Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ENTERPRISE **0454/13**

Paper 1 **October/November 2019**

MARK SCHEME

Maximum Mark: 100

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 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

© UCLES 2019

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

© UCLES 2019

Question	Answer	Marks
1(a)	**Explain the difference between the following terms:** ***(i) revenue* and *profit*** ***(ii) overheads* and *variable costs*** ***(iii) business plan* and *action plan*.** 2 marks – understanding of both definitions (difference between the two) 1 mark – knowledge of either term only. Answers may include: (i) Revenue is income received from sales. [1] Profit is when sales revenue is greater than total costs. [1] (ii) Overheads are the operating costs not directly related to output. [1] Variable costs are costs that are directly related to (change with) output. [1] (iii) A business plan summarizes the objectives of an enterprise and how they are to be achieved. [1] An action plan lists the tasks needed to be completed to achieve an objective and who will complete those actions. This may be part of the business plan. [1]	**6**
1(b)	**State <u>two</u> time periods used when planning.** 1 mark per time period identified. • Short-term • Medium-term • Long-term	**2**
1(c)	**State <u>two</u> items that are usually included within an action plan, other than the tasks to be completed.** 1 mark per item. Answers might include: • Who will complete the activity? • The timing of activities • Completion date / deadlines • Outcomes • Methods used to monitor progress	**2**

Question	Answer	Marks
2(a)	**Explain what is meant by a *co-operative*.** Business organisation / enterprise [1] that is owned by its customers / employees or its employees.[1]	**2**

Question	Answer	Marks
2(b)	**State <u>two</u> types of business organisation, other than a co-operative.** 1 mark per organisation identified. **2 × 1** Answers may include: • Sole trader • Partnership • Limited company • Franchise • Social enterprise / charity	**2**
2(c)(i)	**Explain <u>one</u> advantage you experienced within <u>your enterprise project</u> as a result of your choice of business organisation. Use an example to support your answer.** Marks awarded as follows: 1 mark – identified advantage / disadvantage plus 1 mark – developed explanation showing impact 1 mark – application to own enterprise through example. Answers will depend upon the business organisation chosen for their enterprise project. Example: As a partnership we shared all of the work [1] this meant we could specialise and produce more [+1] because one of us was good at maths and could do the accounts whilst the other had strong people skills and dealt with customers. [1]	**3**
2(c)(ii)	**Explain <u>one</u> disadvantage you experienced within <u>your enterprise project</u> as a result of your choice of business organisation. Use an example to support your answer.** Marks awarded as follows: 1 mark – identified disadvantage plus 1 mark – developed explanation showing impact 1 mark – application to own enterprise through example. Answers will depend upon the business organisation chosen for their enterprise project. We all had to agree on decisions [1] this made decision making very slow [+1] because one person wanted to take high risk decisions such as … [1]	**3**

© UCLES 2019

Question	Answer	Marks
3(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of using the internet for research.** 1 mark identified advantage / disadvantage Plus 1 mark for a developed explanation using an example Advantages might include: • Contains a wide variety of detailed information [1] that are unavailable through primary methods [+1] • Usually available for free [1] reducing costs of research [+1] • Information from all over the world [1] that might help your enterprise [+1] • Information about other similar enterprises available [1] so you can learn from their experiences [+1] Disadvantages might include: • Data might be out of date [1] because it is secondary data [+1] • Data might not relate to the enterprise [1] because it was collected for a different purpose [+1]	**4**
3(b)	**Explain <u>two</u> ways that Aurelie's family could ensure customer satisfaction at Valley View Farm Stay. Use examples to support your answer.** Each point should be marked as follows: 1 mark – identification of potential method 1 mark – specific application of reason to the case study enterprise 1 mark – explanation showing how the method would work. **2 × 3** Answers might include: • Provide for all of the customer needs • Deal with complaints promptly • Try to make customers feel special • Provide detailed information • Ask for feedback [1] and deal with issues. [1] For example: Providing the entire customer needs [1] such as washing facilities [1] so the customer is comfortable at the farm. [1]	**6**

Question	Answer	Marks
4(a)	**Explain the difference between *legal responsibilities* and *ethical principles*.** 2 marks – understanding of both definitions (difference between the two) 1 mark – knowledge of either term only. Answers might include: Ethical principles – doing something according to moral principles, (doing the right thing not because you have to but because you believe it is right) Legal responsibilities – something you have to do by law.	**2**
4(b)	**Explain <u>one</u> potential social impact of an enterprise such as the Valley View Farm Stay.** 1 mark – valid point. Plus 1 mark developed explanation. Answers might include: • Impacts upon the environment [1] such as pollution [+1] or congestion [+1] • Creating jobs [1] in the local area [+1] • Increasing income locally [1] by buying supplies from local shops [+1]	**2**
4(c)(i)	**Explain <u>one</u> possible advantage to Valley View Farm of having ethical principles when operating their enterprise. Use an example to support your answer.** 1 mark – identified advantage of acting ethically 1 mark – developed explanation showing how this is beneficial 1 mark – direct application to the farm stay/example Points might include: • Gain more customers / competitive advantage • Staff are more loyal / work better • Suppliers more willing to work with you For example: Visitors maybe more willing to stay at the farm [1] because they know workers are well treated [1] as they get a subsidised lunch [1].	**3**

Question	Answer	Marks
4(c)(ii)	**Explain <u>one</u> possible disadvantage to Valley View Farm of having ethical principles when operating their enterprise. Use an example to support your answer.** 1 mark – identified disadvantage of acting ethically 1 mark – developed explanation showing how this is a negative 1 mark – direct application to the farm stay / example Points might include: • Costs are higher • It takes time to ensure all actions are ethical • Prices maybe uncompetitive For example: The costs are higher [1] because they pay their workers a fair wage [1] so profit margins are lower. [1]	**3**

