Cambridge Assessment International Education

Cambridge IGCSE™

ENTERPRISE **0454/12**

Paper 1 **October/November 2020**

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 2020 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U 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 descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	Answer	Marks	Guidance
1(a)	**State <u>two</u> problems a new enterprise may experience.** 1 mark per identified problem. Answers might include: • Financial, e.g. cashflow • Health and safety • Human resourcing/lack of skills • Production • Political • Economic • Social • Technological • Attracting customers/competition.	**2**	**AO1** A wide variety of acceptable answers may be included mainly based on Section 4.2 of the syllabus. Do not accept 'customer loyalty' as this may not be relevant to a NEW enterprise.
1(b)	**Describe <u>one</u> method that you used to develop a creative solution to a problem in your enterprise project.** Identification of a method/creative solution in the context of their enterprise. [1] Description showing some development in the context of their own enterprise. [+1] Examples: • We researched the market [1] to solve the problem of our cupcakes not standing out from the competition. [+1] • We could not afford foil to cover our meat, so we decided to use a lunch box instead. [2]	**2**	**AO2 – 2**

Question	Answer	Marks	Guidance
1(c)	**Describe <u>one</u> method that could be used to monitor progress during the operation of an enterprise.** Identification of a method. [1] Description showing some development. [+1] Answers might include: • Using checklists • Collecting numerical data e.g. sales data • Written update reports • Interviews or surveys • Meetings **Example:** Meetings at the end of each week [1] were group members gave feedback on the tasks completed. [+1]	**2**	**AO1**
1(d)(i)	**Explain <u>one</u> way in which each of the following enterprise skills might be used in an enterprise:** Showing understanding of the named skill [1] Development shows how the skill could influence success. [+1] Answers might include: **Prioritisation/time management** Complete the most important tasks first [1] to make sure that they are completed. [+1]	**2**	**AO1**

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Question	Answer	Marks	Guidance
1(d)(ii)	**Explain <u>one</u> way in which each of the following enterprise skills might be used in an enterprise:** Showing understanding of the named skill [1] Development shows how the skill could influence success. [+1] Answers might include: **Perseverance** Not giving up if the first idea fails [1] ensures the enterprise continues to run despite challenges. [+1]	**2**	

Question	Answer	Marks	Guidance
2(a)	**Define the term *deficit*.** Clear definition or two features [2] Imprecise answer [1] • The cash/money coming into an enterprise is less than the cash/money that goes out [2] • A negative amount [1] • Sales revenue less than costs. [1]	**2**	**AO1**
2(b)	**Explain how break-even is calculated.** Precise formula or explanation in words [2] Imprecise formula or one error [1] **Examples:** Fixed cost / (Sales price per unit minus variable cost per unit) [2] Fixed cost/contribution [2] Fixed cost/ (*variable cost* per unit minus *sales price* per unit) [1] Costs/contribution [1] Fixed costs/Sales minus variable cost [1]	**2**	**AO1** Allow [1] if candidate has correct elements of the equation without the division sign.

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Question	Answer	Marks	Guidance
2(c)	**Explain <u>one</u> advantage and one disadvantage to Seth's group of borrowing from family and friends during their school enterprise project.** Each advantage/disadvantage should be marked as follows: Advantage/disadvantage identified [1] Development showing why this is an advantage disadvantage. [+1] Use of case study material. [1] Advantages could include: • Low or no interest rate • Can borrow the amount required • Flexible repayment methods • No official debt • No requirement for documents/business plan • Does not require documents/business plan. Disadvantages could include: • Having insufficient funds • Friends and family could lose their savings if the enterprise fails • A loss of friendship/bad relations • They may want to become involved in the running of the enterprise. Example: Borrowing from friends and family allowed the group to pay for their cash flow deficit [1] caused by ordering a lot of stock [1] without having to pay interest on the loan [+1]	**6**	**AO1 – 2** **AO2 – 2** **AO3 – 2** Allow points concerning interest only once as either an advantage or a disadvantage.

