CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Data Response **October/November 2024**

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 descriptions 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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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0450/7115/0986 Business Studies – Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

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Question	Answer	Marks	Notes
1(a)	**Identify the lines labelled X and Y in Fig. 1.1.** Award 1 mark for each correct answer (max 2). X – Total cost(s) Y – Total revenue	**2**	Only award the first response given for each answer.
1(b)	**Define 'import tariff'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. A tax placed on imported goods when they arrive into a country [2] Partial definition e.g. type of tax [1] OR Tax on imported goods [1] Other appropriate responses should be credited.	**2**	
1(c)	**Outline two ways BPT could lower its break-even level of output.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increase price [k] of its bicycles [app] • Lower fixed cost or examples e.g. reduce rent [k] below $50000 [app] • Lower variable / raw material costs [k] so may consider importing more than 60% [app] Other appropriate responses should be credited.	**4**	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: • Bicycles or related words e.g. chain, gears • 60% / import (raw materials) • $50000 (total fixed costs) • 125 (break-even output) • (Export to) 8 countries • Batch production Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> ways a depreciation in country A's exchange rate might affect BPT.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Increased cost of <u>imports</u> [k] which would increase break-even output / increase in price [an] of bicycles [app] • Exports appear cheaper [k] which may increase demand/sales [an] in the 8 countries [app] • May have to find alternative/cheaper suppliers [k] as imports its raw materials [app] which could take time / lead to production delays [an] Other appropriate responses should be credited.	**6**	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: • Bicycles or related words e.g. chain, gears • 60% (of raw materials are imported) • 125 (break-even output) • $50 000 (fixed costs) • 8 countries Other appropriate examples can be credited.
1(e)	**Do you think batch production is the best method of production for a business to use? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether batch production is the best method of production for a business to use. Points might include: Batch production: • (Some) flexibility [k] so can change what to make / quickly adapt to meet customer demands [an] • Production may not be greatly affected if machinery breaks down [k], so some output made [an] • Variety/range of products made [k] which could widen its customer base / help spread risk [an]	**6**	This is a general question so there are no marks for application. Some points can be awarded as [k] or [an] but do not award the same point twice.

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Question	Answer	Marks	Notes
1(e)	• Can motivate workers [k] leading to less absenteeism / lower labour turnover [an] • Time lost switching/resetting machines between batches [k] could lead to lost output / lower efficiency / lower productivity [an] • Need to move/store semi-finished goods [k] increased storage costs [an] • One fault could affect entire batch [k] leading to waste [an] Flow production [k] • High output [an] • Likely to benefit from (purchasing) economies of scale / discounts for bulk purchasing [an] reducing average costs [an] • Capital intensive methods can be used / fewer employees needed [an] lowering wage cost [an] • If one machine breaks down the whole production line will stop [an] • High **set up** costs [an] • Inflexible (if demand changes) [an] Job production [k]: • Unique / meet **exact** customer needs [an] which can help brand loyalty [an] • Can charge higher price [an] which may increase profit margin [an] • Skilled labour needed [an] which increases labour costs [an] • No economies of scale [an] leading to higher average cost [an] • Production can take a long time [an] lowering potential output [an] • Costs are higher as it is labour intensive [an] • Mistakes can be expensive to correct [an] Other appropriate responses should be credited.		

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Question	Answer	Marks	Notes
1(e)	Justification might include: Batch production is flexible [k] so can change what is made quickly to adapt to customer demands [an]. An alternative is flow production [k] which allows for high levels of output [an]. Batch production is the best method because there is limited value in producing a high level of output if there is no demand [eval]. Being able to adapt to changes in customer demand is likely to be more important to ensure customer loyalty / revenue. [eval]		

