Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer/Structured Response **October/November 2020**

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.

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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: 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	Notes
1(a)	**Identify <u>two</u> features of an economic boom.** Award 1 mark per feature. Points might include: • Rapid/fast increase in GDP/highest GDP • Increase in prices/high prices/inflation • High levels of demand • (Very) low unemployment/shortage of skilled workers • Increase in wages/high income/standard of living at highest • Increase in/high business profits/profit at its highest • Increase in/rising business costs • Significant/high levels of business investment • High capacity utilisation/increase in business output • Increase in number of business start-ups Other appropriate responses should also be credited.	**2**	Only award the first two responses given. Do not award 'high GDP' as this is associated with economic growth.
1(b)	**Identify <u>two</u> stages of the recruitment process.** Award 1 mark per stage. Two from: • Job analysis/identify a vacancy • Job description • Person/job specification • Advertising (the vacancy) • Application forms sent out/ received • Shortlisting/screening • Interview/ testing • Selection/job offer	**2**	Only award the first two responses given. Note: Answer must be from the business viewpoint not the applicant e.g. CV or letter of application [tv]

Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> possible advantages to Kolo of recruiting a manager.** Award 1 mark for each relevant advantage. Award 1 mark for each relevant reference to this business. Points might include: • Reduce Kolo's workload/ can delegate tasks/ share responsibility [k] as would need to manage two businesses [app] • Can provide new ideas / experience / skills [k] about hairstyles [app] • Can motivate / inspire others [k] such as the 4 employees [app] Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hairdressing or examples such as hairstyles, shampoo • (2) salons / second /new business • 4 (employees) • City (centre) • Make a profit in each of the last 3 years • Economic boom Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> reasons why choosing the right location for the new salon is important for Kolo.** Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Help attract customers/number of potential customers/close to customers/level of income/target market [k] who want their haircut [app] increasing revenue/allowing it to break-even [an] • Proximity to competition/may be loyal to another business [k] so may have to lower prices [an] • Have good access/easy to find/space for parking [k] leading to more sales [an] • Rent [k] as likely to be expensive in the city centre [app] will increase his fixed/total costs [an] • Distance to other salon [k] as if far away, will increase transport cost [an] • Help attract employees/close to employees [k] as it is economic boom [app] it might be difficult to find (suitably) skilled people [an] • Provide safe/low crime environment/security [k] as otherwise customers may not wish to visit [an] • Location has to match its brand image [k] • Meet legal controls/government influence [k] otherwise could create a bad reputation [an] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hairdressing or examples such as hairstyles, shampoo • City (centre) • 4 (employees) • 2 businesses / second business • Make a profit in each of the last 3 years • Economic boom Other appropriate examples in context can still be credited. Do not award ‘salon’ as application as stated in question. Some points can be awarded as either [k] or [an] but only allow once.

Question	Answer	Marks	Notes
1(e)	**Do you think experience is the most important factor for a business to consider when recruiting a new manager? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether experience is the most important factor for a business to consider when recruiting a new manager. Points might include: Experience • Experienced person may expect higher wages [k] increasing labour costs [an] • Experienced person is likely to make fewer mistakes [k] so business may be able to provide better service/more efficient [an] increasing brand loyalty [an] • Business know they have shown they have ability to do the job [k] lower cost/time of training [an] • May not be willing to listen to ideas of owner/other employees [k] which could demotivate other employees [an] Other factors could include: • Personality/leadership style [k] as a manager must be able to lead/ work with subordinates [an] • Qualifications/skills [k] show that the person has the technical ability to do the job [an] • Requirements of the job [k] because if it's a new role, there might not be anyone with the necessary experience to do it anyway [an] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Some points could be awarded for different options, but do not award the same point twice. For evaluation to be awarded justification will usually follow on from relevant analysis of points

Question	Answer	Marks	Notes
1(e)	Justification might include: Experienced managers are likely to make fewer mistakes [k] reducing amount of waste [an]. Qualifications [k] are also necessary as it shows they have the relevant technical ability [an]. However, experience is likely to be the most important factor as it clearly shows the person has shown ability to do the job whereas qualifications only indicate they have the knowledge to do so and therefore may add value to the business more quickly. [eval] [eval]		

