CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

MARK SCHEME for the May/June 2015 series

7115 BUSINESS STUDIES

7115/12 Paper 1 (Short Answer/Structured Response), maximum raw mark 80

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1 (a) What is meant by 'quality assurance'? [2]

Clear Understanding [2] – checking for quality standards [1] throughout the production process / every stage [1]
Some Understanding [1] – e.g. checking work done
Do not accept 'checking at end / checking end product' in this instance as this defines quality control

(b) Identify <u>two</u> ways in which break even analysis might be helpful to PJK. [2]

Application [2 × 1] – award 1 mark for each relevant way
Points could include:
- Planning / forecasting / decision making / help set prices
- Help work out level of profit **at different levels of output**
- Show margin of safety
- Shows how much needed to produce to cover costs / avoid loss / breakeven point
- Help apply for finance

Do not accept points such as shows costs / sales / profit on their own as too vague

(c) Using the information in Table 1, draw a break even chart for PJK. [4]
- Accurately plotted TR (revenue) line [1]: start at 0, at 4000 units should be at $400 000
- Accurately plotted TC line [2] in total for start at $200 000[1] $400 000 at 4000 units [1]
- Labelling: TR and TC [1] only if layout is correct. TR must start at zero and lines must cross

Notes:
- Accurately drawn **unlabelled** break-even chart [3]
- For 4 marks TR [revenue] and TC must be clearly labelled
- Max 1 mark for inaccurately plotted break-even chart with TR and TC correctly labelled

(d) Identify and explain <u>two</u> advantages to PJK of using skilled workers. [6]

Knowledge [2 × 1] – award 1 mark for identification of each relevant advantage [max 2]
Application [2 × 1] – award 1 mark if relevant reference made to this business
Analysis [2 × 1] – award 1 mark for each relevant explanation
Relevant points might include:
- Work quicker / more efficient / more productive [k] so lower average costs [an]
- More output [k] so able to meet any increase in customer demand [an] for watches [app]
- Higher quality / fewer mistakes [k] so less wasted materials [app] so can buy less inventory [an]
- Brand image / good reputation [k] as it's a luxury product [app] so people trust / buy [an]
- Less training needed [k] so saves cost [an]
- Less supervision needed [k] so managers have time to do other jobs [an]
- More flexible workforce [k] as able to switch between different stages of production [app]

Application marks may be awarded for appropriate use of the following: luxury product, watches, quality assurance, handmade, production process, materials / parts

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(e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s)
Positive or negative points allowed or alternative ways to improve profitability [max 1]
Application [1] – award 1 mark if relevant reference made to this business
Analysis [2] – award up to 2 marks for relevant development of point(s)
Evaluation [2] – justified decision made as to whether new technology is the best way to improve profitability. Candidate's final decision can be either for or against the statement
Relevant points might include:

- Reduce labour costs [k] so lower costs [an]
- Less wastages or errors [k] so have to order less parts [app]
- Additional costs e.g. redundancy or training costs [k] initially reduce profitability [an]
- Impact on employee morale [k]
- Better quality / accuracy [k] for this luxury product [app] so customers might pay higher price [an] leading to bigger gap between costs and revenue [an]
- High initial costs of equipment [k]
- Speed up production [k] so leading to lower average costs [an]
- Might take away their USP [k] of being handmade [app] so reduce demand [an]
- Or Introduce more efficient working practices e.g. redesign factory layout [k]
- Or use cheaper materials [k] so lower variable costs [an] but could mean lower quality of watches [app]
- Or sell more through increased advertising [k] but could be expensive / may not work [an]

Application marks may be awarded for appropriate use of the following: luxury product / watches, skilled workers, quality assurance, handmade, production process, materials / parts

2 (a) What is meant by a 'multinational company?' [2]

Clear Understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation
Some Understanding [1] – e.g. has businesses everywhere / works or operates in more than one country
Do not accept 'sells in more than one country' as could equally apply to exporter
Do not accept examples

(b) What is meant by a 'brand'? [2]

Clear Understanding [2]: (unique) name, feature or design / logo or image of a product or business [1] that distinguishes it from other products or businesses [1]
Some Understanding [1]: e.g. something which makes a product 'stand out' [1]
Do not accept examples

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(c) Identify and explain <u>two</u> reasons why effective communication might be important for Alkin. [4]

Knowledge [2 × 1] – award 1 mark for each relevant reason
Application [2 × 1] – award 1 mark for each relevant explanation in context of this business
Relevant points might include:

- Avoid diseconomies of scale [k] as communication can be difficult in a multinational [app]
- Everyone understands objectives [k] so no conflict in joint venture [app]
- avoid language issues / misunderstandings [k] particularly when start selling in country Z [app]
- Different cultures / management styles [k] so able to work with the local business [app]
- Better / faster decision making [k] so able to quickly react to changing tastes / flavours [app]
- Able to exchange ideas [k]
- Better relations with suppliers [k]
- Inform customers about its products [k] so that customers are interested in their food [app]

