CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/21**

Paper 2 Case Study **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.

Cambridge International is publishing the mark schemes for the October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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.

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).

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.

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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 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	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.
APP	Application	Indicates appropriate reference to the information in the context.
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.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>four</u> reasons why a business might remain small.** Award 1 mark for each suitable reason (max 4). Award a maximum of 1 additional mark for **each** explanation of why a business remains small. There are no application marks for this question. Suitable reasons might include: • The product / service is specialised / may be personal / customised – not suitable for production on a large scale / produced using job production • Market size – doesn't have a large market / maybe niche market / sales are low / lack of demand • Owner's choice / owner's preference / owner's objective – to keep a work life balance / less stress / less pressure / satisfied with current business performance • Easier to manage / control – owner makes decisions himself/herself / may not have the skills to manage a larger business • Owner knows all the employees – personal relationship / paternalistic style / easier communication • Lack of finance / fewer options of finance for a small business • Maintaining close customer relations – wishes to maintain customer loyalty / face-to-face customer service • Not willing to take many / additional risks – does not want more responsibility • Market dominated by large business / many competitors – restricting growth / sales For example: The product is specialised (1) and therefore is not suitable to be produced on a large scale (1).	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider the following <u>three</u> roles of packaging for CC's products. Which role is most important for CC? Justify your answer.

Protecting the product
Promoting the brand image
Providing information about the product

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more roles.

Well-justified conclusion.

Candidates discussing three roles, in context and with a well-justified conclusion, including why the alternative roles were rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one role.

Judgement with some justification / some evaluation of choice made.

Candidates discussing two or more roles in detail and applying these to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the roles with little / no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining the three roles in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</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>1(b)</td><td>Relevant points might include:

<table>
<tr><td>Protecting the product</td><td>• Cookies can easily break – delivered to customer in damaged state if packaging not suitable which could reduce the reputation for CC's high-quality products – leading to lower sales
• Needs to ensure the product stays fresh and best quality – to be consumed in a good condition and not deteriorated in any way / no germs/bacteria – keeps customers loyal to CC and maintains sales
• May prevent damage when being transported/stored – may lead to increased costs as products have to be replaced</td></tr>
<tr><td>Promoting the brand image</td><td>• Appendix 1 is an advert showing cookies are of high quality and has a recognised logo – consumers will see the logo and associate the packaging with CC's products helping to advertise the cookies to other potential customers when they see the packaging
• Colour on the packaging can be used to associate the logo with the product – make the product easily identifiable on shelves and stand out from competing products</td></tr>
<tr><td>Providing information about the product</td><td>• The ingredients can be listed on the packaging – in case customers need to know about allergies – prevents customers from falling ill when consuming the cookies – stops CC getting a bad reputation for selling products that can cause illness
• Information about the fresh ingredients may be a legal requirement – stops CC from being prosecuted and being fined</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer		Marks
1(b)	Conclusion	Justification might include: • Protecting the products is the most important role of packaging as they are **breakable and perishable**. The packaging needs to prevent the product being damaged or CC's **reputation for high-quality products** will be ruined. Promotion of a brand image is less important as advertising can do this and providing information is only important once the product is considered for buying, so unless the product is being looked at in the first place, then the information will not affect sales. • Promoting the brand image is important as if customers are not attracted to CC's products **in its shop in the city centre,** then the other two roles of packaging will not be relevant. • Providing information is most important because otherwise if a customer has **food allergies** and the information is not provided on the packaging then the customer may become ill. CC could be fined and get a bad reputation.	

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Question	Answer	Marks
2(a)	**Explain <u>two</u> functions of management for CC's new manager**. Award one mark for each named function (max 2). Award a maximum of 3 additional marks for **each** explanation of the function of management – **one of which must be applied to this context.** Functions might include: • **Planning** – setting aims and targets for the business – will give a sense of direction with common targets to work towards • **Organising** – arranges the tasks for the employees – as a manager cannot do all tasks and will need to delegate • **Coordinating** – bringing together the different departments in the organisation – so tasks are carried out efficiently • **Commanding** – instructs the employees on how to carry out their tasks – gives guidance as required • **Controlling** - checking the employees work so that the expected output is produced each week – and that all aims are achieved For example: Planning (1) setting aims and targets for the business (1) such as sales targets for the cookies (app) will give CC a sense of direction with common targets to work towards (1). **Application** could include: cookies; batch production; high-quality products; fresh ingredients; baking equipment; messages put on cookies; orders for birthdays or weddings; 10 production employees; 5 shop employees; Operations manager; oversee production; sole trader; small business; established for 5 years; sells at own shop in city centre.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Consider how a decrease in interest rates and an increase in taxes in country P could affect CC. Which is likely to have the biggest effect on CC's profit? Justify your answer.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both changes.

