CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the May/June 2014 series

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2014 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

1 (a) What is meant by a 'marketing budget'? [2]

Good knowledge: [2] e.g. a financial plan or forecast for the marketing of a product for a specified period of time

Some knowledge: [1] e.g. a financial plan or sum of money put aside for marketing

(b) Identify <u>two</u> methods of primary market research that Anouk could use. [2]

Application [2 × 1] 1 mark per method
Methods could include: Questionnaires/survey, interviews, observations, focus group

Do not accept marketing agency or field research as these are not appropriate for a small business.

(c) Identify and explain <u>two</u> possible advantages for Anouk of <u>hiring</u> equipment. [4]

Knowledge [2 × 1] – award 1 mark for each relevant advantage
Application [2 × 1] – award 1 mark for each relevant different explanation

Relevant points might include:

- No need to spend a lot of money to buy equipment [k] might be too expensive for a sole trader [app]
- Easier to update or change equipment as required [k] if she designs a new piece of jewellery she does not have to buy more equipment [app]
- Able to afford the best equipment [k] to help her to make her jewellery more efficiently[app]
- If the machine is broken Anouk does not have to pay owner cost of repair [k] as a small business owner she does not have much money [app]
- Machinery is only rented when needed [k] so saving space at home [app].

Note: Do not accept cheaper or saves costs as these are too vague.

(d) Identify and explain <u>two</u> disadvantages to Anouk to having a business partner. [6]

Knowledge [2 × 1] – award 1 mark for each disadvantage identified
Application [2 × 1] – award 1 mark if relevant reference made to Anouk
Analysis [2 × 1] – award 1 mark for each relevant explanation

Note: For each reason maximum 3 marks [1k + 1app + 1an].

Relevant points might include:

- Have to share profits [k] so she might earn less [an] than if she were a sole trader [app]
- Share workload: [k] Anouk enjoys doing both designing and selling [app] sharing could lead to conflict [an]
- Unlimited liability [k] just like a sole trader [app] Anouk's personal assets are still at risk [an]
- Slower decision making [k] as she has to discuss decisions such the marketing budget [app] which could mean she misses sales[an]
- They might have different objectives [k] the partner might not want to just sell at markets [app] this could lead to disagreements[an]
- Partnership agreements cost time and money [k].

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(e) Anouk could use either leaflets or local newspaper advertising as methods of promoting her jewellery. Recommend which method you think Anouk should use. Justify your answer. [6]

Knowledge [2] – award up to 2 marks for identification of relevant points (e.g. advantages or disadvantages of either method)
Application [1] – award 1 mark if relevant reference made to Anouk's business
Analysis [1] – award 1 mark for relevant development of point(s)
Evaluation [2] – justified decision made as to which of the two methods would be most appropriate for Anouk to use.

Points include:
Advertising in local papers:
- Low cost [k] so she will be able to afford this [an] in her $50 budget [app]
- Would widen her target audience [k] as many people read newspapers [an]
- Not everyone reads newspapers [k] so her target audience might not be aware of her business [an]
- Repeat adverts can be expensive [k]. Using up the marketing budget [app].

Leaflets:
- Easy to distribute to lots of people [k] could widen her possible audience [an] to help increase her sales revenue above $3000 [app]
- Can be kept for reference [k] for when people want to buy rings or bracelets as presents [app]
- Can be colourful [k] which will attract people's attention [an]
- People might see them as junk [k] so throw them away [an].

Note: For 6 marks there must be a justified decision as to why it is the best option.

2 (a) Identify <u>two</u> examples of tertiary sector business activity in your country, other than a recruitment agency. [2]
Knowledge [2 × 1] 1 mark per example
Examples might include: Hairdressers, transport **or** distribution company; banking, retailers, doctors. Accept any reasonable answer but only **one** example of a retailer.

