Cambridge Assessment International Education

# Cambridge IGCSE™

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

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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**[Turn over**

## 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 | Notes |
|---|---|---|---|
| 1(a) | **Define 'entrepreneur'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>A person who organises, operates and takes the risk for a new business venture [2]<br><br>An individual who takes the financial risk of starting and managing a new business [2]<br><br>Partial definition e.g. a person who starts/sets up a business [1] | **2** | Do not award answers such as managing a business or identifies skills of an entrepreneur on its own as this does not define the term.<br><br>For both marks, need idea of starting a business and takes (financial) risks to do so. |
| 1(b) | **State <u>two</u> reasons why sampling is used when carrying out market research.**<br><br>Award 1 mark per reason.<br><br>Points might include:<br>• To bring the population to a manageable number/reduce number of people asked<br>• To reduce cost (of having to ask large numbers of people)<br>• To save time (to carry out market research)<br>• To help reduce errors caused by having a large number in the population<br><br>Other appropriate responses should also be credited. | **2** | Only award the first two responses given. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 1(c) | **Outline <u>two</u> ways in which being ethical could help Mercy and Ayo's business.**<br><br>Award 1 mark for each relevant way.<br><br>Award 1 mark for each relevant reference to this business.<br><br>Points might include:<br>• Higher revenue/increase demand/enter new market [k] for ice cream [app]<br>• Improved brand image/reputation [k] for the shop [app]<br>• Build/encourage customer loyalty [k] for this new business [app]<br>• Help create good supplier relations [k] so able to obtain high-quality milk [app]<br>• Investors more likely to invest [k]<br>• Improve employee motivation/help recruit employees [k]<br>• May be possible to set a premium price/increase price [k]<br>• Less opposition from pressure groups [k]<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br><br>• Ice cream<br>• Shop/store<br>• Organic/milk/farm<br>• Entrepreneur<br>• New business/start-up<br><br>Other appropriate examples in context can still be credited.<br><br>Do not award 'better quality', 'legal' or 'rights' as these are different concepts.<br><br>Do not accept answers which explain how a business can be ethical as this is not the question. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 1(d) | **Explain <u>two</u> ways in which market research results can help Mercy and Ayo's business.**<br><br>Award 1 mark for identification of each relevant way (max 2).<br><br>Award 1 mark for each relevant reference made to this business (max 2).<br><br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Identify consumer needs/demand/target market [k] as it's a new business [app] to ensure sales/revenue [an]<br>• Helps set price/decide what price to set [k] to help ensure they can break-even/ cover costs [an]<br>• Help decide how to promote/promotion strategy for its products [k]<br>• Help decide the best location/place/distribution channel [k] so know whether/where to locate the shop [app]<br>• Help identify (strength of) the competition [k]<br>• Help decide what/amount to produce/buy right amount of raw materials [k] to keep variable costs low/reduce wastage [an]<br>• Reduces risks/products launched with more confidence [k] for these entrepreneurs [app]<br>• Discover current and future market size/trends [k] for ice cream [app]<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br>• Ice cream<br>• Shop/ store<br>• Organic milk/farm<br>• Entrepreneur<br>• New business/start-up<br>• 300 (people)<br><br>Other appropriate examples in context can still be credited. |

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|---|---|---|---|
| 1(e) | **Do you think a new business has a better chance of success if it locates where there is no competition? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant issues.<br><br>Award up to 2 marks for relevant development of points.<br><br>Award 2 marks for justified decision as to whether a new business has a better chance of success if it locates where there is no competition.<br><br>Points might include:<br>• Able to gain more customers/sales/no risk of brand loyalty to another business [k] so increase in (potential) revenue/market share [an]<br>• May indicate a gap in the market [k]<br>• Lower costs of promotion [k] reduce expenses/can help maintain/ improve its profit margin. [an]<br>• May indicate low demand/few or no customers available/small target market [k] so difficult to break-even [an]<br>• Could depend on product or service offered [k] as if they have developed a new product there may not be many competitors [an]<br>• Able to set higher prices (as no one to compete against) [k] leading to higher revenue [an]<br><br>Justification might include:<br><br>I think they have less chance of success. While setting up where there are no customers may allow them to gain more customers [k] which can increase revenue [an]. But it might also mean there are few or no customers available [k] so small target market [an]. However, if there is no demand, there is no point in setting up there unless it is unique because they will not gain enough sales to break even let alone be successful. [eval] [eval]<br><br>Other appropriate responses should also be credited. | **6** | This is a general question so there are no marks for application.