**Cambridge Assessment International Education**
Cambridge International General Certificate of Secondary Education

**BUSINESS STUDIES** **0450/13**

Paper 1 Short Answer/Structured Response **October/November 2018**

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 International will not enter into discussions about these mark schemes.

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## Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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| GENERIC MARKING PRINCIPLE 5:<br><br>Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen). |
| GENERIC MARKING PRINCIPLE 6:<br><br>Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(a) | **What is meant by 'net cash flow'?**<br><br>Clear understanding [2] – e.g. difference (each month) between the cash inflows and cash outflows<br>OR<br>Some understanding [1]: e.g. shows cash in and out | **2** | |
| 1(b) | **Calculate the values of <u>X</u> and <u>Y</u>.**<br><br>Application [2 × 1] award 1 mark per answer<br>**X** 63 million<br>**Y** (91) million | **2** | Answer for **Y** must be clearly shown as a negative number to be awarded.<br>$ sign or millions not required |
| 1(c) | **Identify and explain <u>two</u> possible problems for KXD of <u>not</u> making a profit.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant problem [max 2]<br>Application [2 × 1] – award 1 mark for each explanation in context<br><br>Relevant points might include:<br><br>• Lack of (retained) funds for expansion [k] when demand is increasing [app]<br>• Creditors might charge higher interest rates [k] increasing expenses over 91m [app]<br>• Suppliers might not provide inventory [k] so no or limited stock for its shops [app]<br>• Owners cannot make a return on their investment [k] of this public limited company [app]<br>• Difficult to attract investment [k] to develop fashion clothing [app]<br>• Difficult to obtain loans (as seen as too risky) [k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• Correct use of data in table 1, e.g. $63 m<br>• Fashion clothing **OR** 18–25 year olds<br>• 60 **OR** shops<br>• (not able to keep up with) increase in demand<br>• Not providing on time **OR** late<br>• 60% **OR** imported<br>• inventory<br>• Public limited company<br><br>Do not accept answers which focus on reasons why they did not make a profit<br><br>Do not accept 'cannot grow' on own as need to indicate why this is the case |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(d) | **Identify and explain <u>two</u> ways in which KXD could solve its problems with suppliers.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2]<br>Application [2 × 1] – award 1 mark for each relevant reference made to this business<br>Analysis [2 × 1] – award 1 mark for each relevant explanation<br><br>Relevant points might include:<br><br>• Improve communication [k] with suppliers of fashion clothing [app] so suppliers understand when stock is needed [an]<br>• Change (to local) suppliers [k] so do not need to import 60% [app] so less chance of the delays, due to transport issues [an]<br>• Hold more inventory [k] so have stock readily available [an] to be able to meet increased demand [app]<br>• Increase number of suppliers [k] so have more options to get inventory on time [app] | **6** | Application marks may be awarded for appropriate use of the following:<br>• Correct use of data in table 1, e.g. $63 m<br>• Fashion clothing **OR** 18–25 year olds<br>• 60 **OR** shops<br>• (not able to keep up with) increase in demand<br>• Not providing on time **OR** late<br>• 60% **OR** imported<br>• inventory<br>• Public limited company<br>• Not made a profit for three years |
| 1(e) | **Recommend whether KXD should use internal recruitment or external recruitment to fill the vacant post of Operations Director. Justify your answer.**<br><br>Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]<br>Application [1] – award 1 mark for a relevant reference to this business<br>Analysis [2] – award up to 2 marks for relevant development of point(s)<br>Evaluation [2] – justified decision made as to whether KXD should use internal recruitment or external recruitment to fill the vacant post of Operations Director. | **6** | Application marks may be awarded for appropriate use of the following:<br>• Correct use of data in table 1, e.g. $77 m (expenses)<br>• clothing or related words<br>• 60 (shops)<br>• not able to keep up with increase in demand<br>• problems with suppliers **OR** not providing on time **OR** late<br>• 60% **OR** imported<br>• inventory<br>• Public limited company<br>• Net cashflow is positive<br>• Not made a profit (for three years) |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(e) | Relevant points might include:<br><br>Internal recruitment:<br><br>• Already know how business operates [k] so no need to pay for induction training [an]<br>• Lower cost **OR** saves time on recruitment process (compared to external) [k] so can focus on solving supplier problem [app]<br>• Business already know the qualities **OR** abilities of candidates [k]<br>• Can help motivate other employees [k] working in the 60 shops [app] which could lead to fewer people leaving **OR** reduce absenteeism [an]<br>• May be no suitable candidates in the business [k]<br><br>External recruitment:<br><br>• Bring in new skills **OR** ideas [k]<br>• Wider pool of candidates [k] increases possibility of finding best person for job [an] to help business keep up with demand [app]<br>• No knowledge of current operations [k]<br>• Increase expenses [k] higher than $91 m [app] | | |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(a) | **What is meant by 'franchise'?