Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer / Structured Response **October/November 2016**

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2016 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is the registered trademark of Cambridge International Examinations.

This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

© UCLES 2016

Question	Answer	Marks
1(a)	**What is meant by 'private sector'?** Clear understanding [2]: e.g. when individuals own business activities Some understanding [1] e.g. run by individuals OR not controlled directly by government [1] OR aim to make a profit [1] OR controlled by person / group of people [1]	**2**
1(b)	**What is meant by 'redundancy'?** Clear understanding [2]: e.g. job position has gone and hence person is no longer required Some understanding [1] e.g. loses job [1] or job role has gone [1]	**2**
1(c)	**Identify and explain two ways an appreciation of country B's exchange rate might affect UDig.** Knowledge [2] – award up to 2 marks for each relevant point Application [2 × 1] – award 1 mark for each explanation in context Points might include: If assume UDig based in country B, • Imported products cheaper / have lower prices [k] so local businesses might go elsewhere for the 30% [app] • Not as competitive [k} so may have to close more mines [app] • UDig's exports more expensive/ prices rise [k] • May have to reduce its profit margin [k] for its coal [app] If assume UDig based outside B: (they will be an exporter so) • UDig's Products become cheaper / lower prices [k] • Increase in profit margin (if don't lower prices) [k]	**4**

© UCLES 2016

Question	Answer	Marks
1(d)	**Identify and explain <u>two</u> ways in which legal controls might affect UDig.** Knowledge [2 × 1] – identification of relevant benefit Application [2 × 1] – award 1 mark 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] as work is highly dangerous [app] could lead to higher costs [an] • Reduction in number of working hours [k] in the mines [app] could lead to lower output [an] • Introduce / increase minimum wage [k] for its 1800 employees [app] leading to further redundancies [an] • Location restrictions [k] so cannot operate in some areas [an] leading to more closures [app] • Pollution restrictions [k] as coal burning could damage environment [app] so less demand from companies [an]	6
1(e)	**The Managing Director thinks 'the Government should help UDig keep the mines open'. Do you agree? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) 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 Government should help UDig keep the mines open. Relevant points might include: • Protect jobs [k] as 1800 at risk [app] so help Government meet its economic objectives [an] • Protect vital industry [k] as its produces 30% of its coal [app] if more mines shut – will need to find alternative supply [an] • Could conflict with other Government objectives [k] as this is a private sector business [app] • May only be a temporary problem [k] as currency appreciation might not last [app] so money which could be better spent elsewhere [an]	6

© UCLES 2016

Question	Answer	Marks
2(a)	**What is meant by 'mass market'?** Clear understanding [2]: e.g. selling the **same** product to the whole market OR very large number of sales of a **standard product** Some understanding [1] e.g. large number of potential customers OR a market that has general wants and needs	**2**
2(b)	**Calculate the percentage (%) of customers who buy goods on-line.** Good Application [2] 35% Some application [1] method e.g. 700 of 2000	**2**
2(c)	**Identify and explain <u>two</u> possible reasons why GBU's market research might <u>not</u> be useful to the Marketing Director.** Knowledge [2 × 1] – award 1 mark for identification of relevant problem Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Wrong / leading questions asked [k] for a mass market product [app] • Wrong people asked / not representative [k] as may not buy beauty products [app] • Wrong sample size [k] as may need to speak to more than 2000 [app]	**4**

© UCLES 2016

Question	Answer	Marks
2(d)	**Identify and explain <u>two</u> advantages to GBU of using shops as a channel of distribution.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Contact / feedback from customers [k] to build customer loyalty [app] so maintain market share / current customers [an] • Attract people passing shop [k] as people might run out of shampoo [app] and buy it straightaway [an] • Sales might increase [k] as not everyone has access to / wants to shop on the internet / as people want to see before they buy [an] • Lower storage costs [k] as do not need additional warehouse [an] • Research shows customers prefer to buy this way [k] as selected by 55% [app + an] so should increase sales [an] • Can act as promotion [k]	**6**

© UCLES 2016

Question	Answer	Marks
2(e)	**Do you think maintaining customer loyalty should be more important to GBU than attracting new customers? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) 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 it is more important for GBU to maintain customer loyalty than attract new customers Relevant points might include: Customer loyalty: • Maintain market share / sales [k] • Spread word / free advertising [k] as existing customers might recommend product to others [an] • Keep reputation [k] in a mass market [app] leading to a competitive advantage [an] • Able to match products to existing customer needs [k] for beauty products [app] so they know what to produce [an] New customers: • Widen target market [k] as 80% of people like their products [app + an] • Customer tastes change [k] so may be cheaper to find new customers rather than develop existing products [an] • Need to carry out advertising to attract customers [k] which will increase costs [an] Other factors: • May be other reasons why customers do not buy [k] if prices are higher this may be why revenue fell [app]	**6**

