices [k]
- Widen target market/increase ages accepted [k] so one-year-olds can attend [app]

Ways to cut costs:
- Move location [k] but as its is good location [app] it might lead to fewer customers [an]
- Employ fewer workers [k] so only have 3 [app] which could help lower wage costs [an]
- Make each worker look after more children [k] as currently only look after 3 each [app];

Application marks may be awarded for appropriate use of the following: 2-5 years, trained staff, good location, financial loss, 3 children, toys.

Note: candidates can select 2 ways to increase sales OR 2 ways to cut costs OR one of each way

3 (a) What is meant by 'span of control'? [2]

Clear Understanding [2] – number of subordinates working directly under an individual/manager
Some Understanding [1] – e.g. whom you are responsible for

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

Clear Understanding [2] – give a subordinate the authority to perform particular tasks/make decisions
Some Understanding [1] – e.g. let workers make decisions

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(c) Identify and explain <u>two</u> reasons why delegation might be important to businesses like QF Group. [4]

Knowledge [2 × 1] – award 1 mark for each relevant reason [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Relevant points might include:
- Managers cannot do every job [k] especially as they have a wide span of control [app]
- Managers have time to focus on other issues [k] such as how to increase its revenue [app]
- Help motivate employees [k] who could help increase its profit margin [app]
- Help retain employees [k]
- Helps train future managers [k] which might be needed to when/if achieve growth [app]
- Makes use of individual worker's expertise/skills [k]

Application marks may be awarded for appropriate use of the following: relevant use of financial data, computers, televisions, growth objective, wide span of control.

(d) Identify <u>two</u> stakeholder groups. Explain why each of these stakeholder groups might support QF Group's objective of growth. [6]

Knowledge [2 × 1] – award 1 mark for identification of relevant stakeholders [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation (i.e. benefit to them/why might support growth objective)

Relevant points might include:
- Employees/managers [k] as more job security as larger business/more jobs created [an]
- Government [k] as gain tax revenue [an] from additional television sales [app]
- Lenders [k] as possible to earn income by lending to QF [an]
- Shareholders [k] if profits increase over $90m [app] could lead to higher dividends [an]
- Suppliers [k] as QF will need more inventory [an] for increased production of TVs [app]
- Customers [k] will benefit from more availability/wider choice [an] of computers [app]
- Community [k]

Application marks may be awarded for appropriate use of the following: relevant use of financial data, computers, televisions, delegation.

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(e) Do you think the Finance Director is right to be pleased about the performance of QF Group? Justify your answer using the data in Table 2 and appropriate ratios. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to whether Finance Director is right to be pleased about its performance in 2014

Relevant points might include:
- Gross Profit margin fallen [k] by 5% in 2014 [app] as cost of sales increased/prices fallen [an]
- Profit margin improved [k] to 15% [app + an] as better control of fixed costs [an]
- ROCE improved [k] as now 12% [app + an]
- Sales same [k] at $600 [app] could suggest that market for goods is saturated [an]
- Profit increased [k] by 25% [app + an]

Note: using percentage calculation or ratio award application and analysis. Max 1 for application.

Application marks may be awarded for appropriate use of the following: relevant use of financial data, computers and televisions, growth objective

4 (a) What is meant by the 'private sector'? [2]

Clear Understanding [2] – when a business activities are owned by individuals/groups of individuals.
Some Understanding [1] – e.g. run/controlled by individuals OR not controlled by Government OR profit motive.

For two marks, must have idea of ownership and by whom.

Do not accept 'privately owned' as does not explain term OR 'owned by the people' as it is too vague.

(b) Identify two limitations of using 'number of employees' as a method of measuring business size. [2]

Knowledge: [2 × 1] – award 1 mark per limitation.

Points could include:
- Not account for capital intensive business/could be labour intensive
- Could have many part – time employees
- Gives no indication of value/market share/revenue

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(c) Identify and explain <u>two</u> ways a pressure group might try to influence Xiolom's decision to open the new mine in country G. [4]

Knowledge [2 × 1] – award 1 mark for each relevant way [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Relevant points might include:
- Creating negative publicity/publish information [k] by highlighting external costs [app]
- Demonstrations/protests/rally opposition against the company [k] which could damage its reputation in other countries [app]
- Lobby/send letters to politicians/sign petition [k] to get more legal controls [app]
- Organise customer boycotts [k] lowering demand for this large company [app]

Application marks may be awarded for appropriate use of the following: large (company), 10/other countries, legal controls, external benefits/costs, expand

Do not accept references to mines as application as stated in question.

(d) Identify and explain <u>two</u> ways in which Xiolom might be affected by new legal controls over employment. [6]

Knowledge [2 × 1] – identification of relevant points [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:
- Need to provide safety equipment [k] to all miners [app] which could lead to fewer accidents/better reputation [an]
- How advertise jobs [k] so longer to prepare [an] so less time to deal with pressure groups [app]
- Rules over unfair dismissal [k] so not easy to reduce workforce [an]
- Minimum wage laws [k] which could increase the costs [an] as has 8000 workers [app]
- Maximum number of working hours [k] allowed underground [app] so need to employ more workers [an]
- Increased administration costs [k] as more paperwork to be completed [an]
- Make recruitment easier [k] as mining [app] seen as less dangerous than before [an]

Do NOT accept increased costs on own

Application marks may be awarded for appropriate use of the following: 8000 jobs, mining, large company, 10 countries, expand.

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(e) The Operations Director believes that because Xiolom creates external benefits it should be allowed to expand. Do you agree? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]

Application [1] – award 1 mark if relevant reference made to this businesses

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to whether if the business creates external benefits it should be allowed to expand

Points might include:

External benefits:
- Create jobs [k] as 8 000 jobs [app] will lower unemployment [an]
- Attract other businesses to area [k]
- Tax receipts [k] which can help fund public services [an]
- Country benefit from training [k]

External costs:
- Pollution [k]
- Use up natural resources [k] as extracting materials [app]
- Most profit leaves the country [k] so country does not receive full benefit of raw materials [an]

Note: Candidate's final decision can be either for or against the statement.

Application marks may be awarded for appropriate use of the following: 8 000 jobs, mining (or extraction), large company, 10 countries, 100 000 employees, pressure groups.

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