Note: Points can relate to either existing business or planned joint venture
Do not accept 'improves motivation' unless explains the impact on this business

Application marks may be awarded for appropriate use of the following: joint venture, country Z or countries, multinational company, breakfast cereals or food, expansion

(d) Identify and explain <u>two</u> advantages to Alkin of using a joint venture to expand into country Z. [6]

Knowledge [2 × 1] – identification of relevant advantage [max 2]
Application [2 × 1] – award 1 mark for each relevant reference made to this business
Analysis [2 × 1] – award 1 mark for each relevant explanation
Relevant points might include:

- Access to new markets [k] increasing brand awareness [an] of its range of cereals [app]
- Access to local expertise / ideas [k] e.g. cultural knowledge as tastes differ [app] so better able to meet customer requirements / ensure sales [an]
- Wider range of contacts / better access to resources [k] so might be able to obtain cheaper ingredients [app]
- Increased capital / share costs [k] so less risk [an]
- Increased capacity [k] so can meet expected growth in demand [app] without affecting supply for other markets [an]
- Way to avoid government restrictions [k] so able to maximise potential sales [an]
- Less competition [k] as working with local business [app] so one less rival [an]
- Economies of scale [k]
- Build reputation [k]

Application marks may be awarded for appropriate use of the following: multinational company, breakfast cereals or food, fast-growing market, local business

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(e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer [6]

Knowledge [1] award 1 mark for identification of relevant issue(s)
Must relate to consumers
Application [1] – award 1 mark if relevant reference made to this business
Analysis [2] – award up to 2 marks for relevant development of point(s)
Evaluation [2] – justified decision made as to whether the Government in country Z is right to be concerned about the effect of multinational companies such as Alkin **on consumers**
Candidate's final decision can be either for or against the statement
Relevant points might include:

- Access to international brands [k] so more consumer choice [an] so better able to find cereal that suits their individual needs [app]
- Increased competition [k] as local businesses have to respond [an] so lower prices [an]
- Fewer choices [k] so smaller producers forced out of business [an] so prices may increase [an]
- Minimum standard [k] as goods same all over the world [an]
- help meet customers demand [k] in fast growing market [app] as able to supply more [an]

Application marks may be awarded for appropriate use of the following: food, cereals, brands, fast growing market

3 (a) Identify <u>two</u> ways that a business could 'build good customer relationships'. [2]

Knowledge [2 × 1] award 1 mark per way
Points might include:

- Offer good / personal service e.g. be friendly with customers
- Find out what customers want / offer the right product
- Ask for feedback
- Extra services e.g. delivery, credit terms, after sales, longer opening hours
- Resolve complaints quickly / refunds
- Communicate with customers regularly e.g. newsletters or mailshots
- Reward customer loyalty e.g. loyalty cards, special offers, discounts, vouchers, BOGOF, events

Accept any reasonable answer

(b) What is meant by 'secondary market research'? [2]

Clear Understanding [2] –
e.g. Information about the market / customer needs or competition [1]
that is already available / collected by other agencies [1]
Some Understanding [1] – e.g. Simple idea such as information already collected [1] / or what market research is e.g. information about the market or finding out what people want [1]
Do not accept examples
Desk research [0]

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(c) Identify and explain <u>two</u> methods of promotion (other than promotional pricing) that Mabel might use. [4]

Knowledge [2 × 1] – identification of suitable method [max 2]
Application [2 × 1] – award 1 mark for each relevant explanation in context of this business (e.g. show how or why it might be used)
Points might include:

- Free gifts / samples [k] give customers small bottles of shampoo to try [app]
- Demonstrations [k] let people watch whilst she shows possible styles on people's hair [app]
- Loyalty cards [k] e.g. customers get a free haircut if they visit a set number of times [app]
- Advertising (allow only once) [k] e.g. local paper / radio / television / leaflets to let potential customers know about her new business [app]
- Sponsorship / public relations [k]
- Competitions [k] customers will book appointments to have a chance of winning prizes [app]

Application marks may be awarded for appropriate use of the following: appointments, shampoo, haircuts, new business

(d) Identify and explain <u>two</u> possible disadvantages to Mabel of buying her inventory from a wholesaler. [6]

Knowledge [2 × 1] – identification of relevant disadvantage
Application [2 × 1] – award 1 mark for each way if relevant reference made to this business
Analysis [2 × 1] – award 1 mark for each relevant explanation (i.e. why it is an disadvantage to a business)
Relevant points might include:

- May not stock all / latest products [k] so can't get all the hair products wanted [app] so wastes time looking elsewhere [an]
- More expensive [k] which could push up her costs [an]
- Take longer to receive stock [k] as many stages in distribution process [an] so large rival businesses might offer latest hair products first [app]
- Has to buy more than she wants / can't just buy one [k] could be more than she can afford [an] so less money to spend promotion / her new business [app]
- No direct contact with manufacturer [k] so cannot tell them what needed [an] so cannot build customer relations with her customers [app]

Do not accept high storage costs as not relevant to this business
Do not accept 'has to buy in bulk / large amounts' as the role of the wholesaler is to break bulk