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Question	Answer	Marks	Notes
2(a)	**Define 'inflation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. An **increase** in the general price level of goods and services over time [2] Partial definition e.g. an increase in the price of goods/services [1]	**2**	
2(b)	**Identify <u>two</u> characteristics of a successful entrepreneur.** Award 1 mark per characteristic (max 2). Points might include: • Risk-taker • Creative • Hard-working • Innovative • Effective communicator • Optimistic • (Self) confident • Independent • (Self) motivated / focused / determined / committed • Resourceful/adaptable • Leadership • Resilience / determination / patience • Initiative Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> ways a business plan might help Ramon.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Get a bank loan / finance / attract investors [k] if decides not to use crowdfunding [app] • Set targets / objectives / future planning [k] for his tutoring business [app] • Understand / reduce possible risks / threats [k] for him as an entrepreneur [app] • Acts as a checklist / way to track progress / compare against goals [k] of his start-up / new business [app] • Helps decision-making [k] • Helps organise resources / labour requirements / marketing strategy [k] Other appropriate responses should be credited.	**4**	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: • Entrepreneur • Start-up / new business • Home tutoring / help to learn maths • Franchise • Increase in inflation • Crowdfunding Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
2(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Ramon of buying a franchise.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Easier/quicker to build a customer base [k] which can help gain sales/revenue [an] for his tutoring service [app] • Training/advice offered by franchisor [k] which saves costs [an] which is important for a start-up / new business [app] • Franchisor pays for advertising [k] which will reduce his cash outflows [an] calculated in his business plan [app] • Banks may be more willing to lend finance to a franchisee [k] so may not need to use crowdfunding [app] • Sell under established / successful brand name [k] so easier to attract customers / can help reduce risk of failure [an] Disadvantages: • Cost (to buy franchise) [k] which he may not be able to afford [an] at a time when inflation is increasing [app] • Do not have total control / less independence [k] which may be why he became an entrepreneur [app] • Unable to make decisions that suit local area [k] • Must pay royalties / franchise fee / percentage of revenue / profit [k] which could reduce profit margin / increase costs [an] Other appropriate responses should be credited.	**6**	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: • Entrepreneur • Start-up / new business • (Home) tutoring service / learn maths • (Increase in) inflation • Crowdfunding • Business plan Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
2(e)	**Do you think crowdfunding is the best source of finance for a start-up business to use? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether crowdfunding is the best source of finance for a start-up business. Points might include: • No initial fee is payable [k] so does not increase cash outflows [an] • Allows for the public reaction to be tested / help advertise [k] which could lead to more customers [an] • Proposal may be rejected [k] using time which could have been used for other purposes [an] • May allow competitors the opportunity to learn more about your business before launch [k] which could lead to fewer sales / less revenue [an] • No guarantee can raise full amount / not raise enough funds [k] so may have to find another source [an] Other sources might include: • Own savings [k] as there is no need to repay [an] but may not have sufficient funds [an] • (Bank) loan [k] so more likely to raise full amount needed (quickly) [an] but will need to pay interest [an] Other appropriate responses should be credited. Justification might include: An advantage of crowdfunding is no initial fee is payable [k], so it does not increase cash outflows [an]. An alternative is a bank loan [k] which could raise the full amount needed [an]. Crowdfunding is the best source because a new business is risky so the bank may not lend to them anyway [eval] and even if it did, it may not be able to afford the repayments [eval].	**6**	This is a general question so there are no marks for application. Some points can be awarded as [an] for different methods but do not award the same point twice.

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Question	Answer	Marks	Notes
3(a)	**Define 'private sector'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. The part of the economy that is controlled by individuals/companies for profit [2] OR When business activities are owned by individuals / group of individuals [2] Partial definition e.g. run by individuals [1]	**2**	Do not award: • Examples • Features of a sole trader, partnership or limited company
3(b)	**Calculate the value of LRL's market share in 2023.** Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer [2] $36 million OR $36 000 000 Method e.g: • (Percentage ÷100) x total value of sales in market = value of business sales [1] • 120 × 30% [1] If correct answer given with no working shown, award 2 marks.	**2**	Award only 1 mark if $36m is written as part of the answer but is not given as the final answer. $ not needed. Need million for 2 marks.

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Question	Answer	Marks	Notes
3(c)	**Outline <u>two</u> ways LRL could contribute to sustainable development.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Reduce amount/number of resources used [k] when making skincare products [app] • Develop environmentally friendly products [k] which could help the marketing mix [app] • Use environmentally friendly methods of production [k] at this private sector business [app] • Use environmentally friendly materials / buy materials from sustainable sources [k] which may help improve customer loyalty [app] • Use environmentally friendly packaging / reduce packaging • Reduce waste [k] • Reuse products/materials [k] • Recycle products/materials [k] • Replant trees [k] Other appropriate responses should be credited.	**4**	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: • Skincare or examples such as face cream • Private sector (business) • Marketing mix • Customer loyalty • 30% (market share) • $120 million (total value of market sales) • $36 million (revenue) Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
3(d)	**Explain <u>two</u> advantages to LRL of maintaining customer loyalty.** Award 1 mark for each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Easier to match products to existing customer needs [k] reducing wastage [an] as know which are the popular types of skincare products [app] • Improve / good reputation / brand image [k] so less promotion needed / lower cost (of advertising) [an] by this private sector business [app] • Increase sales / customers [k] which could increase revenue / market share [an] above $36m [app] • Encourages existing customers to try new products [k] • May be able to increase prices [k] which would increase profit margin [an] Other appropriate responses should be credited.	**6**	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: • Skincare or examples such as face cream • Marketing mix • Sustainable development • 30% (market share) • Private sector business • $120 million (total value of market sales) • $36 million (revenue) Other appropriate examples in context can be credited. Some points could be [k] or [an] but do not award the same point twice e.g. repeat customers. Increase market share is [an] only.
3(e)	**Explain two elements of the marketing mix. Which do you think is the most important element for a business? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which is the most important element of the marketing mix for a business. Points might include:	**6**	This is a general question so there are no marks for application. Some points could apply to more than one option but only award the same point once. To access evaluation marks, candidates must discuss two elements of the marketing mix.