Question	Answer	Marks	Notes
2(a)	**Define 'pressure group'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Group formed by people with a common interest who take action to change/ influence business decisions or government policies. [2] Organisations of like-minded people who put pressure on businesses and the government to change their policies to reach a predetermined objective [2] Partial definition e.g. group formed by people with a common interest [1] Do something to change business decisions/government policies [1] Other appropriate responses should also be credited.	**2**	For 2 marks must have the idea of a group with a common interest and influence on business or government

Question	Answer	Marks	Notes
2(b)	**Define 'brand image'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Identity/logo/unique name of a product that distinguishes it from other brands [2] The general impression/perception/reputation of a product held by consumers [2] Partial definition e.g. identity given to a product (which gives it a personality of its own) [1] Something that distinguishes a product from its competitors [1] How the product is seen/perceived by others [1] Other appropriate responses should also be credited.	**2**	

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Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> advantages to DSY of being a private limited company.** Award 1 mark for each relevant advantage. Award 1 mark for each relevant reference to this business. Points might include: Advantage: • Access to more capital (than unlimited company)/can raise capital by selling shares [k] to start making cars [app] • Control over who buys shares/less risk of takeover (than public limited company) [k] which may be important as there is a lot of competition [app] • Continuity of existence [k] • Separate legal identity [k] • (Its shareholders benefit from) limited liability/incorporated [k] Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • (electric) cars • Lot of competition • $2bn • Market is growing rapidly • Different market • Washing machines/ cleaning equipment Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> factors DSY should consider when deciding on a suitable method of production for the new product.** Award 1 mark for identification of each relevant factor (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Access to/amount of capital available/cost of machinery [k] as may not be able to afford to set up flow production [an] when already planning to spend $2bn [app] • Level of demand/size of market/volume needed [k] as there is a lot of competition [app] may not be able to sell/need to produce a large number [an] • Nature/type of product [k] as cars [app] are more likely to be mass produced to be more cost-efficient/if luxury then job production might be suitable [an] • Access to/amount of suitable space (inside the factory) [k] • Access to (suitable/skilled) employees [k] • Possible environmental damage/impact/pollution [k] which leads to protests by pressure groups [app] which could damage its reputation/ potential sales [an] • How efficient is the method of production/amount of waste [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • (electric) cars • Washing machines/ cleaning equipment • Lot of competition • $2bn • Market is growing rapidly • Pressure groups Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
2(e)	**Do you think entering a growing market where there is a lot of competition is the best way for a business to expand? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether entering a market where there is a lot of competition is the best way for a business to expand. Points might include: • Shows high potential demand/many potential customers [k] could lead to an increase in revenue [an] • Have to do something different to make your product 'stand out'/ customers may be brand loyal to other businesses/ more choice [k] leading to higher/lower sales [an] leading to higher/lower revenue [an] • Allow the business to spread risk [k] • Difficult to charge high prices/may have to set lower prices (than competitors) [k] lowering the profit margin/so difficult to break-even [an] • (Additional) costs of promotion/market research [k] leading to higher expenses [an] • Makes the business be more efficient [k] to reduce average costs [an] Other options might include: • Develop new products [k] • Expand in existing market [k] • Find new market with low/no competition [k] provides chance for monopoly (as no competition) [an] • Take over a competitor [k] so gain their market share [an] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Some points can be awarded as either [k] or [an] but only allow once. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

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Question	Answer	Marks	Notes
2(e)	Justification might include: A growing market shows high potential demand [k] so possible to earn enough revenue to recover costs [an]. However, if there is a lot of competition then it might be difficult to charge high prices [k] and this might lower the profit margin [an] which could make it difficult to recover the cost of developing new products [an]. It will depend on how good its product is because if customers are interested in what the business is offering, they may be prepared to buy it despite the competition so in this situation it is worth the risk as they would be able to gain market share to justify the costs of expansion.[eval] [eval]		