<br><br>Some points could be awarded for different options, but do not award the same point twice.<br><br>For evaluation to be awarded justification will usually follow on from relevant analysis of points.<br><br>Do not award vague answers such as ‘easier to compete, ‘lower/high risk’.<br><br>Do not award answers which outline solutions such as ‘should advertise’ etc. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(a) | **Define 'job production'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>Where a single product is made at a time [2]<br><br>Makes one product from start to finish (before starting the next one) [2]<br><br>Produce a (personalised) product individually [2]<br><br>Partial definition e.g. single product made [1]<br><br>Produce a personalised product [1] | **2** | |
| 2(b) | **Identify <u>two</u> reasons why a business might want to expand.**<br><br>Award 1 mark per reason.<br><br>Points might include:<br>• Increase sales/sales revenue<br>• Increase profit<br>• Return to shareholders<br>• Spread risk<br>• Increase reputation/brand image/prestige<br>• Increase customer base/target new markets<br>• Increase market share<br>• Economies of scale<br><br>Other appropriate responses should also be credited. | **2** | Only award the first two responses given. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(c) | **Outline <u>two</u> ways Lola and Raul's business could use a website.**<br><br>Award 1 mark for each relevant way.<br><br>Award 1 mark for each relevant reference to this business.<br><br>Points might include:<br>• Take orders/sell its products [k] as well as the shop [app]<br>• Advertise/promote/raise awareness/give out information about its products [k] to people other than tourists [app]<br>• Obtain feedback/reviews [k] about its t-shirts [app]<br>• Advertise job vacancies [k]<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br>• Hand-printed or examples such as T-shirts/ bags/posters<br>• Tourists<br>• (Small) shop/store<br><br>Other appropriate examples in context can still be credited. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(d) | **Explain <u>one</u> advantage and <u>one</u> disadvantage to Lola and Raul of being in a business partnership.**<br><br>Award 1 mark for identification of each relevant advantage and disadvantage (max 1 for each).<br><br>Award 1 mark for each relevant reference made to this business (max 2).<br><br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br><br>Advantage:<br>• More ideas [k] about what type of hand printed items to offer [app] can help increase revenue/sales [an]<br>• Access to more capital (than sole trader) [k] to pay for setting up a website [app] improving chance of expanding [an]<br>• More skills/expertise/can specialise [k] Raul does the finance and sales [app] allowing time for Lola to focus on her job [an]<br>• Share loss/risk [k] so do not have to carry all the financial burden [an]<br>• Share workload [k]<br><br>Disadvantage:<br>• Disagreements [k] such as how to increase output [app] which could lead to lower productivity [an]<br>• Unlimited liability/each responsible for debts of other [k] so their personal belongings are at risk as well [an] as the shop [app]<br>• Have to share profits [k]<br>• Slower decision-making [k]<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br>• Hand-printed (items) or examples such as T-shirts/bags/posters<br>• Tourists<br>• Shop/ store<br>• Website<br>• Introduce machinery<br><br>Other appropriate examples in context can still be credited. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(e) | **Do you think introducing machinery is a better way for a small business to increase output than recruiting more employees? Justify your answer.**<br><br>Awards up to 2 marks for identification of relevant issues.<br><br>Award up to 2 marks for relevant development of points.<br><br>Award 2 marks for justified decision as to whether introducing machinery is a better way for a small business to increase output than recruiting more employees.<br><br>Points might include:<br><br>Introducing machinery<br>• Likely to be more consistent/better quality/fewer mistakes [k] reducing the amount of rework/wastage [an]<br>• Machines do not need to rest [k] so can work for longer periods of time/24-7 [an]<br>• Higher productivity/more efficient [k] lower average cost [an]<br>• High cost/expensive to invest in equipment [k] which would increase cash outflows [an] which a small business might not be able to afford [an]<br>• May not have space to introduce machinery [k]<br>• May required more skilled workers [k] increasing labour costs [an]<br>• Higher maintenance costs [k] increasing expenses [an]<br>• Can become outdated quite quickly/need to replace regularly [k]<br><br>Recruit some/additional employees:<br>• Cost/time to recruit [k]<br>• Training may be required [k] increase costs [an]<br><br>Other appropriate responses should also be credited. | **6** | This is a general question so there are no marks for application.<br><br>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.<br><br>Candidates can also discuss factors which need to be considered when making decisions about increasing output e.g. cost, whether demand is temporary or not.<br><br>For evaluation to be awarded justification will usually follow on from relevant analysis of points.<br><br>For evaluation, candidates must relate answer to increase in output. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(e) | Justification might include:<br><br>Using machinery is likely to mean fewer mistakes [k] reducing the amount of rework [an]. Whereas having more employees could mean training is required [k] which increases costs [an]. However, it may still be better for a small business to recruit more employees, especially if the increase in output is only temporary as the initial cost of machinery is likely to high. Therefore, it might be safer for a small business to wait before taking a major financial decision to see whether the higher level of demand can be sustained. [eval] [eval] | | |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(a) | **Define 'non-current assets'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>Resources owned by a business which will be used for a period longer than one year [2]<br><br>Items owned by a business that last for more than 12 months [2]<br><br>Partial definition e.g. items owned by a business | **2** | Do not award examples. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(b) | **Calculate the acid test ratio. Show your working.**<br><br>Award 2 marks for correct calculation.<br><br>Correct answer 0.67 or 0.66 [2]<br><br>Method e.g. current assets – inventory/current liabilities<br><br>OR 60 – 40 / 30 [1]<br><br>If correct answer given with no working shown, award 2 marks. | **2** | |
| 3(c) | **State <u>four</u> factors that can affect the source of finance a business might use.**<br><br>Award 1 mark per factor.<br><br>Points might include:<br>• Amount needed<br>• Existing borrowing gearing<br>• Length of time/how long to repay<br>• Purpose/what it is needed for<br>• Level of security/assets available to use as guarantee<br>• Interest rates<br>• Legal form/type of business/size of business<br>• Loss of ownership/control<br><br>Other appropriate responses should also be credited. | **4** | Only award the first four responses given. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(d) | **Explain <u>two</u> ways in which local communities might be affected by CLN's decision to close some of its shops.**<br><br>Award 1 mark for identification of each relevant way (max 2).<br><br>Award 1 mark for each relevant reference made to this business (max 2).<br><br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Job losses/higher unemployment [k] so lower standard of living/have less money to spend at other businesses [an] as well as those selling electrical goods [app]<br>• Environmental benefits or examples such as less traffic [k] so less pollution (leading to health issues) [an] outside the 120 shops [app]<br>• Reduction in local facilities [k] which could lead to higher prices having to be paid [an]<br>• Reduction in house prices/damage image of the local area [k]<br><br>Other appropriate responses should also be credited. | **6** | Note: Ways can be either positive or negative.<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br>• 30 or 120 (shops)<br>• Electrical products or examples such as televisions / computers<br>• $250m (loss)<br><br>Other appropriate examples in context can still be credited. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(e) | **Do you think the number of sales from each shop is the best way for a retail business to decide which shops to close? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant issues.<br><br>Award up to 2 marks for relevant development of points.<br><br>Award 2 marks for justified decision as to whether the number of sales from each shop is the best way for a retail business to decide which shops to close.<br><br>Points might include:<br>• Higher sales could mean higher revenue [k] which can help contribute to break-even [an]<br>• Lower sales could suggest shop is not a popular location [k] so customers less likely to complain if it closes [an]<br>• What products are sold [k] as a shop selling high value items would not need to sell many as one selling low value items [an]<br><br>Other factors could include:<br>• Costs/expenses [k] as a business could be still be profitable as long as costs are lower than revenue [an]<br>• Number of competitors [k] as a shop with many competitors might have a lower market share leading to fewer potential sales [an]<br>• Size of target market/number of customers [k]<br>• Profit [k]<br>• Number of employees [k]<br>• Value of sales/revenue [k]<br>• Proximity to its other shops [k]<br><br>Other appropriate responses should also be credited. | **6** | This is a general question so there are no marks for application.<br><br>Some points could be awarded for different options, but do not award the same point twice.<br><br>For evaluation to be awarded justification will usually follow on from relevant analysis of points. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(e) | Justification might include:<br><br>Lower sales could suggest shop is not popular [k] so customers less likely to complain if it closes [an]. However, lower sales might be misleading as some shops might sell a small number of higher value items [k] so number of sales alone might lead to a potential loss of revenue [an]. Costs could be used as a factor, but the problem is that a popular location might have a higher rent. Therefore, as no method will give perfect answers but as number of sales is probably best especially as it is simple to use, so at least people will be able to understand the reasons for using it. [eval][eval] | | |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(a) | **State <u>two</u> ways quality production can be achieved.**<br><br>Award 1 mark per way.