Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **October/November 2019**

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.

GENERIC MARKING PRINCIPLE 5:

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:

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
1(a)	**Identify and explain two possible reasons why Richard wants to expand RR.** Knowledge [2 × 1] – award one mark for each relevant reason Analysis [2 × 1] – award one mark for a relevant explanation of each reason Application [2 × 2] – award two application marks for each reason Answers are likely to include: • To possibly increase profit/Increase revenue • Higher status and prestige for owner • Lower average costs/Benefit from economies of scale • Larger share of the market/Increase market share • Spread risk Indicative response: To possibly increase profit (1) because if the restaurant is bigger it will have more customers and more revenue (ap). With higher revenue, if costs can be kept lower, then profit should increase (1). If customers are interested in the new delivery service then sales should increase and so will profit (ap). Possible application marks: Sole trader business; set up 5 years ago; restaurant; good reputation for quality food; reputation for excellent service; main objectives to increase profit and increase market share; opening new restaurant offering a delivery service; food; meals; customer loyalty. There may be other examples in context that have not been included here.	**8**

Question	Answer	Marks
1(b)	**Consider the advantages and disadvantages of the following three types of business organisation. Recommend which type of business organisation Richard should choose for RR as it expands. Justify your answer.**	**12**

Sole trader	• Owner in complete control • No sharing of profit • Incentive to work hard as everything kept for himself	• Unlimited liability • No continuity • No one to help share decision making
Partnership	• Partners can specialise in different tasks • Share decision making • More ideas/experience • Able to raise more capital from partners	• Unlimited liability • Each partner responsible for the actions of other partners • No continuity
Private limited company	• Raise capital from sale of shares • Limited liability • Separate legal identity • Continuity	• Can only sell shares to family and friends • Accounts not private • Legal formalities when setting up and running the company.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation of which type of business organisation to choose and why not the other types.

7–8 marks for limited recommendation of which type of business organisation to choose.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the advantages and/or disadvantages of each type of business organisation.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the advantages and/or disadvantages of each type of business organisation.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Sole trader has unlimited liability.

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. Sole trader has unlimited liability and this means that the owners personal possession are at risk if the business goes bankrupt and Richard is personally liable for all debts of the restaurant. However, he is his own boss and makes all the decisions (L2 + application for reference to the restaurant).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of which type of business organisation to choose.

Award up to 2 additional marks for relevant application.

Possible application marks:
Set up 5 years ago; restaurant; good reputation for quality food; good reputation for excellent service; main objectives to increase profit and increase market share; opening new restaurant offering a delivery service; customer loyalty; meals.

There may be other examples in context that have not been included here.</td><td></td></tr>
</table>

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Question	Answer	Marks
2(a)	**Identify and explain two possible reasons why Richard needs a well-motivated workforce.** Knowledge [2 × 1] – award one mark for each relevant reason Analysis [2 × 1] – award one mark for a relevant explanation of each reason Application [2 × 2] – award two application marks for each reason Answers are likely to include: • Encourages workers to work more efficiently/higher productivity/lower unit costs for the business/Increased output • Lower labour turnover – saves recruitment and training costs/lower absenteeism • Happier employees give better customer service/good quality meals/improved reputation • Employees feel valued – willing to contribute to ideas Indicative response: Motivated employees give better customer service (1) that leads to food deliveries arriving on time (ap). The customers feel cared for by the business and so maintain customer loyalty (ap). These satisfied customers may also tell friends about the service and so sales increase for RR (1). Possible application marks: Restaurant; good reputation for quality food; good reputation for excellent service; new multinational restaurant chain set up; 20 part-time employees; 10 skilled full-time employees; waiters; chefs; customer loyalty; meals; plates. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Consider the following three ways Richard could use to make sure he has enough workers for the new restaurant. Recommend which would be the best way. Justify your answer.
<table>
<tr><th></th><th>Benefits</th><th>Drawbacks</th></tr>
<tr><td>Move some part-time employees from the existing restaurant</td><td>• Cheap to arrange
• Saves time recruiting – quick to fill the vacancies at the new restaurant
• No training required</td><td>• Need to replace the existing employees – still have recruitment costs
• Not enough employees to fill all jobs at the new restaurant</td></tr>
<tr><td>Ask part-time employees to work full time so they can work at both restaurants</td><td>• Already trained – no training costs
• Already know what is required at the new restaurant – quicker to open it</td><td>• May not want to work longer hours
• Might have to pay higher wages</td></tr>
<tr><td>Recruit additional unskilled employees that Richard can train</td><td>• Workers trained in the way Richard wants for RR
• More likely to stay at the new restaurant</td><td>• Training costs
• Costs of recruitment
• Takes time to recruit and train workers</td></tr>
</table></td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation of the best way to choose and why the other ways will be less effective.

