UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

7115 BUSINESS STUDIES

7115/11 Paper 1 (Short Answer/Structured response), maximum raw mark 100

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 must be read in conjunction with the question papers and the report on the examination.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer.

Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

© University of Cambridge International Examinations 2011

1 (a) What is meant by an 'increasingly competitive market'? [2]

For 2 marks must have understanding of 'increasingly' and 'competitive market'.
A greater number of businesses [1] producing products aimed at the same market segment [1]. A number of similar companies [1], as this shows an understanding of a competitive market.

(b) Calculate the value of Autobrake's sales in 2010. [2]

Correct answer [2], method [1].
$ sign not required.

Autobrake's sales = $14m [2]. Must have million for 2 marks.
$70m x 20% [1], sales x market share [1].
Correct method but wrong year [2005] i.e. $70m x 40% [1], $28m alone [0].

(c) Autobrake uses flow production in its factories. Identify and explain <u>two</u> benefits of using flow production. [4]

Knowledge [2 x 1]:
- larger output/mass production
- economies of scale or lower unit costs
- overheads spread over many units
- intensive use of machinery
- productivity rises
- continuous process
- standardised products/consistent quality
- specialisation/unskilled workers.

Do not accept 'quicker', 'cheaper' or 'quality' alone as knowledge points. These can be used as part of an explanation.

Analysis [2 x 1]: explaining how the benefit identified helps Autobrake.
E.g. reducing unit cost [k] is a benefit because it increases competitiveness [an].

(d) Identify and explain <u>three</u> possible reasons why Autobrake's market share changed between 2005 and 2010. [6]

Remember Autobrake's market share has fallen. Total market demand for the product has not fallen.

Knowledge [3 x 1]:
- product range dated
- new rivals entered market
- incorrect pricing
- quality issues damaged reputation
- marketing strategies ineffective.

Analysis [3 x 1]: explain how the factor identified results in a relative fall in sales. E.g. If product range is old-fashioned [k] this results in consumers turning to other businesses to better meet their needs [an].

© University of Cambridge International Examinations 2011

(e) Do you think that investing in a wider range of products will mean that the business will become more profitable in the future? Justify your answer. [6]

Knowledge [2]:

- attracts new groups of customers
- increases attractions of business to existing customers
- enhances the image of the company
- spreading risk
- costs will rise
- diseconomies of scale.

Analysis [2]: explanation of how the knowledge point identified affects the business.
Evaluation [2]: justified decision related to profitability based on points identified.

© University of Cambridge International Examinations 2011

2 (a) What is meant by the term 'recession'? [2]

[Sustained] reduction in GDP [2].
Fall in output [1] over time [+ 1].
Slow down in business activity [1].

Do not credit identification of impact such as falling living standards/fewer jobs/businesses making losses/fall in sales [0].

(b) Identify <u>two</u> ways in which consumers might be affected by a recession. [2]

Knowledge [2 x 1]:
- Lack of confidence/less spending
- lower income/loss of income/job losses/falling living standards
- reduced choice

(c) Identify and explain two consequences of a fall in interest rates on businesses in country A. [4]

Knowledge [2 x 1]:
- cost of borrowing reduced
- potential incentive to increase investment
- increase in spending by consumers
- interest earned on savings falls

Analysis [2 x 1]: explanation shows how the business will be affected. E.g. Increase in spending by consumers [1] leading to rise in sales [1]. Loans are cheaper so businesses take more loans [1].

(d) Identify and explain <u>three</u> ways by which employees can be protected at work by Government laws. [6]

Knowledge [3 x 1]:
- unfair dismissal
- employment contract
- protection against exploitation/discrimination
- health and safety
- wage protection
- maximum hours.

Analysis [3 x 1]: explain how the employee might be better protected.
E.g. any law that limits the number of employee hours each week [k] protects a worker from tiredness [an].

© University of Cambridge International Examinations 2011

(e) Do you think that Governments should give financial support to private sector businesses to survive in a recession? Justify your answer. [6]

Knowledge of issues [2]:
- maintains jobs
- maintains output
- keeps range of products
- protects key industry/products/suppliers/exports
- more government spending/switches spending from other areas
- increases taxation.

Analysis [2]: explanation of why this issue is important.
Evaluation [2]: justified decision based on points identified.

© University of Cambridge International Examinations 2011

3 (a) What is meant by the term 'sole trader'? [2]

A business owned by one individual [2].
Some understanding of the term plus an example of a feature [2].
E.g. run by one person [1] has unlimited liability [1].
Identification of features – max 1 mark.

(b) Identify <u>two</u> other examples of businesses that are also in the tertiary sector. [2]

Any service-type activity acceptable e.g. retailing/entertainment.
Do not accept a name of a business alone.
E.g. Patel's [0] but Patel's insurance company [1].