Question	Answer	Marks
5(a)	**State <u>two</u> primary methods of market research.** 1 mark per identified method. Answers might include: • Interview • Questionnaire • Survey • Focus group	**2**
5(b)	**State <u>two</u> benefits to a customer of marketing.** 1 mark per identified benefit. Benefits might include: • Greater knowledge of products / services available • Ability to make informed choices / decisions • Saves time researching products / services.	**2**

© UCLES 2019

Question	Answer	Marks
5(c)	**Explain <u>two</u> methods of communicating with potential customers that would be suitable for Valley View Farm Stay.** Each method should be marked as follows; 1 mark – identification of a method that is not suitable for a farm stay enterprise 2 marks – identification of a method that is suitable for a farm stay enterprise Plus 1 mark developed explanation of how the method works in this context. **2 × 3** Answers might include: • Local radio • Local TV • Local newspapers • Posters or leaflets in the town centre • Brochures • Website • Social media. For example: A tourist website which lists local accommodation [2] visitors would use this to find a place to stay [+1]	**6**

Question	Answer	Marks
Aurelie's parents were aware that there are many laws and regulations that protect consumers, employees and employers. **Discuss <u>two</u> ways that laws and regulations could affect the operation of Valley View Farm Stay. Use examples to support your answer.**		
6(a)	**Level 4 (9–10 marks)** Candidate is able to offer a very thorough discussion of the possible effects of laws and regulations on the enterprise. Positives and negatives are discussed in the context of the case study material. **Level 3 (6–8 marks)** Candidate is able to offer an analysis of the possible effects of laws and regulations on the enterprise in the case study. For 7 or more marks there must be some attempt to discuss two ways. **Level 2 (3–5 marks)** Candidate is able to apply knowledge and understanding of laws and regulations applied to the enterprise in the case study. For 5 marks two or more points must be applied. **Level 1 (1–2 marks)** Candidate is able to demonstrate some knowledge and understanding of laws and regulations but there is no application to the farm stay enterprise. **Level 0 (0 mark)** Candidate is unable to demonstrate any knowledge or understanding of laws and regulations.	**10**

Question	Answer	Marks
Aurelie's family would need to pay for the cost of converting the farm buildings and advertising the farm stay. There are a number of sources of finance they could use, including: • **an overdraft from a financial institution** • **becoming a limited company and sell shares** • **finance from private institutions, e.g. venture capital trusts** • **reinvestment of their own profits.** **Recommend which <u>two</u> of these sources of finance would be <u>most</u> appropriate for the family to use to pay for these additional costs. Justify why you have rejected the other sources of finance.**		
6(b)	**Level 4 (10–15 marks)** Candidate is able to offer a very thorough evaluation of the different methods of finance identified. For 13 marks or more justification of decision on the best methods needs to be explicit and logical. **Level 3 (6–9 marks)** Candidate is able to offer an analysis of the methods of finance suitable for this enterprise's needs. At this level answers maybe one sided, one method maybe considered in depth, or two in less detail. **Level 2 (3–5 marks)** Candidate is able to apply knowledge and understanding of the methods of finance suitable with reference to the case study material. **Level 1 (1–2 marks)** Candidate is able to demonstrate some knowledge and understanding of methods of finance. **Level 0 (0 mark)** Candidate is unable to demonstrate any knowledge or understanding of methods of finance.	**15**

Question	Answer	Marks
Aurelie's mother identified that one important task would be to produce a simple budget for Valley View Farm Stay. **Discuss the importance of budgets to the success of <u>your enterprise project</u>.**		
7(a)	**Level 4 (9–10 marks)** Candidate is able to offer a discussion of the importance of budgets to the success of their own enterprise project. **Level 3 (6–8 marks)** Candidate is able to offer an analysis of the importance of budgets within their enterprise project. For 7 marks or more there must be some attempt to address more than two aspects in context. **Level 2 (3–5 marks)** Candidate is able to apply knowledge and understanding of budgets within their enterprise project with the use of examples. **Level 1 (1–2 marks)** Candidate is able to demonstrate some knowledge and understanding of budgets. There is no application to an example. **Level 0 (0 mark)** Candidate is unable to demonstrate any knowledge or understanding of budgets.	**10**

© UCLES 2019

Question	Answer	Marks
Starting the Valley View Farm Stay would involve some risks. There are a number of ways to reduce the risks involved in starting an enterprise, including: • **completing research** • **preparing a business plan** • **producing a cash flow budget** • **using a PESTEL analysis.** **Evaluate the effectiveness of the methods you used, or could have used, to reduce the risks involved in <u>your enterprise project</u>. (You may refer to the methods listed above or other methods in your answer.)**		
7(b)	**Level 4 (10–15 marks)** Candidate is able to offer a very thorough evaluation of the effectiveness of the methods used to reduce the risks in their enterprise project. The positives and negatives will be considered in detail. For 13 marks or more justification of decision needs to be explicit and logical. **Level 3 (6–9 marks)** Candidate is able to offer an analysis of the effectiveness of the methods used to reduce the risks within their enterprise project. At this level answers maybe one sided. **Level 2 (3–5 marks)** Candidate is able to apply knowledge and understanding of the effectiveness of the methods used to reduce the risks in their enterprise project. Examples may be given to illustrate the methods used. **Level 1 (1–2 marks)** Candidate is able to demonstrate some knowledge and understanding of the methods used to reduce the risks within enterprise. There is no application to their enterprise project. **Level 0 (0 mark)** Candidate is unable to demonstrate any knowledge or understanding of the methods used to reduce the risks in enterprise.	**15**