Question	Answer	Marks	Notes
3(a)	**Define 'micro-finance'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Provides financial services/small loans to poor people not served by traditional banks [2] Partial definition e.g. not given by big banks [1] Help people who can't afford a (bank) loan [1] Small loans to poor people [1]	**2**	
3(b)	**Veronique now thinks that the cash inflow in month 3 will be $1500.** Award 1 mark for each correct calculation. **New** net cash flow in month 3: 300 [1] **New** closing balance in month 3: (900) or –900 [1]	**2**	New closing balance must be shown as a negative value to be credited. OFR rule will apply for new closing balance.

Question	Answer	Marks	Notes
3(c)	**State <u>four</u> reasons why a business might have cash flow problems.** Award 1 mark per reason. Points might include: • Lack of demand/economic downturn/seasonal demand • Poor cash flow management/not prepared a cash flow forecast • Unable to get a bank loan/overdraft • High level of trade receivables/allowing customers (too much) credit • Not able to purchase materials on credit/pay suppliers too soon • Increase in/higher fixed costs or examples such as rent costs too high • Increase in/higher variable costs or examples such as cost of wages too high • High level of inventory/holding too much stock/buy too much stock • Overtrading/expanding too quickly • Unexpected changes e.g. machine breakdown/loss of key employees/ loss of key customer (allow only once) • Inaccurate financial information Other appropriate responses should also be credited.	**4**	Only award the first four responses given.

Question	Answer	Marks	Notes
3(d)	**Explain <u>one</u> method of primary market research and <u>one</u> method of secondary market research Veronique could have used.** Award 1 mark for identification of each relevant method (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Primary market research: • Questionnaire [k] as provides up-to-date information/specific to her business [an] about trends for festivals [app] • Interviews [k] to obtain in depth details/opinions [an] about different type of flowers [app] • Online survey [k] as more likely to get responses/can reach out to more people [an] • Focus group [k] as provides detailed information about consumer tastes/as allows for follow-up questions [an] • Observation [k] as avoids interviewer bias [an] • Test marketing [k] so the cost of any problem is limited to a smaller number of products [an] Secondary market research: • Government statistics [k] as being official would provide more accurate data [an] to help her improve her cash flow forecast [app] • Online sources/internet research [k] which is low cost/readily available [an] which can be helpful for a new business [app] • Market research agency reports [k] • Trade associations/data from similar businesses/commercial data [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Flower (shop) • Festivals • Start-up /new business Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
3(e)	**Do you think being creative is the most important characteristic of being a successful entrepreneur? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether being creative is the most important characteristic of being a successful entrepreneur. Points might include: Creative: • New/unique ideas [k] to help gain sales/attract customers/maintain customer loyalty [an] • Can open up new opportunities [k] • Customers may not like the products [k] Other characteristics include: • Risk taker [k] as needs to be able to make decisions that might fail [an] otherwise will not know whether an idea is good or not [an] • Perseverance/determination [k] as will need to be prepared to keep going when faced with problems/issues that any new business is likely to have [an] • Effective communicator [k] as will need to convince to supplies/finance providers/customers to provide supplies/finance/buy goods otherwise business will not succeed [an] • Good decision-maker/management skills [k] as increases in costs/or reduction prices charged by rivals will require a response from the business [an] otherwise sales/profits may fall [an] • Hard-working [k] as must be ready to do everything themselves [an] • Optimistic [k] • Self-confident [k] • Independent [k]	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. An answer that only discusses other entrepreneurial skills cannot access the evaluation marks as they have not directly answered the question.

