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Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Structured Response **October/November 2017**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks	Guidance
1(a)	**What is meant by 'quality assurance'?** Clear understanding [2] – checking for quality standards [1] throughout production process OR every stage [1] Some understanding [1] – e.g. checking work done	**2**	**Do not** award answers such as 'check at end' OR 'check end product' as this defines quality control **Do not** award explanations of why it is done e.g. manufacturer wants product to be perfect
1(b)	**Calculate the value of X from Table 1.** Good application: [2] correct answer i.e. 9 (engines) Some application: e.g. total output/number of employees OR 1260 / 140	**2**	
1(c)	**Identify and explain <u>two</u> ways the Government might help HGH become more competitive.** Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context Reasons might include: • Import quotas [k] to limit number of engines [app] • Import tariffs [k] as it is facing increased competition from imports [app] • Reduce rent OR rates [k] so easier to pay high energy costs [app] • Change legal controls OR examples such as lower minimum wage or quality standards [k] so rivals have to think about quality assurance [app] • Offer grants OR subsidies OR cheap finance OR loans [k] so can update machinery OR operations in its factories [app] • Offer advice [k] • Provide training [k] • Lower tax [k] • Provide infrastructure e.g. build more roads [k]	**4**	Application marks may be awarded for appropriate use of the following: • correct use of data from table 1, • trade union membership • labour productivity • rent • engines • quality assurance • (high) energy costs • 30% decrease in profit • factory • increased competition OR competition from imports

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Question	Answer	Marks	Guidance
1(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to HGH of using batch production.** Knowledge [2 × 1] – award 1 mark for an advantage and disadvantage identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: Advantage: • Flexible [k] easier to change engines made [app] to better meet customer demands [an] • Some economies of scale [k] when buying parts for factory [app] which can help reduce average costs [an] • Less impact if machinery breaks down [k], so other stages can continue OR some output made [an] • Spread risk as can make more than one type of product [k] • Variety of products [k] could lead to more sales [an] • Some variety in work can motivate workers [k] leading to less absenteeism [an] Disadvantage: • Time lost switching OR resetting machines between batches [k] could lead to lost output [an] • Added cost of moving or storing semi-finished goods [k] • Inventory may be sitting around between stages [k] increasing costs [an] so profit may decrease by more than 30% [app] • One fault could affect entire batch [k] increasing waste [an]	**6**	Application marks may be awarded for appropriate use of the following: • correct use of data from Table 1 • trade union membership • labour productivity • rent of site • engines • increased competition OR competition from imports • quality assurance (is important) • high energy costs • factory Note: business makes engines, not the whole truck **Do not** award 'motivated' or 'demotivated' as knowledge, unless explained. The analysis must explain the impact on the business e.g. less workers leave. **Do not** award answers such as variety of work or economies of scale, unless qualified OR compared to other method of production. **Do not** award knowledge mark for reference to whole production as this implies flow. Answer must relate to idea of it being semi-finished or between stages to be awarded.

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Question	Answer	Marks	Guidance
1(e)	**Recommend which factory HGH should close. Justify your answer using the information in Table 1.** Knowledge [1] – award 1 mark for identification of relevant point (s) Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which factory HGH should close. Relevant points might include: • Rent lower for factory 1[k] saving $100 000 each month [app+an] • Productivity in factory 2 is higher [k] by 12.5% higher [app+an] • Trade union action could create negative publicity [k] as factory 1 has high number of members [app], damaging reputation [an] • Current level of output higher in factory 2 [k] by 60 units per month [app+an] • Fewer jobs lost if close factory 2 [k] as 10 fewer employees [app+an] • More jobs lost if close factory 1 [k] as has 150 employees [app] so saving more labour costs [an]	**6**	Application marks may be awarded for appropriate use of the following: • Correct use of data from Table 1 • engines, • increased competition OR competition from imports • quality assurance (is important) • high energy costs, • profit decreased by 30% • batch production

Question	Answer	Marks	Guidance
2(a)	**What is meant by 'marketing strategy'?** Clear understanding [2]: for example Plan to use the right combination of the marketing mix [1] to achieve a particular marketing objective [+1] OR a plan of action designed to promote and sell a product or service [1] to achieve a set goal [+1] OR a plan for promoting products [1] to enter a new market [+1] Some understanding [1]: how combine the 4 Ps OR plan for marketing or how to increase sales OR how to promote a product	**2**	

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Question	Answer	Marks	Guidance
2(b)	**Identify <u>two</u> reasons for a business to set objectives.** Application [2 × 1] – award one mark for each relevant reason Points might include: • Measure of success (to judge performance) • Helps decision-making OR planning OR budgeting • Gives sense of purpose and direction OR know what you have to do • Aim or target • Motivate	**2**	
2(c)	**Identify and explain two ways in which BBT could act in an ethical way.** Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context Points might include: • Pay fair wages [k] as employees is one of its stakeholders [app] • Provide better working conditions for workers [k] • Pay fair price to suppliers OR pay suppliers on time [k] for its ingredients [app] • Help growers to prevent damage to farmland OR source environmentally friendly materials [k] when growing wheat [app] • Not sell excess stock cheaply OR not fixing prices [k] as it's a popular brand [app] • Charging a fair price to customers [k] • Pay taxes in country in which sales are made [k] • Not employing child labour [k]	**4**	Application marks may be awarded for appropriate use of the following: • breakfast cereal • ingredients or examples such as wheat • popular (brand) • correct use of numbers such as number of years, change in revenue, 2016 revenue • decline stage • competitive pricing • stakeholders • marketing strategy

