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

7115/12 Paper 1 (Short Answer/Structured response), maximum raw mark 100

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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.

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1 (a) What is meant by the term 'niche market'? [2]

For 2 marks must have reference to idea of 'small part of market' and 'specialised'.

Niche market is a specialised sub-part of a larger market with specific characteristics [2].
Some understanding [1] e.g. small part of a market [1].
Do not accept 'small market' [0].

(b) Identify <u>two</u> objectives that Ceri might have had for his business when he started it. [2]

Objectives might include growth/profitability/survival/breakeven/gaining reputation/added value/ providing service/brand loyalty.

One mark per objective [2 × 1].

(c) Identify and explain <u>two</u> advantages to Ceri of converting the business to a private limited company. [4]

Knowledge [2 × 1]:
- separate legal identity from owner
- limited liability
- increases ability to raise funds/sell shares (to friends and family).

Analysis [2 × 1]: explanation must show why the point creates <u>an advantage to Ceri</u> e.g. limited liability [k] so owner only loses amount invested in company [an].

(d) Identify and explain <u>three</u> potential problems to Terfil Enterprises of continuing to grow in the future. [6]

Knowledge [3 × 1]:
- business becomes more complex to manage/diseconomies of scale
- may lose focus on niche market/lose contact with customers
- growth limited by size of market
- lack of capital to finance growth
- new geographical market
- increase in expenditure/cost.

Do not accept more competition alone as knowledge point. It must be developed in reference to a niche market.
Do not accept cash flow problem as it is a short-term issue.

Application/analysis [3 × 1]: explains how it might be a problem for the business e.g. Ceri begins to find it much more difficult to manage the business [k], and starts to make mistakes/poor decisions [an].

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(e) How important are low prices in determining the long-term success of Terfil Enterprises? Justify your answer. [6]

Knowledge of relevant factors that affect long-term success [2].

Points might include:
- low prices encourage demand
- product/promotion/place
- competition
- reputation
- availability of finance.

Analysis of factors [2]: explain how or why the factor might be an issue.

Evaluation [2]: justified decision related to long-term success based on points raised.

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

Assets that are owned by a business [1] and are held for a period of time (usually in excess of a year) [2].
Some understanding [1] e.g. 'things that are owned'.
Some understanding plus example e.g. buildings can gain 2 marks.
Do not credit example on its own.

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

Knowledge [2 × 1]:
- overdraft
- creditors/payables
- accruals
- outstanding tax
- short-term loans.

One mark per example [2 × 1].

Do not accept amounts owed e.g. electricity owed.

(c) Identify and explain <u>two</u> reasons why most businesses have debtors. [4]

Knowledge [2 × 1]:
- debtors can be used as a marketing device
- standard practice in the industry
- customers don't pay/can't pay.

Analysis [2 × 1]: explanation must show why the factors identified occur e.g. marketing device [k] can encourage customers to buy more goods as they are able to pay later [an].

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(d) Identify and explain <u>three</u> reasons why Telefax's bank manager might want to see the accounts of the business. [6]

Knowledge [3 × 1]:
- can be used to assess financial strength/assess risk
- profitability
- liquidity
- gearing.

Do not accept answers which refer to how <u>the business</u> would use the accounts.

Analysis [3 × 1]: explanation must focus on the reason why the information that can be learned from the accounts actually would be of interest to the bank manager.
E.g. check cash flow before giving loan [k] to make sure business can pay back [an].

(e) Do you think that the financial position of Telefax has improved in 2010? Justify your answer. [6]

Knowledge of significant changes shown by accounts [2].
- current ratio improve
- gearing ratio increased
- fixed assets increased
- current assets increased more than current liabilities
- long-term liabilities increased
- the rise in the value of net assets financed by an increase in long-term debt.

Analysis of changes [2] can be quantitative or qualitative.
- current ratio improves from 1:1 to 1.2:1/improved so can meet short-term liabilities more easily
- gearing ratio from 33% to 45%
- fixed assets increased by $10 million
- current assets increased faster than current liabilities by $4 million
- long-term liabilities increased significantly from $10m to $20m
- the rise in the value of net assets financed largely by an increase in long-term debt.

Evaluation [2]: justified decision related to whether financial position has improved.

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3 (a) What is meant by the term 'organisational structure'? [2]

Clear understanding of term [2] e.g. refers to level of management and division of responsibilities within an organisation/shows the roles of people in an organisation and the relationship between them.
Some understanding [1] e.g. 'how a business is organised'.

(b) What is meant by 'communication in the business is poor'? [2]

Clear understanding [2]: communication refers to the process by which information is exchanged between one group and another [1]. If it is poor this process is not functioning effectively [+ 1].

A one-mark answer will refer only to communication or the concept of 'poor', e.g. message is not getting through [1].

(c) Identify and explain <u>two</u> advantages of delegating tasks in an organisation. [4]

Knowledge [2 × 1]:
- work-load spread more evenly
- give responsibility to lower rank employees
- management can focus on more important matters
- motivational factor for employees
- improved efficiency.

Note: advantages can be for employee, manager or business.

Do not accept 'faster' and 'effective' alone as knowledge points. These can be used as part of an explanation.

Analysis [2 × 1]: show how or why the point identified creates an advantage e.g. gives responsibility to lower rank employees [k] which may increase motivation and job satisfaction [an].

(d) Identify and explain <u>three</u> reasons why meetings between managers and workers can benefit the business. [6]

Knowledge [3 × 1]:
Benefits might include:
- interchange of ideas
- better understanding of other people's points of view/opinions
- improves communications
- increases sense of unity of purpose and motivation
- better decision-making
- problem-solving.

