Cambridge Assessment International Education

Cambridge IGCSE™

ENTERPRISE **0454/13**

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>four</u> enterprise skills** 1 mark per identified skill. Answers might include: • leadership • self-confidence • problem-solving • innovation • practical skills • delegation	**4**	Accept any answer from section 3.1 of the syllabus or relevant skills. Allow teamwork for team building
1(b)	**Explain how an entrepreneur that you have studied used <u>two</u> enterprise skills and include the impact of each skill in your answer.** Each skill should be marked as follows: Application showing how the entrepreneur used the skill. [1] Explanation showing how the skill had an impact. [+1] Example: Richard Branson used problem-solving when he identified an error in the design of his balloon. [1] He kept changing the design until he found one that worked. [1+]	**4**	**AO2 – 2** **AO3 – 2** Allow the case study entrepreneurs as examples**.**

Question	Answer	Marks	Guidance
2(a)	**Explain <u>one</u> negative effect that enterprises may have on communities.** Identification of a negative effect [1] Explanation of the negative effect on the community. [+1] Example: Air pollution [1] can cause ill health in the local population. [+1]	**2**	**AO1 – 2**

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Question	Answer	Marks	Guidance
2(b)(i)	**Define the term s*takeholder*.** Precise definition [2] Imprecise definition showing some understanding. [1] Examples: Individuals, groups, or organisations with an interest [1] in the activities of a business. [1] Someone interested in, or affected by, the enterprise. [1]	**2**	**AO1**
2(b)(ii)	**State <u>one</u> example of an internal stakeholder.** Examples may include: • employees • owners/shareholders/Harry/Thomasine • managers	**1**	**AO1** Accept a practical example from the case study.
2(b)(iii)	**State <u>one</u> example of an external stakeholder.** Examples may include: • customers • government • local community • suppliers • lenders/financiers • competition • owners of the café he wanted to buy.	**1**	**AO1** Accept a practical example from the case study.

Question	Answer	Marks	Guidance
2(c)	**Explain <u>two</u> types of business organisation that would be suitable for the training café enterprise.** Identification of **<u>any</u>** type of business organisation. [1] Explanation showing some development as to why this is suitable for this enterprise. [+1] Suitable answers might include: • Partnership • Limited liability company – PLC or Ltd • Cooperative • Social enterprise. Example: A partnership [1] because there are a few friends who will own the business [+1].	**4**	**AO1 – 2** **AO2 – 2** Up to **two knowledge marks** maybe awarded for types of organisation that would not be suitable for this enterprise, such as sole trader or franchise.

Question	Answer	Marks	Guidance
3(a)	**State <u>two</u> methods of secondary research.** 1 mark per method stated. Answers might include: • books • newspaper/magazine articles • internet • trade journals • government statistics • company records and reports	**2**	Do not allow – 'Google it' for internet.

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Question	Answer	Marks	Guidance
3(b)	**Explain <u>two</u> factors that were considered before choosing the methods of research used in <u>your enterprise project</u>.** Each factor should be marked as follows: Factor identified [1] Explanation showing application to candidate's enterprise [+1] Answers may include: • cost of method • availability of method • suitability for enterprise • target market • time-period/speed to analyse results. Example: We had to choose methods that would gather information quickly [1] because we only had one day to research. [+1]	**4**	**AO1 – 2** **AO2 – 2**

Question	Answer	Marks	Guidance
3(c)	**Explain <u>two</u> methods that were used, or could have been used, to retain customers in <u>your enterprise project</u>.** Each method should be marked as follows: Method identified [1] Explanation showing how the method would retain customers. [+1] Explanation showing application to candidate's enterprise [1] Answers may include: • offering good customer service • dealing with complaints promptly • loyalty rewards/loyalty cards • developing new products Example: A loyalty card [1] was given so after 6 cupcakes were purchased the customer gained one free. [1] This encouraged people to but at least 6 cupcakes. [+1]	**6**	**AO1 – 2** **AO2 – 2** **AO3 – 2** Allow discounts only if it is clearly given to returning customers i.e. practical example of loyalty rewards.

Question	Answer	Marks	Guidance
4(a)	**Define the term *budget*.** Precise definition [2] Imprecise definition showing some understanding. [1] Examples: A financial plan for a future period [2] An amount of money allocated for future expenditure [2] A financial statement [1] of income and expenditure over time [+1] The amount of money you can spend. [1] Limit on the money you can spend [1]	**2**	Do not accept – amount of money to **invest** as this is capital. Income and expenditure over time is too vague, as this relates to other documents.