Do not accept names of businesses on their own **or** answers such as selling

(b) Identify <u>two</u> reasons why good customer service is important for Keypeople. [2]
Application [2 × 1] - award 1 mark per reason
Reasons might include: customer feels valued / good public relations / creates higher level of customer satisfaction / leads to repeat business (brand loyalty) / can lead to word of mouth recommendations/ motivation of workers/brand image.

(c) Identify and explain <u>two</u> reasons why employment contracts are used by businesses. [4]

Knowledge [2 × 1] – award 1 mark for each relevant reason
Analysis [2 × 1] – award 1 mark for each relevant explanation

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Points might include:

- It's a legal requirement [k] so failure to use them could lead to fines / legal action [an]
- Avoids misunderstanding if there is a dispute [k] business can check what workers are expected to do [an]
- Employers and employees know the terms and conditions of the employment [k].

Note: Details of content within a contract can be awarded only once as knowledge (e.g. wages/hours/holidays).

(d) Identify and explain <u>two</u> stages in the <u>recruitment process</u> of the manager's job for the manufacturing business. [6]

Knowledge [2 × 1] – award 1 mark for each stage identified
Application [2 × 1] – award 1 mark if relevant reference made to Key people
Analysis [2 × 1] – award 1 mark for each relevant explanation

For each reason maximum 3 marks [1k + 1app + 1an].
Stages are: job analysis; job description; person (job) specification; advertising the vacancy; shortlisting; interviewing, induction (training).

Possible examples include:

- Job description [k] will outline the tasks and responsibilities of the job [an]
- Person specification [k] will list the qualities and experiences for a senior manager [app] to attract the right people [an]
- Right place to advertise [k] specialist magazines/newspaper[app] to reach a wide range of people [an].

Note: Do not accept training alone – too vague.

(e) Do you think Rachel should expand Keypeople? Justify your answer. [6]

Knowledge [2] – award up to 2 marks for identification of relevant points
Application [1] – award 1 mark if relevant reference made to key people
Analysis [1] – award 1 mark for relevant development of point(s)
Evaluation [2] – justified decision made as to whether Rachel should expand key people

Points might include:

- Access to finance [k] as it is only a small business [app] so banks might not be willing to lend [an]
- Size of market [k] there might not be enough businesses who want to use the services [an] of a recruitment agency [app]
- Negative effect on business reputation [k] as customer service might worsen [app] as employees might not be able to cope with the increased workload [an]
- Need to hire additional employees [k] which would increase the business costs [an] as currently only have 2 employees [app]
- Expansion will reach more people [k] as it may move into new towns[app] and potentially increase sales [an].

3 (a) Identify <u>two</u> fixed costs that HPT might have. [2]

Application [2 × 1] 1 mark per fixed cost
Fixed costs could include: rent, rates, interest payments, electricity, gas, water, salaries. Allow practical examples such as freezers.

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Note: Do not accept wages and packaging as fixed costs are identified in the data.

(b) Calculate the following. **[2]**

Application [2 × 1] award 1 mark for each correct value. $ symbol not required but Y must be shown as a negative value
X = $180 000; Y= (10 000)

Note: Answers should be in millions but accept 180 000 and (10 000) due to question layout.

(c) Identify and explain <u>two</u> benefits to HPT of having a cash flow forecast. You should refer to Table 1 in your answer. **[4]**

Knowledge [2 × 1] – award 1 mark for each relevant benefit identified
Application [2 × 1] – award 1 mark for each relevant explanation in context

Relevant points might include:

- Arrange a short term loan [k] or arrange an overdraft [k] as in each month the closing balance is negative [app]
- Can identify possible causes of cash flow problems [k] e.g. as in month 2, sales are $20 000 lower than the other two months [app]
- Help manage cash flow better [k] as could try to reduce amount spent on packaging to less than $20 000 per month [app]
- Supports a loan application [k] as shows that the cash flow is improving slowly [app]
- Shows how much is spent each month [k].