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Question	Answer	Marks	Notes
3(e)	Other appropriate responses should also be credited. Justification might include: Being creative can result in ideas that make a business stand out from its competitors [k] leading to increased sales [an]. But it is also important to be a risk taker [k] as they need to be willing to make decisions that might fail [an]. Creativity is important but not the most important characteristic. A creative but risk averse entrepreneur may miss the opportunity to be first to market [eval] so losing the chance to gain a competitive advantage so reducing their chances of success. [eval]		

Question	Answer	Marks	Notes
4(a)	**Define 'break-even'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. When total costs is the same as total revenue [2] Total revenue (TR) = Total cost (TC) [2] The level of output at which Total revenue = Total Cost [2] Fixed costs/contribution per unit [2] Partial definition e.g. no profit or loss [1] or revenue covers costs [1]; revenue equals total cost [1]; total revenue equals costs [1]; point where start making profit [1]	**2**	

Question	Answer	Marks	Notes
4(b)	**Define 'Return on Capital Employed'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Profit as a percentage of capital employed [2] Correct formula: (Profit/Capital employed) *100 [2] Profit made on each dollar/pound invested in the business [2] Partial definition e.g. Money made on investment/capital [1] (It is a profitability ratio which) shows how effectively a business uses it capital [1]	**2**	Do not award answers which simply reorder the words as this does not define the term.
4(c)	**Outline <u>two</u> problems inflation might cause Gino's business.** Award 1 mark for each relevant problem. Award 1 mark for each relevant reference to this business. Points might include: • Fewer customers/lower demand/lower sales/less revenue [k] at the restaurant [app] • Supplier prices may increase [k] for its chicken/fries [app] • Employees might demand higher wages [k] from its 17 employees [app] • May have to increase its prices [k] • Businesses unlikely to want to/will not expand [k] Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Fast-food or examples such as fried chicken, potato fries, food • Restaurant • 17 or 5 (full-time) or 12 (part-time) or chefs • menu Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
4(d)	**Explain <u>two</u> ways Gino could increase the number of customers.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Advertise or examples such as promote on social media [k] to inform/ raise awareness/attract [an] about his restaurant [app] • Promotional pricing/discounts/lower prices [k] to compensate for the effect of inflation [app] as people might be willing to buy as more affordable [an] • Loyalty schemes [k] as this can encourage customers to return again and again [an] • Introduce new products [k] other than chicken/fries [app] to target different/new market segments [an] • Offer better customer service/better quality [k] to improve brand image/ reputation [an] • Open additional outlet/increase size of existing place/extend opening hours/offer home delivery [k] as would be able to cater for more people at same time [an] • Free samples [k] so people can try the food, and if liked, might buy [an] • Sponsorship [k] • Competition [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Fast-food or examples such as fried chicken, potato fries • Restaurant • 17 or 5 (full-time) or 12 (part-time) or chefs • Menu Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
4(e)	**Do you think having regular meetings is a better way for a business to communicate with part-time employees than using text messages? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether having regular meetings is the best way for a business to communicate with part-time employees rather than using text messages. Points might include: Meetings: • Allow two-way communication/immediate feedback/allows ideas to be discussed [k] so can explain if instructions/information is not understood (straightaway) [an] • Information can be given out quickly/more detailed [k] • Message can be reinforced by being able to see the speaker/body language of attendees [k] • May take time/be difficult to arrange [k] as part-time employees do not work all the time [an] • Will take people away from work [k] leading to lower output/ lower efficiency/missed sales [an] Text messages: • No guarantee read/may not have a phone [k] leading to mistakes/wasting resources [an] • Have a hard copy/record [k] which can be referred to later [an] • Can send at any time [k] allowing people to read it when it is convenient for them to do so [an] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Advantages of one method can be presented as disadvantages of the other method but do not award the same point twice as mirror answers are not accepted. For evaluation to be awarded justification will usually follow on from relevant analysis of points. To access the evaluation marks candidates must refer to part-time workers.

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Question	Answer	Marks	Notes
4(e)	Justification might include: Meetings allow two-way communication [k] which can help speed up decision-making [an]. A text message is good because it can be sent and received at any time [k] ensuring that all part-time staff receive the same message at the same time [an] but people may not be able to read/respond to it immediately. So while a meeting can be difficult to arrange it is the best option for part-time employees as slow decision making could result in missed opportunities which might result in fewer sales [eval] which can more than offset the cost of the time spent in arranging the meeting. [eval]		

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