**<br><br>Clear understanding [2] – e.g. an agreement that allows one business to trade under the name of another business to sell the other company's products or services<br>Some understanding [1]: e.g. trade under the name of another business | **2** | Do not award examples as this does not explain the term |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(b) | **Identify <u>two</u> possible reasons why customers' spending patterns change.**<br><br>Knowledge [2 × 1] award 1 mark per reason<br><br>Relevant points might include:<br><br>• Change in (real) income **OR** examples such as unemployment **OR** inflation<br>• State of economy **OR** changes in business cycle **OR** examples such as recession<br>• Change in interest rates **OR** taxation<br>• Change in technology<br>• Change in population (e.g. change in age structure **OR** size of population)<br>• Changes in taste and fashion **OR** demand<br>• Consumer confidence | **2** | |
| 2(c) | **Identify and explain <u>two</u> reasons why high quality might be important to GGB.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant reason [max 2]<br>Application [2 × 1] – award 1 mark for each explanation in context<br><br>Relevant points might include:<br><br>• Protect/build reputation **OR** brand image [k] of its 400 shops [app]<br>• Help maintain sales / customer loyalty [k] of its new range of healthy foods [app]<br>• Attract new customers **OR** be more competitive **OR** attract customers from competitors [k]<br>• Able to charge high prices [k]<br>• Reduce errors **OR** cost of wastage [k] of pies **OR** cakes [app]<br>• Fewer products returned **OR** less complaints [k]<br>• Ensure meet legal requirements [k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• bakery **OR** cakes **OR** pies **OR** bread,<br>• new range **OR** healthy **OR** sushi **OR** pasta<br>• 400 shops **OR** 60 franchises,<br>• 6 months **OR** developing (products)<br>• market research **OR** customer spending patterns are changing<br><br>Do not award high quality as application as this is stated in the question |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(d) | **Identify and explain <u>two</u> benefits to GGB of developing new products.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant benefit [max 2]<br>Application [2 × 1] – award 1 mark for each relevant reference made to this business<br>Analysis [2 × 1] – award 1 mark for each relevant explanation<br><br>Relevant points might include:<br><br>• Attract new customers **OR** enter new markets [k] in its shops [app] to increase revenue [an]<br>• Retain customers [k] as customer spending patterns change [app] to maintain market share [an]<br>• Spread risk [k] so if lower demand for bread [app] have other products to rely on [an]<br>• Can increase **OR** charge a high price [k] to cover costs during the 6 months [app] to ensure it can break even quicker [an]<br>• Improve reputation [k] as high quality is important [app] helping to increase sales [an]<br>• Can create a unique selling point [k]<br>• Need to replace products in decline **OR** help keep up with changing customer tastes [k] | **6** | Application marks may be awarded for appropriate use of the following:<br>• bakery **OR** cakes **OR** pies **OR** bread<br>• healthy **OR** sushi **OR** pasta<br>• 400 **OR** shops **OR** 60 franchises<br>• 6 months<br>• market research **OR** customer spending patterns are changing<br>• high quality is important |
| 2(e) | **Do you think Buy One Get One Free (BOGOF) is the best method of sales promotion for GGB to use for its new products? Justify your answer.**<br><br>Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]<br>Application [1] – award 1 mark for a relevant reference made to this business<br>Analysis [2] – award up to 2 marks for relevant development of point(s)<br>Evaluation [2] – justified decision made as to whether BOGOF is the best method of sales promotion for GGB to use for its new product | **6** | Application marks may be awarded for appropriate use of the following:<br>• Bakery **OR** cakes **OR** pies **OR** bread<br>• healthy **OR** sushi **OR** pasta<br>• 400 **OR** shops **OR** 60 franchises<br>• 6 months **OR** developing (products)<br>• market research **OR** customer spending patterns are changing<br>• High quality is important |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(e) | Relevant points might include:<br><br>• Provides incentive for customers to buy many items [k] from its shops [app] which could lead to an increase in revenue [an]<br>• Could create a lot of waste as encourages people to buy more than they need [k]<br>• Helps business get rid of inventory more quickly [k]<br>• May devalue brand image [K] of the new range [app] as may not be seen as such high quality [an]<br>• May run out if products are popular causing customer dissatisfaction [k]<br>• Costs money to implement [k]<br><br>Other options include:<br><br>• Free samples [k] as people are able taste before they buy [an] sushi [app] raising awareness of the product [an]<br>• Competitions [k] as people have an incentive to buy products to have the chance to win a prize [an]<br>• Promotional pricing **OR** short term discounts [k] as price becomes more affordable [an] | | **Note**: Candidates can discuss other methods of sales promotion but evaluation must focus on whether BOGOF is the best method to use.