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Question	Answer	Marks	Guidance
2(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to BBT of using competitive pricing.** Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 1] or disadvantage identified [max 1] 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: Advantage: • Price will not discourage customers from buying [k] its cereals [app] so will buy again [an] • Prevents business losing market share [k] Disadvantage: • Time OR money taken to find out competitor's prices [k] could increase costs [an] • Need another way to attract customers [k] e.g. free gift could increase costs [an] • Customer may be prepared to pay more [k] as it is a popular brand [app] so could lose potential revenue OR profit [an] • May not cover the costs (of production) [k] especially when entering decline stage [app] so may not be able to break even [an]	**6**	Application marks may be awarded for appropriate use of the following: • breakfast cereal • ingredients or examples such as wheat • popular (brand) • correct use of numbers such as number of years, change in revenue, 2016 revenue • decline stage • ethical • marketing strategy

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Question	Answer	Marks	Guidance
2(e)	**Do you think BBT should stop selling product A? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for a relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether BBT should stop selling product A Relevant points might include: • Sales of Product A fallen [k] by 40% [app] • Product A still the highest sales [k] by $20 000 [app+an] which is more than B & C combined [an] • Have other products that are increasing in demand [k] • Use extension strategies [k] such as changing the cereal packet [app] to remind customers OR attract people's attention [an] so start buying them (again) OR increase revenue [an] • Could use opportunity to introduce new brands [k] as product C has now been in the market for 2 years [app]	**6**	Application marks may be awarded for appropriate use of the following: • breakfast cereal • ingredients or examples such as wheat • popular (brand) • correct use of numbers such as number of years, change in revenue, 2016 revenue • decline stage, • competitive pricing • ethical • marketing strategy **Do not** award general marketing methods such as lower prices or advertise, as these are not examples of extension strategies

Question	Answer	Marks	Guidance
3(a)	**What is meant by 'business plan'?** Clear understanding [2] e.g. a document containing the business aims/objectives **and** important details about the operations, finance and owners of a business OR states aim and/or objectives **and** shows how business aims to achieve them Some understanding [1] states one element of plan e.g. shows marketing strategy OR production costs	**2**	**Do not** award answers that explain why it is used e.g. support loan applications

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Question	Answer	Marks	Guidance
3(b)	**Identify <u>two</u> financial documents (other than a cash flow forecast) that a business might use.** Knowledge [2 × 1] – award 1 mark for each relevant document Points might include: • Break-even chart • Balance sheet • Income statement • Budget OR specific example, such as Marketing budget OR Operations budget OR Human Resources budget	**2**	
3(c)	**Calculate the values of W, X, Y and Z.** Application [4 × 1] – award 1 mark for each correct value **W** 28 000 **X** 2000 **Y** (4000) OR –4000 **Z** (2000) OR –2000	**4**	OFR **can apply** as error in W will have implications for value of X and Z (max 3). Subsequent answers must be consistent throughout. NO OFR for Y

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Question	Answer	Marks	Guidance
3(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage of ZumGo being a business partnership.** Knowledge [2 × 1] – award 1 mark for an advantage and a disadvantage identified [max 1] Application [2 × 1] – award 1 mark for relevant reference to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: Advantage: • More ideas [k] about what type of tours to offer [app] can help increase business sales [an] • Access to more capital (than sole trader) [k] can help solve cash flow problems [app] improving chance of survival [an] • Share workload OR decision making [k] so making business more efficient [an] • More skills OR expertise OR can specialise [k], Richie does the finance [app] allowing time for Justin to focus on his job [an] • Share loss OR risk [k] so do not have to carry all the financial burden [an] especially if buy new bus [app] Disadvantage: • Disagreements [k] about expansion [app] leading to lost sales OR low productivity [an] • Unlimited liability OR each responsible for debts of other [k] so if cannot repay the $28 000 [app] their personal belongings are at risk as well [an] • Have to share profits [k] with each brother [app] • Slower decision-making [k] on whether to lease [app] so lose competitive advantage [an]	**6**	Application marks may be awarded for appropriate use of the following: • Correct use of cash flow numbers, • $6000 (advertising) • $28 000 • bus tours • extra buses OR looking to expand • leasing • two successful years • all retained profit • business plan or cash flow forecast • brothers