(c) Identify and explain <u>two</u> advantages to Sarah of have a business partner. [2]

Knowledge [2 x 1]:
- injection of more capital
- sharing of work load
- new ideas
- greater range of expertise/specialisation.

Analysis [2 x 1]: explanation of how/why it benefits Sarah.

(d) Identify and explain <u>three</u> factors Sarah should consider when choosing a suitable location for a new nursery. [6]

Knowledge [3 x 1]:
- cost related issues [rent/rates/government grants]
- market factors/near housing estates or population
- competition
- transport
- security
- utilities/power/water
- access to qualified staff/labour.
  Must be appropriate for a nursery.

Analysis [3 x 1]: explanation of why these factors need to be considered.

© University of Cambridge International Examinations 2011

(e) Do you think that it would be a good idea for Sarah to continue to expand her business? Justify your answer. [6]

Knowledge [2]:
- gain economies of scale
- greater recognition
- profitability
- loss of control
- risk
- objectives of the owner
- increased cost
- revenue
- more customers.

Analysis [2]: explanation of points must be related to Sarah or her business for credit.
Evaluation [2]: justified decision related to growth based on points identified. For 2 evaluation marks **must** relate to Sarah or her business.

Generic answer that is not related to Sarah's business is maximum 3 marks.

© University of Cambridge International Examinations 2011

4 (a) What is meant by the term 'shareholders' funds'? [2]

Value of equity capital plus reserves [2].
Funds/money invested into the business [1] by the owners [+ 1].
Some understanding of term e.g. money put into business by shareholders [1].
Note: do not accept dividend.

(b) Identify <u>two</u> examples of Trucker's current assets. [2]

- debtors
- stock e.g. tractors/construction vehicles
- cash/bank.

1 mark per example [2 x 1].

(c) Identify and explain <u>two</u> reasons why a business might have creditors. [2]

Knowledge [2 x 1]:
- helps with cash flow/short-term funding
- purchase of raw materials/stock to resell
- interest-free source of finance
- standard way of carrying out business transactions
- taken an overdraft.

Analysis [2 x 1]: explanation of why this is useful to the business.

(d) Identify and explain <u>three</u> possible reasons why Trucker's net assets increased in 2010. [6]

Knowledge from data [3 x 1]:
- fixed assets increased/went from $200m to $225m
- current assets increased/went from $150m to $180m
- current liabilities increased by less than the increase in current assets.

Analysis [3 x 1]: explanation showing possible reason for the change identified.
E.g. fixed assets are higher [k] because they bought new plant or buildings [an].

(e) Can the success of Trucker's business be assessed just by analysing its Balance Sheet? Justify your answer. [6]

Knowledge [2]:
Knowledge of a Balance Sheet/ways to measure success [2].
- the assets and liabilities of a business [1] at a point in time [+1]
- a financial statement at a point in time [1]
- what a business owns and owes [1]
- the value of a company [1].

Analysis [2]: interpretation of what a balance sheet does or does not show.
Evaluation [2]: justified decision related to success based on points identified.

© University of Cambridge International Examinations 2011

5 (a) What is meant by the term 'internal communication'? [2]

Process of exchanging information between one group and another inside a business [2].
Flow of messages from source to recipient [1] within a business [1].
Do not accept examples of communication – the question requires a definition.

(b) Identify <u>two</u> features of the organisational structure of ABC as shown in Fig. 2. [2]

1 mark per feature identified:
- narrow span of control
- tall (structure)
- 4/large number of levels/hierarchy

Do not accept only 2 subordinates as this is unknown.

(c) Identify and explain <u>two</u> reasons why managers may be reluctant to delegate tasks to employees in their organisation. [4]

Knowledge [2 x 1]:
- may lack confidence in employees
- want to maintain total control/manager feels threatened
- think they know best/know the task will be done/fear of errors
- employees lack training/skills
- managers not capable of explaining the task.

Analysis [2 x 1]: explanation shows why these reasons result in a lack of delegation.

(d) Identify and explain <u>three</u> advantages to ABC of recruiting senior managers from within the business. [6]

Knowledge [3 x 1]:
- acts as a motivator for employees
- individual knows the business
- business knows the individual
- avoids costs of external recruitment.

Do not accept 'time' or 'money' unless explained. Training must clearly be related to induction to be rewarded. 'Experienced' is not a valid answer.

Analysis [3 x 1]: explanation as to why **ABC** benefits.

© University of Cambridge International Examinations 2011

(e) Recommend <u>two</u> ways in which communication could be improved in a large organisation. Justify your recommendations. [6]

Knowledge [2]:
Could include:
- telephone/cell phone
- email
- meetings/video-conferencing
- shorten span of control
- delayering.

Analysis [2]: explanation of how communication would be improved.
Evaluation [2]: justification of why this is suitable for a large organisation. This can be implicit.

© University of Cambridge International Examinations 2011