7–8 marks for some limited judgement shown in the recommendation of the best way to choose.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the benefits and/or drawbacks of each way.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the benefits and/or drawbacks of each way.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. It is cheap to arrange moving some employees over to the new restaurant.

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. It is cheap to move existing employees over to the new restaurant and they will already know the quality requirements of RR service. It will maintain the quality of service at the new restaurant and build up a reputation there. However, Richard will still need to recruit employees for the existing restaurant so unlikely to save recruitment costs (L2).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a justified recommendation of which way to choose.

Award up to 2 additional marks for relevant application.

Possible application marks:
Sole trader business; good reputation for quality food; good reputation for excellent service; new multinational restaurant chain set up; 20 part-time employees; 10 skilled full-time employees; opening new restaurant offering a delivery service; customer loyalty; meals; chefs; waiters; expansion.

There may be other examples in context that have not been included here.</td><td></td></tr>
</table>

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Question	Answer	Marks
3(a)	**Identify and explain two ways Richard could promote the new restaurant.** Knowledge [2 × 1] – award one mark for each way Analysis [2 × 1] – award one mark for a relevant explanation of each way Application [2 × 2] – award two application marks for each way Answers are likely to include: • Posters • Billboards • Leaflets • Discount coupons • Local newspapers • Social media • Special appearance of celebrity **Note:** Internet/online on its own is too vague and television is not suitable for a small business. Indicative response: Advertise by handing out leaflets (1) this can be done outside the new restaurant to highlight the food served as well as the new delivery service (ap). Potential customers can keep a copy of the leaflet to remind them of the contact details and opening times (1) which may encourage them to try the new service next time they have a party at home (ap). Possible application marks: Good reputation for quality food; good reputation for excellent service; new multinational restaurant chain set up; main objectives to increase profit and increase market share; offering a delivery service; customer loyalty; garden parties; appeal to high income customers; meals. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Consider the following three factors that will affect Richard’s decision on the location of the new restaurant. Which factor is the most important to Richard? Justify your answer.
<table>
<tr><td>Near to existing restaurant</td><td>• If near to existing restaurant then it is easier to move employees between the two
• Easier for Richard to manage the two restaurants
• Existing restaurant fully booked so not a problem for the new restaurant
• May not increase sales as customers already go to the existing restaurant</td></tr>
<tr><td>The level of income of local restaurant</td><td>• The level of income will affect the potential demand for the new restaurant and the new delivery service
• High income residents in Location 2 might have houses with gardens which mean they are more likely to have parties in the garden
• Lower income residents are less likely to spend money on takeaways/eating at restaurants as they would cook food themselves
• High unemployment in location 1 so lower demand</td></tr>
<tr><td>Cost of building</td><td>• If lower cost then may be more affordable for Richard
• Leaves more working capital especially as cash flow may not be good to start with
• High cost may mean Richard has to borrow large amount of capital
• As a sole trader Richard may have only a limited amount of capital</td></tr>
</table></td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified conclusion as to which factor is most important relative to the other factors.

7–8 marks for some limited judgement shown in the conclusion as to which factor is most important.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the benefits and/or drawbacks of each factor.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the benefits and/or drawbacks of each factor.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. If near to existing restaurant then it is easier to move employees between the two.

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 near to existing restaurant then it is easier to move employees between the two restaurants and it is easier for Richard to move between the two businesses and manage them. If Richard had to keep travelling a long way then this will take time and he will find it harder to keep an eye on the employees to make sure everything is going well (L2).