Analysis [3 × 1]: explains how or why it is a benefit <u>to the business</u>.
E.g. workers can put forward ideas [k] which help the business cut costs [an].

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(e) How effective is money in motivating workers? Justify your answer. [6]

Knowledge of motivational factors [2]:
- money
- personal satisfaction
- social needs, etc.

Analysis of issues [2]: explain how money may or may not motivate workers.

Do not accept benefits for the business.

Evaluation [2]: justified decision as to effectiveness of money to motivate workers based on points raised, e.g. motivation refers to the attitude that people have towards their work. [k] Money clearly can help motivation by increasing the financial rewards [k] and hence making work more attractive [an]. However money alone cannot motivate if other factors are lacking [e].

4 (a) What is meant by the term 'market leader'? [2]

Clear understanding [2] e.g. business with largest percentage of total sales revenue/share of the market [in terms of sales, revenue or output] or biggest share of market.

Some understanding [1] e.g. largest business in market/big market share/business with a monopoly.

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

Accurate calculation or correct answer [2]. Method alone [1].
$ sign not needed
60% of $50m [1] = $30m [2] must have millions (m) for 2 marks.
Correct method i.e. 40% of $50m [1] but $20m alone [0].

(c) Identify and explain two possible reasons why the market for car tyres in country Z is no longer growing. [4]

Knowledge [2 × 1]:
- recession
- market saturated/demand for cars static or falling
- increased use of public transport/environmental concerns
- increase in price of cars/fuel/tyres
- better quality product

Note: answers must refer to total market for tyres in country Z and not just Delwar.

Application/analysis [2 × 1]: explanation to show how or why the factor affects the market for tyres, e.g. in a recession [k] people likely to have less money and buy fewer cars/tyres [an].

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(d) Identify and explain <u>three</u> methods Delwar could use to increase its market share in country Z. [6]

Knowledge [3 × 1]:
- improved quality of products
- widened product range
- bought out rivals/takeover/merge
- promotion/advertising
- pricing
- improved customer service
- more sales outlets.

Do not allow exporting to/importing from other countries.

Analysis/application [3 × 1]: explains how method helps increase market share e.g. short-term price promotion [k] to encourage more customers to buy more products as they are cheaper [an].

(e) Do you think Delwar's profits would increase if the business were to export its tyres? Justify your answer. [6]

Knowledge [2]:
Points could include:
- advantages and disadvantages of exporting
- factors affecting profitability
- government influences
- exchange rates
- productive capacity
- access to new market/customers.

Analysis of factors [2]: show why or how that factor is an issue.

Evaluation [2]: justified decision related to Delwar's profit based on points raised, e.g. exporting could increase sales [k] and assuming positive margins this should increase profits [an]. The current domestic market is static and hence if no exports then sales might well fall in future [an]. However exporting incurs costs [k]. If the process is unsuccessful then the extra income may not cover these [an]. So potentially exporting should increase profits but this is not inevitable [e].

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5 (a) What is meant by a 'financial benefit'? [2]

Clear understanding [2]: e.g. monetary benefit [1], internal to the business [+1], profit business makes [2].
Some understanding [1]: e.g. a benefit received by a business [1] or money benefit e.g. profit/money/cost saving, but no indication as to the recipient [1].

(b) Identify <u>two</u> examples of social costs that extraction of minerals might create. [2]

Knowledge [2 × 1]:
Environmental/visual pollution/destruction of an area/noise/depletion of resources.

One mark per example.

(c) Identify and explain <u>two</u> ways in which pressure groups could influence Extracto's decisions. [4]

Knowledge [2 × 1]:
Points might include:
- creating negative publicity/publish information
- demonstrations/protests/rally opposition against the company
- highlight the social costs of the activities/make complaints
- lobby politicians/company etc
- boycott products
- law suits.

Do not accept Trade Union activities/strikes/picketing.

Analysis [2]: explain how the action might influence the decisions of the business.

Arrange boycott [k] of products could mean lower sales thus lower sales revenue might cause business to rethink [an].

(d) Identify and explain <u>three</u> factors that Extracto should consider before deciding whether to begin mining in country X. [6]

Knowledge [3 × 1]:
- government rules/financial incentives/approval to proceed
- specific costs associated with given site
- infrastructure
- availability of suitable workforce
- external economies of scale
- financial viability.

Note: factors must be appropriate for a mining company.

Do not accept social costs and social benefits.
Do not allow power and water as separate points.
Do not accept location on its own as a knowledge point. <u>Only</u> accept it in relation to accessibility, transport etc.

Analysis of importance **[3 × 1]:** explain how and why factor needs to be considered,
e.g. a transport network will be necessary [k] to get equipment into the site and products out easily [an].

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(e) Governments often aim to attract multinational companies into their countries. Do you think that they should do this? Justify your answer. [6]

Knowledge of issues [2]:

- multinationals create jobs
- encourage inward investment
- help develop skills and expertise/train local work force
- generate spending power
- exploitation of workers/resources
- lack of respect for local customs and cultures
- lead to flow of profits out of a country
- competition for local businesses.

Analysis of issues [2]: explain how or why the issue affects government decisions.

Evaluation of issues [2]: justified decision related to whether government should try to attract multinationals. E.g. multinationals help develop skills and expertise [k], by investing money in training the local workforce [k]. This would increase employment opportunities and spending power within the local economy [an]. However they can lead to exploitation and lack of respect for local customs and cultures and lead to flow of profits out of a country. So issue is not clear-cut [e].

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