<br><br>Do not award methods of advertising as the question does not allow this |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(a) | **What is meant by 'break-even output'?**<br><br>Clear understanding [2] – e.g. Level of sales/output at which total costs are the same as total revenue<br>Some understanding [1]: e.g. costs equal revenue **OR** no profit or loss made | **2** | |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(b) | **Identify <u>two</u> environmental pressures that Duckett might have to respond to.**<br><br>Application [2 × 1] award 1 mark per environmental pressure<br><br>Relevant points might include:<br><br>• Pollution<br>• Traffic congestion<br>• Depletion of natural resources<br>• Loss of green space if used for building | **2** | Only award examples of pollution once, e.g. water, air, noise, waste |
| 3(c) | **Identify and explain <u>two</u> ways in which legal controls on marketing might affect Duckett.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2]<br>Application [2 × 1] – award 1 mark for each explanation in context<br><br>Relevant points might include:<br><br>• Where can advertise [k] its cleaning products [app]<br>• When advertise [k] its chemicals [app]<br>• Restrict where they can sell it [k]<br>• States how much **OR** type of information must include [k]<br>• Must ensure product description is accurate on packaging **OR** what they say accurately reflects the products [k]<br>• Increase costs **OR** time [k] which will increase the break-even output [app]<br>• Restrict/limit the type of pricing used [k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• Chemicals<br>• Cleaning products **OR** related words such as washing powder<br>• Environmental pressures,<br>• Break even output<br>• Relocate<br>• Stakeholders<br>• factory<br><br>**Do not accept** legal controls relating to other areas such as production or location |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(d) | **Identify and explain <u>two</u> ways in which the local community might be affected by Duckett's relocation decision.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2]<br>Application [2 × 1] – award 1 mark for each relevant reference to this business<br>Analysis [2 × 1] – award 1 mark for each relevant explanation<br><br>Relevant points might include:<br><br>• Loss of jobs **OR** increase in unemployment [k] of the 450 jobs [app] so people have less money to spend in local shops [an]<br>• Less environmental damage [k] at time when there are environmental pressures [app] attracting other people and businesses to the area [an]<br>• Increase in house prices [k] as not using chemicals [app] making area more attractive place to live [an] **OR** decrease house prices [k] as fewer job opportunities available [an]<br>• New roads built (in new area) **OR** reduced facilities (in old location) [k]<br>• Lower economic growth [k] | **6** | Application marks may be awarded for appropriate use of the following:<br>• Chemicals<br>• Cleaning products **OR** related words such as washing powder<br>• Environmental pressures,<br>• Correct use of data from Table 2<br>• 450 employees<br>• factory<br><br>**Note**: can accept positive or negative effects |
| 3(e) | **Recommend which location Duckett should choose. Justify your answer, using the information in Table 2.**<br><br>Knowledge [1]– award 1 mark for identification of relevant issue(s) [max 1]<br>Application [1] – award 1 mark for a relevant reference made to this business<br>Analysis [2] – award up to 2 marks for relevant development of point(s)<br>Evaluation [2] – justified decision made as to which location Duckett should choose. | **6** | Application marks may be awarded for appropriate use of the following:<br>• chemicals,<br>• cleaning products **OR** related words such as washing powder<br>• environmental pressures,<br>• correct use of data from Table 2<br>• 450 employees<br>• break even output<br>• minimum wage of $8<br>• legal controls on marketing<br>• factory |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(e) | Relevant points might include:<br><br>• Higher cost of labour in country X [k] by $3 per hour [app + an]<br>• Lower cost of transport in country X [k] by $5000 per month [app + an]<br>• Higher cost of rent and other fixed costs in country X [k] by $2400 [app+an] which can result in a higher break even output<br>• Each country might have different legal controls [k] about the use of chemicals [app]<br>• Access to suitable **OR** enough labour [k] as may need 450 employees [app]<br>• Can also depend on legal controls in country [k] as could lead to / increase environmental pressures [app] | | For evaluation candidates can choose either location as long as answer is justified<br><br>Points must clearly indicate which country and cost is being referenced when awarding [k] |

| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(a) | **What is meant by 'sole trader'?**<br><br>Clear understanding [2] e.g. a business owned and controlled by one person **OR** ownership lies in the hand of an individual<br>Some knowledge [1] e.g. a business where one person operates **OR** runs business | **2** | Do not accept 'features' as this does not explain the term |
| 4(b) | **Identify <u>two</u> methods of secondary market research.**<br><br>Knowledge [2 × 1] award 1 mark per method<br><br>Relevant points might include:<br><br>• Government statistics<br>• Newspaper OR magazine articles<br>• Internet OR online sources<br>• Paying for market research agencies<br>• Trade associations reports | **2** | |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(c) | **Identify and explain <u>two</u> reasons why it would be important for Bill to be motivated if he starts his own business.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant reason<br>Application [2 × 1] – award 1 mark for each explanation in context<br><br>Relevant points might include:<br><br>• More chance of being successful **OR** overcome problems [k] as a sole trader [app]<br>• More job satisfaction [k] than working for a large IT company [app]<br>• Lead to more innovation [k] in his computer business [app]<br>• Better quality work [k] so he would also be able to charge high prices [app]<br>• Set a good example to employees [k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• Computers or repairs<br>• 30 years<br>• Secondary market research<br>• Other business charge high prices<br>• Sole trader<br>• $6000 or own savings<br>• large IT company<br>• people's houses |
| 4(d) | **Identify and explain <u>two</u> ways (other than financial) Bill could reduce the risk of starting up his business.**<br><br>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2]<br>Application [2 × 1] – award 1 mark for each relevant reference made to this business<br>Analysis [2 × 1] – award 1 mark for each relevant explanation<br><br>Relevant points might include:<br><br>• Prepare a business plan [k] as has 30 years experience [app] to help identify and solve / prevent potential problems [an]<br>• Use government support [k] that may be offered to sole traders [app]<br>• Carry out more detailed or primary market research [k] as used secondary research [app] which might be out of date **OR** better understand potential demand [an]<br>• Speak to other business people for advice [k]<br>• Start as a franchise [k] for another computer repair [app] as would have backing of franchisor to support him [an]<br>• Training [k] | **6** | Application marks may be awarded for appropriate use of the following:<br>• Computers or repairs<br>• 30 years<br>• large IT business<br>• Secondary market research **OR** thinks there is demand<br>• Other businesses charge high prices<br>• sole trader<br>• $6000 or own savings<br>• vehicle<br>• people's houses<br><br>Do not award government grants or loans as this is financial. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(e) | **Do you think that using his own savings is the best source of finance for Bill to use for the vehicle? Justify your answer.**<br><br>Knowledge[1]–award 1 mark for identification of relevant point (s)[max 1]<br>Application [1] – award 1 mark for a relevant reference to this business<br>Analysis [2] – award up to 2 marks for relevant development of point(s)<br>Evaluation [2] – justified decision made as to whether using his own savings is the best source of finance for Bill to use for the vehicle.<br><br>Points might include:<br><br>Own savings:<br><br>• No need to repay [k]<br>• May not have sufficient funds [k] as needs $6000 [app]<br>• No interest [an]<br>• Opportunity cost [k] as will not be able to use funds for other areas in this repair business [app]<br>• No funds to fall back on if has problems [k]<br><br>Other options include<br><br>• Bank loan [k] would have to pay interest [an] increasing his expenses [an] but would have time to repay [an] **OR** Bank might not be willing to lend to him as new so seen as a higher risk [an] despite 30 years' experience [app]<br>• Lease [k] would not have to pay full amount up initially [an] so has funds available for other purposes such as marketing [an] but will not own the asset [an]<br>• Borrow from friends and family [k]<br>• Government grant [k] | **6** | Application marks may be awarded for appropriate use of the following:<br>• Computers or repairs<br>• 30 years<br>• large IT company<br>• secondary market research,<br>• Other business charge high prices<br>• Sole trader<br>• $6000<br>• People's homes<br>• new business<br><br>Do not accept own savings or vehicle as application<br><br>**Note**: Identifying other appropriate sources of finance can gain the knowledge mark but for evaluation must focus on whether using his own savings is the best source of finance for Bill to use for the vehicle |

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