Application marks may be awarded for appropriate use of the following: appointments, shampoo, haircuts, new business, (trying to build) customer relations

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(e) Do you think that the right location is more important than the prices she charges to the success of Mabel's' business? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s)
Positive or negative points allowed [max 1]
Application [1] – award 1 mark if relevant reference made to this business
Analysis [2] – award up to 2 marks for relevant development of point(s)
Evaluation [2] – justified decision made as to whether location or price is more important than the prices she charges to the success of Mabel's business.
Note: Must consider both price and location to access evaluation marks
Relevant points might include:

- Near target market [k] e.g. women / men would help ensure sales [an]
- If customer service is key feature [app] then price might not be important [k] as consumers might pay more for a better service [an]
- High price could discourage customers [k] who would go to competitors [an]
- Low prices could suggest low quality [k]
- Right location could affect the level of competition [k]
- Location / prices could influence image [k]
- Cost of rent might be too high [k] leading to increased costs / higher prices [an] so fewer customers can afford to go there to get haircut [app]

Application marks may be awarded for appropriate use of the following: good customer service, hairdressing, salon, new business, secondary market research

4 (a) Identify <u>two</u> possible reasons why A2Z might want to expand. [2]

Knowledge / Application [2 × 1] – award 1 mark for each relevant reason
Points could include:

- Increase sales OR revenue OR market share or dominate market or target new markets
- Increase profit
- Spread risk / attract more investment
- Improve reputation / status / brand image
- Gain economies of scale

(b) Identify <u>two</u> factors that A2Z needs to consider when choosing a source of finance to buy more planes. [2]

Application [2 × 1] – award 1 mark for each relevant factor
Points could include:

- Amount needed
- Current level of debt / gearing
- Amount of retained profits / cash
- Time (how long need finance for)
- interest rates
- Whether can offer security for loans
- Ability to repay / able to afford

Do not accept purpose as this is stated in the question

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(c) Identify and explain <u>two</u> advantages to A2Z of producing a job description. [4]

Knowledge [2 × 1] – award 1 mark for each advantage [max 2]
Application [2 × 1] – award 1 mark for each relevant explanation in context of this business
Relevant points might include:

- Provides a clear idea of what job involves [k] so they can select the best pilots [app]
- Saves time / money / makes selection easier [k] as won't get applications from people who cannot fly planes [app]
- As a basis for drawing up a contract [k] so sure that all duties will be carried out on-board [app]
- Helps decide basis for pay [k]
- Help create person specification [k]
- Helps create appropriate job advert [k]
- Helps resolve disputes [k] between managers and pilots [app]

Do not accept advantages to employees. Candidates must not refer to person specification

Application marks may be awarded for appropriate use of the following: flights, on-board, planes or aircraft, airline, pilots

(d) Identify and explain <u>two</u> suitable ways that A2Z could use to advertise the new jobs. [6]

Knowledge [2 × 1] – award 1 mark for identification of each relevant way [max 2]
Application [2 × 1] – award 1 mark for each way if relevant reference made to this business
Analysis [2 × 1] – award 1 mark for each relevant explanation
Relevant points might include:

- Specialist magazines [k] as looking for qualified people [app] so likely to read magazines targeted at them [an]
- Internet **job** sites / **own** website [k] as most people use internet to look for jobs these days [an]
- National TV / newspaper / radio advertisements [k] as might not be many pilots locally [app] so can attract suitable people [an]
- Job centre / Recruitment agencies [k] can help produce a shortlist of possible candidates [an]
- **Specialist training** / flight schools [k] where people have learnt to fly [app]

Application marks may be awarded for appropriate use of the following: fly, pilots, airlines, highly qualified / highly skilled, passengers

Do not accept answers such internet, website, schools or posters on own as too vague

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(e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed or alternative methods (points can be for business or employee) [max 1]
Application [1] – award 1 mark if relevant reference made to this business
Analysis [2] – award up to 2 marks for relevant development of point(s)
Evaluation [2] – justified decision made as to whether financial rewards are the best way for **A2Z** to motivate its pilots. Candidate's final decision can be either for or against the statement.
Note: evaluation must be from the **viewpoint of the business** not the employee
Relevant points might include:

- High wages help retain workers [k]
- Can the business afford to pay high wages [k]
- High skilled jobs [k] so will expect high levels of financial rewards [an] otherwise they will look for a job at rival airline [app]
- Money does not motivate everyone / already highly paid [k]
- Training might be offered [k] as high risk job [app] so safety might be more important
- profit sharing [k] as small airline [app] so might work as pilots may feel they have a direct impact on performance [an]
- Opportunities for promotion [k] could have limited value [an] as it is a small airline [app]
- Job security [k]
- Travel discounts for pilot and/ or family [k] so able to obtain cheap tickets [app]

Application marks may be awarded for appropriate use of the following: small, expansion, successful, references to risk involved in flying, tickets, **highly** qualified / **highly** skilled, **highly** paid, irregular work hours, passengers

Do not accept pilots as application as it is stated in the question

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