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Question	Answer	Marks	Notes
3(e)	Promotion [k] • Raises awareness / informs potential customers [an] leading to more sales [an] • Attracts / persuades potential customers [an] increasing revenue [an] • Creates / builds brand image [an] increasing customer loyalty [an] • Way to communicate with customers [an] Product [k] • Without a product there is nothing to sell / if dislike the product customers will not buy it [an] • A poor / bad quality product will not last long in the market [an] so time / money spent developing it would be wasted [an] • Good quality product can encourage customer loyalty [an] • Good quality can improve brand image [an] Place [k] • Close / near target market / customers [an] to ensure sales [an] • A suitable location might have high rent [an] leading to increased costs / higher prices [an] Price [k] • A low price could create image of low quality [an] damaging its reputation [an] • If price is too low, may not cover costs [an] • If the price is too high, the business may be less competitive [an] lowering market share [an] • If the price is too high, could lead to fewer sales (as customers cannot afford it) [an		

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Question	Answer	Marks	Notes
3(e)	Other appropriate responses should be credited. Justification might include: One element is promotion [k]. This is important as more people are aware of your business [an]. The product also matters [k] as this is what people are buying so without a product there is nothing to sell [an]. Product is the most important element, because if it is unique, this can help the business standout [eval] which means the business has a better chance of attracting / maintaining customers. [eval]		

Question	Answer	Marks	Notes
4(a)	**Define 'commission'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. <u>Payment to employees</u> relating to the number/value of sales made [2] Partial definition e.g. money based on sales / what sold [1]	**2**	
4(b)	**Identify <u>two</u> external users of accounts.** Award 1 mark per user of external accounts (max 2). Points might include: • Banks/lenders • Suppliers • Government • Potential investor • Local community/pressure groups Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
4(c)	**Identify <u>four</u> ways the information in a statement of financial position can be used.** Award 1 mark per way (max 4). Points might include: • Calculate working capital • Calculate current ratio • Calculate acid test ratio • Shows how the business finances its activities / shareholders can see how any expansion has been funded • Shows the assets the business owns / what the business owns • Show value of liabilities / what the business owes • Support loan application / raise finance / show investors • Show value of the business / what the business is worth • Compare performance over time • Compare performance against competitors Other appropriate responses should be credited.	**4**	Only award the first four responses given.

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Question	Answer	Marks	Notes
4(d)	**Explain <u>two</u> possible reasons why providing training for its employees is important to RHN.** Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • More skilled / flexible employees [k] so can cover absences of others [an] in its 50 shops [app] • Fewer mistakes / better quality (service) [k] from its 290 employees [app] which could improve its reputation [an] • Increases motivation [k] which can help reduce labour turnover [an] which is helpful as uses internal recruitment [app] • Fewer customer complaints [k] about its clothing [app] increasing customer loyalty [an] • Less supervision needed [k], so managers have time to focus on other activities [an] • Improves efficiency/productivity [k] • Fewer accidents / ensure safe working conditions [k] • Able to train others [k] reducing training costs [an] • Provide new ideas / improves innovation [k] • Helps attract (potential) employees [k] • Helps introduce a new process [k] Other appropriate responses should be credited.	**6**	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: • Clothing • Shops/retailer • 290 (employees) • Commission (financial reward) • Internal recruitment • $1.5m (profit) • 50 (locations) Other appropriate examples can be credited. Some points can be [k] or [an] but only award once. The following are [an] only: • Better reputation • Increase sales • Employee loyalty / lower labour turnover • Customer loyalty

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Question	Answer	Marks	Notes
4(e)	**Do you think the advantages for a business of using internal recruitment are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether the advantages of internal recruitment for a business are greater than the disadvantages. Points might include: Advantages: • Employees know the business [k] so can start work more quickly / less training needed [an] • Low cost/cheaper [k] which reduces cash outflows / as do not have to spend funds on job advertisements [an] • Less time-consuming / quicker [k] which means time can be used for other purposes [an] • Can motivate employees [k] so reducing labour turnover / encourages employee loyalty / improve efficiency [an] • Company knows the employee [k] which reduces risk / likelihood of employing someone who is not appropriate for the job [an] Disadvantages: • Suitable candidates may not be available / employees may not have experience / skills needed [k] which could lead to mistakes / wrong actions taken [an] • Reduces pool / fewer potential candidates [k] • Would create another vacancy for the business to fill [k] • Could create resentment / jealousy among those not selected [k] which could demotivate these employees [an] • Lack of new ideas [k] so business may become less competitive [an]	**6**	This is a general question so there are no marks for application. Some analysis could be used for more than one point, but only award once.

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Question	Answer	Marks	Notes
4(e)	Other appropriate responses should be credited. Justification might include: Internal recruitment is cheaper [k] which reduces cash outflows [an]. However, the current employees may not have skills needed [k] leading to mistakes being made [an]. The potential disadvantages are greater because those mistakes could damage the businesses reputation [eval] which is likely to cost the business more money in the long term. [eval]		

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