<br><br>Points might include:<br>• Quality control<br>• Quality assurance<br>• Total Quality Management/quality circles<br>• Further training/recruit skilled workers<br>• Improve quality of raw materials<br>• Use new/better technology/CAM/CAD<br><br>Other appropriate responses should also be credited. | **2** | Only award the first two responses given.<br><br>Do not award lean production as this is a different concept.<br><br>Do not award vague answers such as use machinery/improve motivation/check quality |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(b) | **Identify <u>two</u> benefits to a business of having a clear organisational structure.**<br><br>Award one mark per benefit.<br><br>Points might include:<br>• Shows how everybody is linked together in the organisation<br>• Each individual can see their own position in the organisation/ makes accountability easier<br>• It shows the links and relationship between different departments<br>• Can show where possible problems of control/communication might be/helps clear communication<br>• Allows for effective delegation<br><br>Other appropriate responses should also be credited. | **2** | Only award the first two responses given. |
| 4(c) | **Outline <u>two</u> factors Kane should consider when preparing the job advertisement.**<br><br>Award 1 mark for each relevant factor.<br><br>Award 1 mark for each relevant reference to this business.<br><br>Points might include:<br>• What information to include [k] such as skills needed to make furniture [app]<br>• Where advert should be placed/which method of job advertisement to use [k] for 5 production workers [app]<br>• Cost/which method can they afford to use [k]<br>• Comply with legal controls i.e. no age/gender discrimination [k]<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br>• Furniture/wood<br>• 5 (production workers)<br>• Well-motivated employees<br><br>Other appropriate examples in context can still be credited. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(d) | **Explain how each of the following external influences might affect LFP:**<br><br>Award 1 mark for each relevant affect (max 1 for each influence).<br><br>Award 1 mark for each relevant reference made to this business (max 2).<br><br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br><br>Lower employment levels:<br>• Wider pool of potential employees [k] for the 5 workers [app] possibly at lower wage rates/better able to find quality candidates [an]<br>• Lower incomes [k] lower demand/lower sales [an] for its furniture [app]<br><br>Import quotas:<br>• Limit amount of products that a business can bring into a country [k] so have access to less wood [app] so may be unable to fulfil all its orders [an]<br>• Could force LFP to find new suppliers [k] as 40% imported [app] which could increase costs of sales/selling price [an]<br><br>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.<br><br>The following words are likely to be appropriate for this question:<br>• Furniture<br>• wood<br>• 5 (production workers)<br>• 40%<br><br>Other appropriate examples in context can still be credited. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(e) | **Do you think increasing wages is a better way for a business to motivate employees than introducing profit sharing? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant issues.<br><br>Award up to 2 marks for relevant development of points.<br><br>Award 2 marks for justified decision as to whether increasing wages in a better way for a business to motivate employees than introducing profit sharing.<br><br>Points might include:<br><br>Increase wages:<br>• Taylor's theory suggests that higher wages increases motivation/ Herzberg's theory states pay is a hygiene factor and not a motivator [k]<br>• Higher wages add to business costs [k] which may not be covered by the additional output [an]<br>• Only a short-term boost to motivation/likely to be paid the higher amount whether they work harder or not [k] so any increase is productivity is only temporary [an]<br>• Will provide a regular/steady income [k] to maintain standard of living [an]<br><br>Profit sharing:<br>• Creates team spirit/common goal/sense of belonging/all employees focused on success of business [k] which could lead to higher overall profit/increase output [an]<br>• Only receive/pay out if profits made [k]<br>• Sharing profits might reduce retained profit [k] which could mean less capital for expansion [an] | **6** | This is a general question so there are no marks for application.<br><br>Some points could be awarded for different options, but do not award the same point twice.<br><br>For evaluation to be awarded justification will usually follow on from relevant analysis of points. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(e) | • Other factors can affect profit which employees cannot control [k] so there is no guarantee they will receive any/much from profit sharing [an]<br><br>Other appropriate responses should also be credited.<br><br>Justification might include:<br><br>Higher wages add to business costs [k] which might increase more than output increases [an]. Whereas sharing profits might reduce retained profit [k] which could mean less capital for expansion [an] However, I think profit sharing is the better way. This is because higher wages will automatically have to be paid whether business makes a profit or not which could also reduce the potential profit that a business can make so it is better to use profit sharing as the business only has to give it when a profit has been made. [eval] [eval] | | |

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