Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **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

1 (a) Identify and explain <u>two</u> possible reasons why Bethany wants the business to remain small. [8]

Knowledge [2 × 1] – award one mark for each reason
Analysis [2 × 1] – award one mark for a relevant explanation for each reason
Application [2 × 2] – award two application marks for each reason

Relevant points might include:

Award one mark for each relevant reason (maximum of two), such as:

- To stay as her own boss
- To make all the decisions
- No one to fall out with
- No one to share the profits with
- Size of the market – not able to expand
- Better communication with customers and employees
- Easier to control
- Lack of capital to expand
- Satisficing/happy with level of profit

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the reasons why the owner wants the business to remain small.

Indicative response:

To stay as her own boss (k) as Bethany has run the business successfully for 10 years (ap) and she does not want anyone telling her what to do or disagreeing with her decisions (an). The business idea is all her own and so she does not want to have anyone else influencing her decisions about which treatments to offer clients (ap).

Possible application marks: beauty salon in main city; expanding and taking on a partner as additional manager; sole trader for 10 years; women customers of all ages; 2 qualified workers; administration tasks carried out when salon closed; appointments booked by telephone; unlimited liability; not a lot of free time; beauty; manicure/pedicure/ massage.

There may be other examples in context which have not been included here.

© UCLES 2016

(b) Bethany is thinking of forming a business partnership. Explain the following three factors Bethany should consider when choosing a partner. Which factor do you think is most important? Justify your answer. (12)

Relevant points might include:

Knowledge of new technology	Know how to use new machines – can operate new machines – less training – less costs – train other staff – more knowledge than Bethany – may feel like partner is more important than Bethany – she started the business and may want to feel in control
Experience in managing a beauty salon	More efficient – knows what to do frees up time for Bethany – each specialise in different parts of the business – may make decisions Bethany does not like
Capital to invest	Provides capital to buy new machines – no need for loans – less interest to pay – but will expect to share profit – have a say in how the business is run

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified conclusion of which factor is most important and why others are less important. 7–8 marks for some limited judgement shown in conclusion of which factor is most important.
Level 2	4–6 marks Detailed discussion of each factor.
Level 1	1–3 marks Outline of each factor.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. If new partner knows how to use machines they can show others what to do.

Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. If new partner knows how to use machines they can show others what to do. This will save time and costs on training the other 2 beauticians when the new machines are purchased. It will also mean the other beauticians can carry out these treatments for clients allowing more clients to be served using the new machines and increasing revenue. (4 marks for L2 answer + 1 application mark for mentioning 2 beauticians).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion of which factor is most important.

Award up to 2 additional marks for relevant application.

© UCLES 2016

Possible application marks: sole trader for 10 years; beauty reputation is good; higher prices for treatments; new equipment; small business; women customers of all ages; 2 qualified workers; administration tasks carried out when salon closed; old equipment purchased 10 years ago; new machines dry nails quickly; appointments booked by telephone; details of new technology from Appendix 3.

There may be other examples in context which have not been included here.

2 (a) Identify and explain <u>two</u> reasons why it is important to Bethany to identify changes in customer preferences. (8)

Knowledge [2 × 1] – award one mark for each reason
Analysis [2 × 1] – award one mark for a relevant explanation for each reason
Application [2 × 2] – award two application marks for each reason

Relevant points might include:

Award one mark for each relevant reason (maximum of two), such as:

- To meet customer needs
- To remain competitive
- Keep a good reputation
- Keep customer loyalty/maintain demand

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the reasons why it is important to identify changes in customer preferences.

Indicative response:

To meet customer needs (k) as Bethany wants to run the business successfully to make a profit (an) and she needs to offer the services to her clients that they want otherwise she will lose customers to other beauty salons (ap). She will need to know if certain treatments are wanted and if she doesn't offer them at the moment then she will need to learn how to do them (ap).

Possible application marks: beauty salon in main city; small business; beauty workers; sole trader for 10 years; women customers of all ages; 2 qualified workers; old equipment purchased 10 years ago; new machines dry nails quickly; higher prices for new treatments; appointments booked by telephone; financial information from Appendix 2; details of new technology from Appendix 3.

There may be other examples in context which have not been included here.

© UCLES 2016

(b) Bethany wants to offer a quality service. Consider the following <u>three</u> ways she could use to achieve good quality service at the salon. Which do you think is the most important way? Justify your answer. (12)

Relevant points might include:

	Advantages	Disadvantages
Only employ highly trained staff	Ensures customer satisfaction	Expect higher wages
Record all customer complaints	Identify problems and try to correct them	Takes time to do this and not all customers will tell you when they are not happy
Only buy the best quality materials to use in the salon	Helps establish an image of high quality	High price may put off potential customers

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified conclusion of the best way to achieve good quality service rather than the other ways. 7–8 marks for some limited judgement shown in the conclusion of the best way to achieve good quality service.
Level 2	4–6 marks Detailed discussion of advantages and disadvantages of each way.
Level 1	1–3 marks Outline of advantages and disadvantages of each way.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. Helps to establish an image of high quality.

Level 2 – 1 x L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. Helps to establish an image of high quality as only the highest quality materials are used in the nail treatment of clients. This should help to ensure that the nail treatment itself will be effective and make the customer happy with their service. (4 marks for L2 answer + 1 application mark for mentioning nails treatments).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion of the best way to achieve good quality service

Award up to 2 additional marks for relevant application.