Well-justified conclusion.

Candidates discussing both changes in detail, in context and with a well-justified conclusion, including why the alternative change, is rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one change.

Judgement with some justification / some evaluation of choices made.

Candidates discussing both changes in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the changes with little / no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining both changes in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</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>Relevant points might include:

<table>
<tr><td>Decrease in interest rates</td><td>• Decrease in interest costs of a new bank loan – Sam may be more likely to invest in batch production facilities using a bank loan – may buy new ovens – lower interest rates reduce expenses
• Reduces the cost of overdrafts – reduces interest payment for expenses – lower costs
• May lead to higher economic growth – lower unemployment – higher incomes for consumers – increased demand for cookies
• Increases the available income consumers can spend
• If customers had a mortgage to repay – lower repayments – may increase demand for high-quality cookies</td></tr>
<tr><td>Increase in taxes</td><td>• May reduce CC‘s sales – as a result of less spending by consumers on high-quality products
• Less retained profit and less investment in bakery equipment
• May lead to an increase in the price of cookies – may lead to lower sales and revenue
• May allow an increase in government payments to people on a lower income – may increase the sale of CC cookies if these people choose to celebrate an occasion such as a birthday or wedding with a cookie</td></tr>
<tr><td>Conclusion</td><td>Justification could include:
• A decrease in interest rates will have the biggest effect on CC’s profit as higher taxes may not affect demand for products that are not a high proportion of consumers incomes. Whereas a decrease in interest rates may encourage Sam to expand CC’s production facilities by purchasing bakery equipment and increase future profit from higher sales of cookies / reduced average costs.
• An increase in taxes will have the biggest effect on CC’s profit as consumers will have less income after tax to spend and therefore revenue from the sale of cookies in their shop will fall reducing profit.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
3(a)	**Explain <u>two</u> benefits and <u>two</u> limitations of CC using batch production.** Award 1 mark for each relevant benefit/limitation (max 4). Award 1 additional mark for **each** explanation of the benefit/limitation **applied to this context**. Relevant benefits might include: • Flexible way of working – can easily change to produce cookies for different **special occasions** • More variety in tasks than if flow production is used – better motivation for the **10 production employees** • More variety of products produced - to have **personal messages** written on them • Production may not be affected too much if **baking equipment** breaks down • Larger quantity produced than job production – can keep restocking the shop with full **variety of cookies** • Raw materials can be purchased in larger quantities than job production so gain discounts / economies of scale / lower unit cost of **fresh ingredients** Relevant limitations might include: • Can be expensive / awkward to move part-finished goods around the factory – t**he business is only small** • Machines have to be reset between batches – takes time / delays production for the new **Operations Manager** • One mistake in production may mean the whole batch is affected / needs to be thrown away – wasted **ingredients** • Warehouse space needed - for finished batches stored before being sold in CC's **shop** • Size of batch may be too small – not enough **cookies** to meet demand / may be too large / left over cookies if not popular • May be more repetitive than job production – **10 production workers** may become bored For example: Flexible way of working (1) and can easily change the production process to produce different types of cookies (app). Application could include: cookies; sells at own shop; messages put on cookies; 10 production employees; 5 shop employees; Operations manager; fresh ingredients; special occasions; small business; sole trader; established for 5 years; competitors' products sold in retail shops in other cities, personalised messages.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Consider the two options for CC's new cookies outlined in Appendix 3. Which option should CC choose to produce? Justify your answer using appropriate calculations.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both products.

Well-justified recommendation.

Candidates discussing both products in detail, in context and with a well-justified recommendation, including why the alternative product was rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one product.

Judgement with some justification / some evaluation of choice made.

Candidates discussing both products in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the products with little / no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both products in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:

<table>
<tr><td>Option 1</td><td>• Sales are higher by 6500 per month – 8000 compared to 1500
• Total cost is $7000 per month
• Total revenue is $8000 per month
• Profit per month is $1000, $500 less than Option 2
• Forecast growth is high so revenue in the future should increase
• Gross profit margin 50%
• Profit margin 12.5%
• Break-even output 6000 cookies a month, 2000 less than predicted sales</td></tr>
<tr><td>Option 2</td><td>• Total revenue $7500
• Total cost is $6000 per month with same fixed cost of $3000 and variable cost of $2 per cookie
• Profit per month is $1500
• Forecast low growth so revenue in the future may not increase
• Gross profit margin 60%
• Profit margin 20%
• Break-even output 1000 cookies a month, 500 less than the predicted sales</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• Option 1 is the better one to choose as the revenue is higher by $500 than Option 2. Even though its profit is $500 per month lower than Option 2 it has high future growth opportunities and could earn higher revenue and higher profit in the future.
• Option 2 is better than Option 1 as it has a higher profit by $500 per month. The gross profit margin and profit margin are both higher giving more profit from the sale of each Option 2 cookie.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
4(a)	**Explain <u>two</u> reasons why CC might need finance.** Award 1 mark for each relevant reason (max 2). Award a maximum of 3 additional marks for **each** explanation of the reason why finance may have been needed – **one of which must be applied to this context**. Relevant answers might include: • For the purchase of investment / capital goods – buy equipment to replace worn out machinery – high amount of finance needed so may not all be from owner's capital • To finance the expansion/growth of the business – the business plans to increase output on a larger scale so may need a larger factory • To invest in the latest technology – to remain competitive • To provide working capital / pay expenses / fixed costs / variable costs / overheads / day-to-day expenses – e.g. payment of wages / raw materials – if not able to pay costs then output cannot be produced and/or prevents cash flow problems / lack of liquidity • Development of new product / new markets – high cost of producing prototypes / cost of market research for new product – outflow of cash with no inflow for a certain time • Start up another new business – needs to purchase equipment / raw materials owner may lack sufficient capital and/or – may take time for sufficient cash to be built up in the business to pay for assets For example: For the purchase of investment goods (1) to replace old worn-out machinery (1) for example machinery to produce cookies (app) to improve productivity and remain competitive (1). Application could include: cookies; high-quality products; small business; sole trader; established for 5 years; considering taking out a bank loan; using specialized baking equipment; sells at own shop; wants to sell more cookies; developing new cookies;10 production employees; 5 shop employees; Operations manager; fresh ingredients purchased regularly.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Consider the following <u>three</u> pricing methods CC could use for its existing products. Which pricing method should CC use? Justify your answer.

- **Cost-plus**
- **Promotional**
- **Competitive**

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more methods.

Well-justified recommendation.

Candidates discussing all three methods in detail, in context and with a well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one method.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the methods with little / no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining three methods in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</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>4(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Cost-plus</td><td>• Easy to apply to cookies – as just add a percentage mark-up to costs
• Can have different mark-ups in different markets – can gain more profit from markets where a higher price can be charged
• Each product makes a profit for the business</td><td>• Profit will only be made if CC sells sufficient high-quality products to break-even
• Time is taken to research costs of all the fresh ingredients and difficult to calculate costs
• No incentive to reduce costs
• If costs are high, then the selling price of the products with personalised messages may be too high to be competitive</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer			Marks
4(b)	Promotional	• Low price attracts customers and increases sales of **cookies for special occasions such as birthdays** – attracts attention to the products to encourage new customers to try them – hopefully establish regular sales • Helps to ensure a successful launch into a **new market in other cities** – could increase sales and potentially increase market share • It is useful to get rid of unwanted inventory that did not sell – as **cookies are perishable** and need to be sold quickly • Can help to renew interest in a product if sales are falling	• Low price will mean low profit per **cookie** • Customers may expect prices to remain low and therefore not purchase the products **with personalised messages on them** when the price is raised at a later date • Consumer may think low price is due to low quality product • May lead to price competition with **competitors that sell in retail shops in other cities** – so business may have to reduce prices again	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
<table>
<tr><td>Competitive</td><td>• Sales are likely to be high due to prices being set around the same price as competitors' prices in retail shops in other cities
• May avoid price competition – so achieves steady revenue for the high-quality cookies
• The cookies may not be very different to the cookies of competitors – so customers will buy from CC as they cannot tell the difference between products
• May compete on quality rather than price</td><td>• High research costs to find out competitor's prices – may increase costs overall
• If costs of fresh ingredients to produce the cookies are higher than the costs of competitors, then may be harder to achieve a profit – may even be a loss
• Higher-quality cookies might need to be sold at a slightly higher prices than competitors to emphasise the higher quality image</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification might include:
• Cost-plus pricing method should be used as it ensures a profit is made on each cookie. Whereas promotional pricing does not ensure a profit is made and may even lead to a loss initially. The cookies are of high-quality which will mean the price is likely to be higher than competitors' cookies and therefore low profits are likely if it uses competitive pricing.
• Promotional pricing method should be used as it will ensure the cookies attract attention and renew interest in the products. Sales should increase as this will help to maintain customer loyalty when the price is raised later.
• Competitive pricing method should be used as it will mean the cookies will often be chosen over competitors cookies that are sold in retail shops in other cities as it has a higher quality but sold at a similar price. So the cookies will have high sales increasing market share.</td></tr>
</table>
</td><td></td></tr>
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