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Question	Answer	Marks	Guidance
3(e)	**Which source of finance do you think ZumGo should use for the new bus? Justify your answer.** Knowledge [1] – award 1 mark for each relevant issue(s) [max 1] Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which source of finance ZumGo should use. Relevant points might include: Profits: • No need to repay [k] • No interest OR monthly outgoings from cash flow [k] so no additional cash outflows to pay [app] • Have sufficient money [k] as matches total retained profit [app] • Can keep profit for emergency [k] which could be important for partnership [app] as have fewer sources of finance to rely on [an] • No money left for emergencies [k] as uses all retained profits [app] Leasing • Not owned [k] so will not add to value of balance sheet [an] • Can return if necessary [k] as only 2 successful years [app] but may be penalty payment [an] • Able to spread cost [k] so don't need to find all the cash at start [an] which could be difficult with a cash deficit in March [app] • Negative impact on cash flow [k] as forecast ($4000) [app] • Cheaper [k] as only $24 000 [app + an] saving $4000 [an] • Can update to new model [k] after 2 years [app]	**6**	Application marks may be awarded for appropriate use of the following: • correct use of cash flow numbers • bus tours • $28 000 (cost of new bus) • $1000 for 2 years (leasing) • all retained profits • partnership • two successful years • business plan or cash flow forecast • brothers Can award answers that discuss other suitable sources of finance such as loans. **Do not** accept issue shares as not appropriate.

Question	Answer	Marks	Guidance
4(a)	**What is meant by 'multinational company'?** Clear understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation. Some understanding [1] – e.g. has businesses everywhere OR works/operates in more than one country	**2**	**Do not** award 'sells in more than one country' as could equally apply to exporter
4(b)	**What is meant by 'economic boom'?** Clear understanding [2] – strong rise in level of economic activity OR period of time when GDP rising rapidly Some understanding [1] – e.g. economy doing well (high GDP) OR rise in level of economic activity OR GDP rising OR identifies feature(s) of an economic boom: such as low unemployment, rising inflation, resource shortages, high levels of disposable income, high levels of consumer/business confidence	**2**	For two marks must have both idea that economy growing and the rate of growth Answers must refer to whole economy and not a single business or product
4(c)	**Identify and explain <u>two</u> methods that CYB could use to communicate with its customers.** Knowledge [2 × 1] – award 1 mark for each relevant method [max 2] Application [2 × 1] – award 1 mark for each explanation in context Reasons might include: • Email [k] so that can include attachments such as balance sheets [app] • Letter [k] explaining customer benefits of new system [app] • Meeting [k] with representatives from multinational companies [app] • Phone [k] • FaceTime OR Skype [k] with someone from the small team [app] • Text OR SMS OR messages on mobile phone [k] • Social media e.g. Facebook [k]	**4**	Application marks may be awarded for appropriate use of the following: • accountants • examples of financial documents e.g. balance sheet • multinational company • small teams • 3 (new employees) • new computerised system OR system • (highly) skilled Note: method selected should be appropriate for use with customers, not internal communication

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Question	Answer	Marks	Guidance
4(d)	**Explain <u>how</u> each of the following stages could help CYB in the recruitment process.** Knowledge [2 × 1] – award 1 mark for each relevant point identified [max 2] 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: **Person (job) specification** • Sets out the qualifications needed [k] such as accountancy degree [an] so know whoever is chosen can do tasks required [an] • Sets out the skills needed [k] such as team worker [app] so able to work effectively with the others in the group [an] • Sets out experience necessary [k] such as working with multinationals [app] so able to be effective quickly [an] **Advertising the job vacancies** • Make people aware [k] about the 3 jobs [app] increasing the number of potential applicants [an] • Provide people with information about culture OR business [k] such as working in small teams [app] so more likely to join CYB than competitor [an] • Can target suitable people [k] in accountancy magazines [app]	**6**	Application marks may be awarded for appropriate use of the following: • accountants • multinational company • small teams • 3 (new employees) • new computerised system OR system • economic boom • on the job training OR off the job training • (highly) skilled The focus of the answer should focus on the business not employees

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Question	Answer	Marks	Guidance
4(e)	**Do you think it would be better for CYB to use on-the-job or off-the-job training? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which method of training CYB should choose. Relevant points might include: Off-the-job training: • Not necessarily tailored to individual business [k] so not cost effective [an] • Have to pay more OR high cost for specialists [K] which increases costs [an] • Skills might not be available in the business [k] so benefit from new techniques [an] • Allows for mistakes [k] so can build employees confidence in new computer system [app] reducing waste [an] • Workers have access to skilled trainers [k] so know how to use the system [app] • Workers can focus 100% on training [k] On-the-job training: • Can reinforce errors OR bad practices [k] reducing sales OR damage reputation [an] • Fewer new ideas OR skills will be taught [k] • Control what is taught [k] so workers only learn skills needed [an] • Employees can carry on working [k] within their team [app] improving productivity [an] • Cheaper (than off-the-job) [k]	**6**	Application marks may be awarded for appropriate use of the following: • accountants • examples of financial documents e.g. balance sheet • multinational company • small teams • 3 (new employees) • new computerised system OR system • economic boom • (highly) skilled Either option is acceptable.

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