Question	Answer	Marks	Guidance
3(a)	**Explain <u>one</u> reason why any enterprise would complete market research.** Identification of a reason. [1] Explanation showing some development. [+1] Answers might include: • Find out about the competition/competitors • Establish if an enterprise idea/project is worth pursuing • Method of identifying potential customers • Identify the specific wants or needs of customers • Establish the marketing mix required • Identify potential customers Example: To find out what attracts customers to competitors [1] so we can compete more effectively [+1]	**2**	**AO1**
3(b)	**Identify the method of market research Seth completed.** Primary/questionnaire [1]	**1**	**AO2**

Question	Answer	Marks	Guidance
3(c)	**Explain <u>one</u> problem with the market research that Seth completed.** Identification of a problem using the case study. [1] Explanation showing some development of why this is a problem. [+1] Answers might include: • Limited sample/asked friends and family/Bias • Only primary research • Questions are missing • Some questions are closed/more open questions needed. Example: Seth only asked his family and friends [1] they may be biased due to their relationship with him. [+1]	**2**	**AO2 – 1** **AO3 – 1** Answers must be in context.
3(d)	**Analyse the usefulness of <u>one</u> method of market research used in <u>your enterprise project</u>.** Identifies a method of market research [1] Explanation of how it was used within their enterprise project [1] Explanation of usefulness/or not [+1] Example: We used an online questionnaire [1] with the students at school [1] so we could get answers even when school was closed. [+1]	**3**	**AO1 – 1** **AO2 – 1** **AO3 – 1**

Question	Answer	Marks	Guidance
4(a)	**State <u>two</u> objectives of an enterprise.** 1 mark per objective. Answers could include: • Achieving aims • Sales revenue • Growth • Making a profit • Survival	**2**	**AO1**
4(b)	**Explain <u>two</u> reasons why Seth's computer servicing and repair enterprise was likely to be successful. Use an example from the case study to support each part of your answer.** Each reason should be marked as follows: Identification of a reason for success of any enterprise. [1] Application to Seth's enterprise/use of case study. [+1] Answers might include: • Meeting customer wants or needs • Rising incomes • Rising demand for the good or service • Low prices • No competition • Planning completed. Application might include: • Many people in the area using computers • Response to the questionnaire was good • Strong demand for the computer repair and servicing • Seth knew how to service and repair many different types of computer • His low costs suggest a low price could be charged.	**2**	**AO1 – 2** **AO2 – 2** Award: • Strong demand for the computer repair and servicing. [2] • His low costs suggest a low price could be charged. [2] As both show implicit understanding of the reason clearly applied.

Question	Answer	Marks	Guidance
4(c)	**Describe <u>two</u> examples of verbal communication and one example of non-verbal communication used in <u>your enterprise project</u>.** Each example should be marked as follows: Explanation showing understanding of the method. [1] Example from their own enterprise [1] Answers might include: Verbal: • Presentations • Talking via the telephone • Word of mouth announcements • Face to face meetings Non-verbal: • Body language • Facial expressions • Proximity • Touch • Application will depend upon the candidate's own enterprise project.	**6**	**AO1 – 3** **AO2 – 3**

Question	Answer	Marks	Guidance
5(a)	**Explain <u>two</u> sources of help and support for an enterprise.** Each source should be marked as follows: Identification of source of help and support. [1] Explanation showing understanding of the source. [+1] Answers may include: • Government/business agencies • Consultants • Financial institutions • Charities • Teachers • Business networks • Other entrepreneurs	**4**	**AO1** Accept relevant examples of specific organisations from the candidate's country.
5(b)	**Explain <u>two</u> ways that you made sure that you met legal obligations in <u>your enterprise project</u>. Use examples to support your answer.** Each point should be marked as follows: Identification of the action taken in their enterprise. [1]. Some basic attempt at explanation of how it ensured they met legal requirements [+1] More detailed explanation showing impact [+1] Answers will depend on the candidate's own enterprise experience. Example: We made sure our masks were not faulty [1] which would be a health and safety obligation [+1] this meant customers bought our masks. [+1]	**6**	**AO2 – 2** **AO3 – 4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>6(a)</td><td>
Seth intended to operate his computer servicing and repair enterprise as a sole trader in the short term but would consider changing this in the long term.
Discuss <u>two</u> reasons why Seth might need to change his business organisation in the long term. Use examples to support your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Mark</th></tr>
<tr><td>3</td><td>Good analysis consistently applied to the case study

Demonstrates good knowledge of concepts</td><td>8–10</td></tr>
<tr><td>2</td><td>Some analysis supported by good application to the case study

Demonstrates knowledge of concepts</td><td>4–7</td></tr>
<tr><td>1</td><td>Limited application to the case study

Demonstrates knowledge of concepts</td><td>1–3</td></tr>
<tr><td>0</td><td>No creditable response</td><td>0</td></tr>
</table>
Note: Examiner guidance for level 2 – maximum 6 marks for good analysis with limited application.