Note: Do not reward a definition of cash flow forecast as the question asks for the benefits

(d) Identity and explain <u>two</u> reasons why packaging might be important for HPT. **[6]**

Knowledge [2 × 1] – award 1 mark for each relevant reason
Application [2 × 1] – award 1 mark for each relevant reference to HPT
Analysis [2 × 1] – award 1 mark for each relevant explanation
For each reason maximum 3 marks [1k + 1app + 1an].

Relevant points might include:

- Protection [k] as (frozen) food could be easily damaged / perish [app]
- Inform [k] could include nutritional information on labels or how to cook the food [app]
- Promotion [k] attractive wrappings could encourage people to buy the food to taste [app]
- Style or colour of packaging could help boost brand image [k] as it could help products stand out on the shelves [app]
- Easier to store [k].

Note: Do not accept HPT/Frozen food alone as application.

(e) The Finance Director is worried that new Government health & safety laws will not benefit the company and will only add to its costs. Do you agree? Justify your answer. **[6]**

Knowledge [2] – award up to 2 marks for identification of relevant issue(s)
Application [1] – award 1 mark if relevant reference made to aspects of HPT's business
Analysis [1] – award 1 mark for relevant development of point(s)
Evaluation [2] – justified decision made as to whether the costs of meeting the H&S laws will be greater than the benefits for HPT. Either viewpoint is acceptable.

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Points / additional costs could include:

- Cost of training, new equipment, wastage of food [k]
- Costs increase expenditure[an] and add to the cash flow problems of HPT [app] / or costs negatively affect the profitability [an]
- Worker motivation might increase [k] if workers feel safe [an] they may work harder and output / quality might improve [app].
- All businesses will be affected by the new laws [k] so even if costs rise, they can still remain competitive [an]
- Following health and safety laws will mean people will have trust in the food [k] because the food will be hygienic [app] this will lead to an increase in sales [an].

4 (a) Identify <u>two</u> features of a recession. [2]

Knowledge [2 × 1] one mark per feature

Features could include: falling demand, fall in business output, rising unemployment, business losses **or** lower profit **or** closure, less money circulating, less growth

(b) Identify <u>two</u> effects of a cut in interest rates on businesses like JWR. [2]

Application [2 × 1] – award 1 mark per effect

Points could include: Lower cost of borrowing money, existing loans could become cheaper, encourage businesses to expand, increased demand.

(c) Identify and explain <u>two</u> actions that pressure groups could use to influence JWR's decision. [4]

Knowledge [2 × 1] – award 1 mark for each relevant action

Application [2 × 1] – award 1 mark for each relevant explanation of how it would affect the decision to set up a new power station

Actions include:

- Lobbying government [k] to try to stop JWR from locating the power station in certain locations [app]
- Organise a boycott [k] so customers do not buy electricity from JWR [app]
- Write letters to newspapers [k]
- Hold public meetings [k]
- Arrange a meeting with JWR [k]
- Protest / demonstration [k]
- Petitions [k]
- Direct action [k].

(d) Identify and explain <u>two</u> external benefits as a result of opening a new power station in country U. [6]

Knowledge [2 × 1] – award 1 mark for each relevant benefit identified

Application [2 × 1] – award 1 mark if relevant context

Analysis [2 × 1] – award 1 mark for each relevant explanation

For each reason maximum 3 marks [1k + 1app + 1an].

Points might include:

- Job creation [k] as JWR will need to employ local workers at the power station [app] so provide a wage / income for many local employees [an]
- Increased orders for suppliers [k] as JWR will need to purchase materials [app] so increasing their sales [an]

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- Provide essential resources for community [k] as people will have access to energy [app] so improving their standard of living [an]
- Improved road infrastructure [k] as JWR will need to ensure there is good access to the power station [app] which could help reduce congestion for local people [an]
- Tax revenue [k].