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

Award up to 2 additional marks for relevant application

Possible application marks:
Good reputation for quality food; good reputation for excellent service; new multinational restaurant chain set up; opening new restaurant offering a delivery service; customer loyalty; meals; food; eat out; information from Appendix 1; new restaurant is aimed at high income customers.

There may be other examples in context that have not been included here.</td><td></td></tr>
</table>

Question	Answer	Marks
4(a)	**Identify and explain one opportunity and one threat to RR from a multinational company opening a restaurant nearby.** Knowledge [2 × 1] – award one mark for each opportunity/threat Analysis [2 × 1] – award one mark for a relevant explanation of each opportunity/threat Application [2 × 2] – award two application marks for each opportunity/threat Answers are likely to include: Opportunities • TV advertising increases demand for restaurant meals – increases demand for all restaurants so RR benefits • Learn new techniques from seeing how multinational operates – improves efficiency at RR – copy idea of online booking App Threats • Lower costs for multinational as benefit from economies of scale – RR will find it harder to compete on price • May lose employees – as multinational may pay higher wages • Increased competition – lower RR sales/lose customers Indicative response: May lose employees (1) as multinational may pay higher wages and is more attractive to work for (1). This could cause a lot of problems for the restaurant if it becomes short of staff such as chefs (ap). This will make it hard to continue to provide an excellent service and maintain a good reputation (ap). Possible application marks: Sole trader business; good reputation for quality food; good reputation for excellent service; 20 part-time employees; 10 skilled full-time employees; main objectives to increase profit and increase market share; offering a delivery service; chefs; kitchen staff; customer loyalty; expansion; meals; 2 kitchen employees have been offered jobs by the multinational business. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Appendix 3 shows the cash-flow forecast for RR's business before the location decision for the new restaurant is made. Assume Richard chooses location 1.

Consider how the decision to choose location 1 could affect RR's cash-flow forecast. Recommend to Richard how he could try to make sure that RR does not have a cash-flow problem. Justify your answer.

Relevant points might include:

<table>
<tr><th>Examples of L1 statements</th><th>Examples of L2</th></tr>
<tr><td>• Cash inflows will increase from July
• Cash outflows will increase from the purchase of the building
• Additional cash outflow of $25 000
• Large cash outflows at the start of the year
• Negative effect on net cash flow</td><td>• Closing negative balance in January ($37 000)
• Positive closing balance of $1000 achieved by July
• By December positive closing balance of at least $18 000 but also inflows and outflows from the new restaurant that will now be trading
• Large cash outflow initially from the purchase, decoration and equipping of the new restaurant and delay in cash inflows for 6 months until new restaurant starts trading causing negative effect on closing balance for the first 6 months</td></tr>
</table>
Possible recommendation to avoid a cash flow problem:
• Capital financed by long term sources such as bank loan or take on a partner so avoid large cash outflow at the start of the year
• Working capital financed by trade credit or overdraft to avoid a cash flow problem caused from the delay in the revenue from the new restaurant

Note: No mention of cash flow no marks. Reference to location 2 or profit is not valid.
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation as to the best way for Richard to ensure the cash flow does not become a problem as RR expands.

7–8 marks for some limited judgement shown in the recommendation as to the best way for Richard to ensure the cash flow does not become a problem as RR expands.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of how cash flow forecast may be affected.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of how cash flow forecast may be affected.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Cash inflows will increase from restaurant customers after June.

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. Cash inflows will increase from restaurant customers but these may be delayed inflows as location 1 has been chosen. This may cause cash flow problems if the outflows from expenditure on purchasing the new restaurant building go out straight away (1 × L2).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and a recommendation as to the best way for Richard to ensure the cash flow does not become a problem as RR expands.

Award up to 2 additional marks for relevant application.

Possible application marks:
Sole trader business; good reputation for quality food; good reputation for excellent service; new multinational restaurant chain set up; 20 unskilled part-time employees; 10 skilled full-time employees; main objectives to increase profit and increase market share; opening new restaurant offering a delivery service; customer loyalty; take 6 months to prepare building; meals, figures from Appendix 3; new restaurant aimed at high income customers.

There may be other examples in context that have not been included here.</td><td></td></tr>
</table>

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