The grade descriptions describe performance at the top of the band.
</td><td>10</td><td>
Knowledge points might include:
• A need for finance – another partner /shareholder required
• Greater risk - the protection of limited liability is advised
• Increase in demand - a further partner required to share workload
• Specialist skills required.
Application:
• Previous enterprise almost failed due to cashflow
• Seth’s group had ordered a large quantity of stock
• Using own personal savings
• He has limited funds
• Largest cost would be marketing
• He might not have all the enterprise skills needed to deal with problems
• There were many areas of enterprise he needed help with.
</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>6(b)</td><td>
Seth needed to make sure that people in the local area knew that his computer servicing and repair enterprise existed. He considered:
• leaflets
• social media
• word of mouth.
Evaluate the method of marketing that would be <u>most</u> suitable for Seth's enterprise. Justify your choice, including why you rejected the other marketing methods.
<table>
<tr><th>Level</th><th>Description</th><th>Mark</th></tr>
<tr><td>4</td><td>Clear reasoned evaluation is present
Good analysis applied consistently to the case study
Demonstrates good knowledge of relevant concepts</td><td>12–15</td></tr>
<tr><td>3</td><td>Good analysis applied consistently to the case study is leading to evaluation
Demonstrates knowledge of relevant concepts</td><td>8–11</td></tr>
<tr><td>2</td><td>Some application to the case study supported by some analysis
Demonstrates knowledge of relevant concepts</td><td>4–7</td></tr>
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<tr><td>0</td><td>No creditable response</td><td>0</td></tr>
</table>
</td><td>15</td><td>
Knowledge might include:
Explanation of positives or negatives of using leaflets, social media, or word of mouth advertising.

Application might include:
• Local enterprise/people in the local area
• Low/limited funds
• Using own savings as finance
• Largest cost would be marketing
• Start up enterprise
• The market is computer users/computer literate.
</td></tr>
</table>

Question	Answer	Marks	Guidance
6(b)	**Note:** Examiner guidance for level 2 – maximum 6 marks for good analysis with limited application. **Note:** Examiner guidance for level 3 – use judgement when awarding AO3 as both analysis and evaluation are covered by this AO. The grade descriptions describe performance at the top of the band.		

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>7(a)</td><td>
Seth wanted to avoid the risk of debt.
Discuss how your attitude to risk affected the operation of <u>your enterprise project</u>. Use examples to support your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Mark</th></tr>
<tr><td>3</td><td>Good analysis consistently applied to their own enterprise experience

Demonstrates good knowledge of concepts</td><td>8–10</td></tr>
<tr><td>2</td><td>Some analysis supported by good application to their own enterprise experience

Demonstrates knowledge of concepts</td><td>4–7</td></tr>
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Note: Examiner guidance for level 2 – maximum 6 marks for good analysis with limited application.

The grade descriptions describe performance at the top of the band.
</td><td>10</td><td>Knowledge might include
Attitude to risk such as:
• Risk-averse
• Risk-keen
• Risk-reducer
• Unwilling to take risk
• Willing to take some risk.</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>7(b)</td><td>
Seth planned some aspects of his new enterprise, but he did not complete any formal documents such as:
• an action plan
• a business plan
• a cash flow forecast.
Evaluate the usefulness of <u>two</u> of these documents to <u>your enterprise project</u>. [15]

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<tr><th>Level</th><th>Description</th><th>Mark</th></tr>
<tr><td>4</td><td>Clear reasoned evaluation is present
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Note: Examiner guidance for level 2 – maximum 6 marks for good analysis with limited application.

Note: Examiner guidance for level 3 – use judgement when awarding

AO3 as both analysis and evaluation are covered by this AO.

The grade descriptions describe performance at the top of the band.
</td><td>15</td><td>
Knowledge may include:
• Contents of the document
• How the document is used by an enterprise.
</td></tr>
</table>