© UCLES 2016

Question	Answer	Marks
3(a)	**What is meant by 'added value'?** Clear understanding [2]: e.g. difference between price of a finished product and the cost of the inputs involved in making it OR difference between the selling price of a product and the cost of bought in materials and components [2] OR improvement to the product that makes it worth more plus a relevant example [2] Some understanding [1] e.g. improvement to the product that makes it worth more	**2**
3(b)	**What is meant by 'cost of sales'?** Clear understanding [2] cost of producing or buying in the goods sold OR variable cost of making the goods sold [2] OR cost per unit × number of output sold [2] Some understanding [1] e.g. money spent on materials	**2**
3(c)	**Identify and explain <u>two</u> ways Izaak could increase revenue.** Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Increase advertising [k] • Widen target market [k] • Change prices e.g. offer discounts or increase prices [k] • Offer new / more products [k] e.g. different fish dishes [app] • Loyalty scheme [k] encourage customers to return to restaurant [app] • Improve quality [k]	**4**

© UCLES 2016

Question	Answer	Marks
3(d)	**Identify and explain <u>two</u> problems that low quality might cause for Izaak's business.** Knowledge [2 × 1] – identification of relevant point [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: • Loss of existing customers / loyalty [k] as food does not taste right [app] leading to lower revenue [an] • Loss of new customers [k] • Cost of replacement [k] as have to recook food [app] increasing his cost of sales [an] • Cost of fines [k] as poor quality may break laws [an] • Damage to reputation / image [k] of restaurant [app] so customers may go elsewhere [an] • Cannot supply on time [k] leading to more complaints [app] • Increase waste [k] • Cannot charge higher prices [k] on menu [app]	**6**
3(e)	**Do you think Izaak should be pleased with the financial performance of his business? Justify your answer using appropriate ratios.** Knowledge [1] – award 1 mark for identification of relevant issue(s) 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 Izaak should be pleased with the financial performance of his business Relevant methods might include: • Gross profit increased [k] to 150 000 [app] • Gross profit margin improved [k] to 50% [app + an] so better control of variable costs [an] • Profit margin down [k] to 5% [app + an] so less control of overheads [an] • Profit has fallen [k] by 50% [app + an] • Expenses up [k] could reflect fact that fixed costs too high [app] • Revenue has not changed [k] • Cost of sales down [k]	**6**

© UCLES 2016

Question	Answer	Marks
4(a)	**What is meant by a 'social enterprise'?** Clear understanding [2]: e.g. business with both social objectives as well as aim to make a profit Some understanding [1] e.g. not all about profit	**2**
4(b)	**Identify <u>two</u> functions of management (other than communication) that Asha performs.** Application [2 × 1] award one mark per function Points might include: coordinate, control, organise, planning, command, delegate, motivate / supervise, decision making, problem solving, recruitment	**2**
4(c)	**Identify <u>two</u> external stakeholder groups of ReBag. Explain <u>why</u> each stakeholder group might be interested in this business.** Knowledge [2 × 1] award 1 mark per stakeholder Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Government [k] as create jobs in more towns [app] • Suppliers [k] to obtain more fabric [app] • Local community [k] as employing 30 people [app] • Customers [k] who buy the bags [app] • Lenders / banks [k] to see if they should offer a bank loan [app] • Pressure groups [k]	**4**

© UCLES 2016

Question	Answer	Marks
4(d)	**Identify and explain <u>two</u> possible reasons why it might be difficult for ReBag to get a bank loan.** Knowledge [2 × 1] – identification of relevant point [max 2] Application [2 × 1] – award 1 mark for relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Low revenue [k] only $700 [app] so can they afford to repay [an] • No security [k] so increased risk for lenders [an] • Limited experience [k] only operated for 3 years [app] so no guarantee that business will last [an] • No business plan / poor planning [k] • Already has existing debt [k] as Asha used micro-finance [app]	6
4(e)	**Explain <u>two</u> possible methods Asha could use to communicate with ReBag workers. Recommend which method she should choose. Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue or method(s) 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 the most appropriate method. Relevant points might include: <u>Meeting [k]</u> • so able to see reactions to ideas / comments [an]; • Difficult to arrange / time issues [an] all based in remote towns [app] so not everyone might be able to attend [an]; • Will mean travel costs / making it expensive [an]; • Will take people away from work / lead to loss of production [an] of bags [app] so may not be able to meet demand [an] <u>Email [k]</u> allowing people to read information in own time [an] • People might not have access to internet [an] as in remote locations [app] so are not able to respond [an]; • Must pay cost of computer [an] from $70 [app] so can they afford it [an] <u>Phone [k]</u> so immediate feedback is possible [an] <u>Videoconferencing</u> [k] <u>Newsletter [k]</u> can contain a large amount of information [an] <u>Letter [k]</u>	6

© UCLES 2016