© UCLES 2016

Possible application marks: sole trader for 10 years; clients; treatments; small business; women customers of all ages; 2 qualified workers; administration tasks carried out when salon closed; old equipment purchased 10 years ago; new machines dry nails quickly; appointments booked by telephone; details of new technology from Appendix 3.

There may be other examples in context which have not been included here.

3 (a) Identify <u>two</u> fixed costs and <u>two</u> variable costs of BB and explain why the costs are fixed or variable. (8)

Knowledge [4 × 1] – award up to two marks for each explanation of fixed/variable cost
Application [4 × 1] – award one application mark for each fixed/variable cost

Award one mark for each example of fixed/variable costs (maximum of two for fixed and two for variable costs), such as:

Fixed – rent of the salon; insurance for the salon; bank fees; Bethany's salary; lease of equipment.

Variable – beautician wages; salon materials such as nail varnish.

Award a maximum of two additional marks for **each** explanation of why the costs are fixed/variable

Indicative response:

Fixed cost: rent of salon (1)

The rent of the salon is fixed because it has to be paid no matter how many clients Bethany has (1) is does not vary with output (1)

© UCLES 2016

(b) Consider the weekly forecasts in Appendix 2 for the possible additional services. Recommend which service Bethany should choose. Justify your answer using profit calculations for the two services. [12]

Relevant points might include:

Sun tan beds	$1000 (L1) – $500 (L1) = Profit = $500 (L2) Gross profit = $960 (L2)	NPM = 50% (L2) GPM = 96% (L2)
Hairdressing	$1250 (L1) – $700 (L1) = Profit = $550 (L2) Gross profit $1125 (L2)	NPM = 44% (L2) GPM = 90% (L2)

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Analysis/ Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as which service to choose and why not the alternative service. 7–8 marks for some limited judgement shown in recommendation as which service to choose.
Level 2	4–6 marks Calculation of profit/profitability for the two services.
Level 1	1–3 marks Outline of the two services.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. sun tan beds has 150 more customers than hairdressing.

Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. the profit made for hairdressing is $550. (4 marks for L2 answer).

Level 3 – For L3 to be awarded there needs to be at least two L2 calculations awarded and then a recommendation as which service to choose and why not the alternative service.

Award up to 2 additional marks for relevant application.

Possible application marks: beauty salon in Main city; beauty products; women customers of all ages; 2 qualified workers; old equipment purchased 10 years ago; new machines dry nails quickly; details of new technology from Appendix 3.

There may be other examples in context which have not been included here.

© UCLES 2016

4 (a) Identify and explain <u>two</u> reasons why effective communication between Bethany and her employees is important. [8]

Knowledge [2 × 1] – award one mark for each reason
Analysis [2 × 1] – award one mark for a relevant explanation for each reason
Application [2 × 2] – award two application marks for each reason

Award one mark for each relevant reason (maximum of two), such as:

- To ensure instructions are understood
- To ensure employees carry out the instructions correctly
- To ensure mistakes are not made
- To make sure the business works efficiently
- To ensure customers are given correct information
- Find customer preferences from employees
- Inaccuracy causes poor reputation
- Collaboration better between worker and owner
- Motivation is better between worker and owner

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the reasons why effective communication between the owner and employees is important.

Indicative response:

To ensure mistakes are not made by employees [k] as the beauticians may not have much experience in managing a salon only in how to carry out treatments (ap). They may make decisions which are not good for the business and cause it to lose money if Bethany does not communicate effectively with employees what to do (an). This might be to do with checking client appointments have been made correctly and the two beauticians know when to expect clients and what treatment they want (ap).

Possible application marks: beauty salon in main city; expanding and taking on a partner as additional manager; sole trader for 10 years; women customers of all ages; 2 qualified workers; administration tasks carried out when salon closed; old equipment purchased 10 years ago; new machines dry nails quickly; appointments booked by telephone; financial information from Appendix 2; salon; clients; details of new technology from Appendix 3.

There may be other examples in context which have not been included here.

© UCLES 2016

(b) Consider <u>three</u> ways new technology could help Bethany improve her business. Recommend which way is likely to have the most effect on profit. Justify your answer. [12]

Relevant points might include:

- Mobile devices App – improve marketing
- Website – cheaper advertising
- Accounting software – improves efficiency
- New equipment used in the salon – improve treatments

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation justifying which new technology has the greatest effect on profit. 7–8 marks for some limited judgement shown in recommendation justifying which new technology has the greatest effect on profit.
Level 2	4–6 marks Detailed discussion of how the ways of using new technology can help to improve the business.
Level 1	1–3 marks Outline of ways new technology can help to improve the business.

Level 1 – 1 mark for each L1 statement (max of 3 marks), e.g. App for mobile devices to increase advertising.

Level 2 – 1x L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. app for mobile devices to increase advertising and make the salon services more well known amongst younger phone users attached to other apps so that when a person looks at a particular site then the advertising of the salon will also appear. This is an efficient way to get the message of the salon across to many people at a low cost. 4 marks for L2 answer + 1 application mark for mentioning the salon).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation justifying which new technology has the greatest effect on profit.

Award up to 2 additional marks for relevant application.

Possible application marks: beauty salon in main city; younger skin; treatments; expanding and taking on a partner as additional manager; sole trader for 10 years; women customers of all ages; 2 qualified workers; administration tasks carried out when salon closed; old equipment purchased 10 years ago; new machines dry nails quickly; appointments booked by telephone; financial information from Appendix 2; details of new technology from Appendix 3.

There may be other examples in context which have not been included here.

© UCLES 2016