(e) Do you think that the government of country U should try to attract multinational businesses? Justify your answer. [6]

Knowledge [2] – award up to 2 marks for identification of relevant issue(s).
Analysis [2] – award 1 mark for relevant development of point(s)
Evaluation [2] – justified decision made as to whether the government of country U should try to attract businesses like JWR. Either viewpoint is acceptable.

Relevant points might include:

- Increased employment [k] which can help improve living standards [an]
- Improved international reputation[k] could encourage other businesses to set up in country [an] helping economic growth [an]
- Depletion of local resources **or** damage environment [k] could increase pollution levels [an]
- Can switch profits between countries to avoid taxes [k] so country might not receive much additional tax revenue [an]
- MNCs are given incentives [k] money which could have been spent supporting local business [an]
- Can force local businesses to close [k] as they cannot compete with such large and powerful businesses [an].

5 (a) Identify <u>two</u> stakeholder groups, other than employees. [2]

Knowledge [2 × 1] – award one mark per stakeholder

Stakeholders could include: customers, suppliers, Government, owners **or** shareholders, lenders, community.

Note: Do not accept competitors, managers, directors.

(b) Identify <u>two</u> functions of management that each shop manager will have to perform. [2]

Application [2 × 1] award one mark per function
Functions could include: planning rotas, organise or delegate tasks to various employees, coordinating sections, giving commands to department managers, controlling shop budgets or monitoring targets.

Note: Do not accept functions of management which can only be applied to production. Leadership is too vague.

(c) Identify and explain <u>two</u> features of Callow's organisational structure. [4]

Knowledge [2 × 1] – award 1 mark for each relevant feature
Application [2 × 1] – award 1 mark for each relevant explanation

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Features might include:

- Tall hierarchy [k] / long chain of command [k] as there are seven levels in the organisation [app]
- Functional departments [k] but also a regional division of responsibility for operations [k] as split into north south east and west [app]
- Comment on various spans of control e.g. managing director has a short span [k] of 4 employees / supervisors have a wide span of 8 sales assistants [app].

Note: Do not award wide/narrow span of control alone as this does not apply to the whole chart, an employee must be specified.

(d) Identify and explain <u>two</u> possible methods that Callow could use to improve the motivation of its employees. [6]

Knowledge [2 × 1] – award 1 mark for each relevant method identified
Application [2 × 1] – award 1 mark if relevant reference made to Callow's business
Analysis [2 × 1] – award 1 mark for each relevant explanation
For each reason maximum 3 marks [1k + 1app + 1an].

Methods might include:

- Bonuses / commission [k] for sales assistants [app] as this would encourage them to sell more to earn extra money [an]
- Fringe benefits[k] e.g. the regional directors / managers could receive a company car[app] they will feel important / position recognised [an]
- Payment methods e.g. increase wage rate or salary (only allow once)
- Job rotation [k] sales assistants could move to different departments [app] so they are not bored [an]
- Training/CPD[k].

(e) Do you think it is a good idea for Callow to use off the job training for all its shop employees? Justify your answer. [6]

Knowledge [2] – award up to 2 marks for identification of relevant issue(s)
Application [1] – award 1 mark if relevant reference made to Callow's business
Analysis [1] – award 1 marks for relevant development of point(s)
Evaluation [2] – justified decision made as to whether it is a good idea for Callow to use off the job training for all its shop employees. Either viewpoint is acceptable.

Relevant points might include:

- Training costs will increase [k] as they will need to pay for employees training[k] as well as people to cover them in the department [app] this could negatively impact on profits [an]
- Might not have the right people to do training [k] as a good department manager does not necessarily make a good trainer [app] so could teach assistants the wrong skills [an]
- Could gain new ideas or skills [k] which could mean that the Callow can become more competitive [an] against other retailers. [app]
- On the job could distract good employees from their work [k] so sales could be lost [an] as they might not be able to give their full attention to customers [app].

Note: Do not accept development or evaluation which focuses on whether training is a good idea for workers.

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