Question	Answer	Marks	Guidance
4(b)	**Explain <u>one</u> problem that the group could experience by using their personal savings to fund the enterprise.** Identification of a problem of using savings. [1] Explanation showing why this is a problem for the enterprise/use of case study. [+1] Answers might include: • insufficient funds • loss of earnt interest on savings • risk of losing the funds • lack of emergency/contingency funds that maybe required in the future • group may argue over who invested the most funds. Example: There were insufficient funds [1] to purchase the café. [+1]	**2**	**AO2 – 2**

Question	Answer	Marks	Guidance
4(c)	**Analyse <u>two</u> suitable sources of finance that could have been used to set up the training café, other than personal savings.** Each source should be marked as follows: Identification of a source of finance [1] Explanation showing understanding of the financial source [+1] Application to the Café [1] Answers may include: • family and friends • bank overdrafts • bank loans • leasing • mortgages • charities, social enterprises • grants and subsidies • crowdfunding • selling shares Example: A bank loan [1] would allow the group to borrow enough to purchase the existing café [+1] their own funds could be used as a deposit. [1]	**6**	**AO1 – 2** **AO2 – 2** **AO3 – 2** Do not accept trade credit as this is not a source of finance.

Question	Answer	Marks	Guidance
5(a)	**State <u>two</u> risks involved in an enterprise.** 1 mark per identified risk. Answers may include: • financial – losing money invested • economic – rising inflation increasing costs • human resources – a lack of vital skills, owners conflicting • health and safety • production • legal issues	**2**	**AO1 – 2** Credit can be given for two examples from any one section e.g. two financial risks. Not being successful/competition is too vague.
5(b)	**Describe <u>one</u> method of identifying risks involved in an enterprise.** Identification of method [1] Development showing how the method works to identify risk [+1]. Answers may include: • research • complete SWOT analysis • complete PEST analysis Example: Completing a SWOT analysis [1] will help the enterprise to see the weaknesses and threats that may affect their operations. [+1]	**2**	**AO1 – 2**

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Question	Answer	Marks	Guidance
5(c)	**Explain how Harry's attitude to risk was different from Thomasine's attitude to risk. Use examples from the case study to support your answer.** Mark each stakeholder as follows: Precise application of correct term for attitude [2] **OR** Imprecise application of attitude lacking correct term [1] Explanation using example from the case study material showing how they display the attitude to risk identified in each case [+1] Answers may include: Harry – risk-keen [2] **OR** risk taker/takes more risk [1] • was willing to rush into the café • did not want to wait for the research to be completed • was willing to spend above budget Thomasine – risk reducer (avoider) [2] **OR** risk-averse/takes less risk [1] • wanted to complete more research • did not want to risk spending too much.	**6**	**AO1 – 2** **AO2 – 2** **AO3 – 2** Harry is very risky – give benefit of doubt.

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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>
Harry and four friends were planning to set up an enterprise.

Discuss the advantages for the friends of working as a team in their enterprise. Use examples to support your answer.
<table>
<tr><td>Level</td><td>Description</td><td>Mark</td></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 might include:

Sharing the workload – allows more work to be completed
More people to offer advice/discuss issues with – so better decision making
Greater variety of skills – so can specialise
Each person provides some finance – reduced need for external sources.

Application could include:

Harry and four friends/five friends
Harry researched skills and qualifications
Thomasine researched the costs
The rest of the group would identify the number of local competitors, potential customers, people to work in the café, impact on stakeholders
Numbers from Fig.1
Invest $500 each
Some of the friends were unwilling to buy the café so quickly.

</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>
The group decided not to buy this café but Harry thought that this was the wrong decision.

Evaluate whether it was the <u>best</u> decision for the training café enterprise not to buy this café.

<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>
<tr><td>1</td><td>Limited application to the case study
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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>
Answers might include:
Negative of café:

Cost was more than budget
Already had established customers who may object to the changes
May not be the best area for the training café
The other group members did not want to buy it.

Positives for café:

Established customer base
Reduced set up costs such as decorating and buying equipment
Break-even faster
May reduce the risks.

</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(a)</td><td>Discuss <u>two</u> actions that you could have taken which would have improved the effectiveness of negotiation in your enterprise project. Use examples to support your answer.

<table>
<tr><td>Level</td><td>Description</td><td>Mark</td></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>
<tr><td>1</td><td>Limited application to their own enterprise experience

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>Answers may include:
• Research into the opponents view/having information available
• Research into competitors/other suppliers’ price and products
• Organising what was to be said
• Organising who would say what
• Choosing a better location for the negotiation
• Being prepared with what we would accept.</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>7(b)</td><td>
Harry and his group produced both an action plan and a business plan before starting their enterprise.

Evaluate the importance of your action plan to the success of <u>your enterprise project</u>.
<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 their enterprise
Demonstrates good knowledge of relevant concepts</td><td>12–15</td></tr>
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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 might include:

Better understanding of what needs to be done
Identifies the key stages of a project
Avoids wasting time and effort
Identifies potential obstacles and issues to be resolved
Keep track of who is responsible for what and when
Acts as a checklist to monitor progress.

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