Cambridge
O Level

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Cambridge Ordinary Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer / Structured Response **May/June 2017**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks	Guidance
1(a)	**What is meant by a joint venture?** Clear understanding [2]: when two or more businesses agree to start a (new) project together so share risks OR capital OR profits OR resources. Some understanding [1]: two business agree to <u>work</u> together (on a project).	**2**	**Do not accept** answers which describe a takeover or merger.
1(b)	**Identify two advantages to QCH of having objectives** Application [2 × 1]: award 1 mark per advantage Points might include: • Have an aim OR target to work towards • Provide a sense of direction OR know what you have to do • Measure of success (to judge performance) • Help budgeting OR planning OR decision making • Motivate	**2**	

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Question	Answer	Marks	Guidance
1(c)	**Identify and explain two reasons why QCH might want to enter new markets.** Knowledge [2 × 1]: award 1 mark for each reason identified Application [2 × 1]: award 1 mark for each explanation in context Points might include: • Spread risk [k] of selling cars [app] • Economies of scale [k] buying factory stock [app] • Increase sales OR market share OR target market [k] as it is a fast growing economy [app] • Home market saturated [k] • Greater recognition OR brand awareness [k] • Access to cheaper labour OR resources [k] • Fewer trade restrictions [k]	**4**	Application marks may be awarded for appropriate use of the following: cars, luxury, factory, profits of $700m, joint venture, multinational, customer needs, their objective, fast growing economy.

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Question	Answer	Marks	Guidance
1(d)	**Identify and explain two factors that QCH should consider when deciding the location of the new factory.** Knowledge [2 × 1]: award 1 mark for each relevant factor. Application [2 × 1]: award 1 mark if relevant reference made to QCH. Analysis [2 × 1]: award 1 mark for each relevant explanation. Points might include: • Demand / customers [k] in the new market [app] so generate revenue [an] • Amount of rent [k] if expensive fixed costs increase [an] using up its $800m budget [app] • Lower cost of labour OR availability of labour OR access to suitable employees [k] which would decrease variable costs [an] • Lower raw materials cost OR availability of materials [k] so can get materials when needed [app] • Access to transport networks OR access to water OR power [k] or production will stop [an] • Access to subsidies or grants [k] which would reduce costs [an] • Possible external economies of scale [k] if they locate near to other factories [an] • Enough space [k] as need a large area [an] • Environmental considerations [k] therefore must be away from housing [an] • Legal considerations [k]	**6**	Application marks may be awarded for appropriate use of the following: Cars or related words, new market, parts, $800m, joint venture, profit of $700m, fast growing economy, multinational. **Do not award** application for factory as stated in the question. Awareness of where competitors are located is a factor for knowledge but analysis **must** relate to production not retailing.

Question	Answer	Marks	Guidance
1(e)	**The Finance Director thinks QCH's expansion into country C could be good for other businesses there. Do you agree? Justify your answer.** Knowledge [1] : award 1 mark for identification of relevant point (s) 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 QCH's expansion into country C will be good for other businesses in country C. Either viewpoint is possible. Points might include: • Increased competition [k] can lead to lower prices [an] which could mean some car makers [app] go out of business [an] • Suppliers (local) may gain orders [k] leading to increased revenue [an] • Lose skilled employees [k] as attracted to work for the multinational [app] so become less competitive [an] • Gain new ideas [k] • Increased sales (for local businesses) [k] as more people are employed [an]	**6**	Application marks may be awarded for appropriate use of the following: Multinational, cars, luxury, use of numbers, factory, equipment, joint venture, meet customer needs, start producing, fast growing economy, $800m, $700m. The focus of the answer must be on other businesses **not** country C or QCH. **[Total: 20]**

Question	Answer	Marks	Guidance
2(a)	**What is meant by 'trade receivables'?** Clear understanding [2]: amount of money owed by customers for (goods bought on credit terms) Some understanding [1]: money owed	**2**	**Do not award** money owed by the business.
2(b)	**Calculate the following values: X, Y.** Application [2×1]: award 1 mark for each correct answer • X=30 • Y=50	**2**	

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Question	Answer	Marks	Guidance
2(c)	**Identify and explain one advantage and one disadvantage to Josh of using text (SMS) messages as a method of internal communication.** Knowledge [2×1] : award 1 mark for each advantage / disadvantage identified Application [2×1] : award 1 mark for each explanation in context Points might include: Advantage: • Quick to send [k] which helps as always busy [app] • Can send at any time [k] so can finish cleaning before having to respond [app] • Can be sent simultaneously [k] to all 6 employees [app] • Can be read when receiver has time [k] • Able to refer back to it later [k] so can check details of the cleaning job [app] Disadvantage: • Only contain limited information OR might not understand [k] so cleaners may not have all details [app] • Might not receive the message OR no power on the phone OR may not have a signal [k] leading to poor service [app]	**4**	Application marks may be awarded for appropriate use of the following: Service, cleaners, businesses, busy (always sending texts), full time, 6 employees, phone, additional work. **Do not award** cheap or expensive in isolation unless explained. **Do not award** 'does not own a phone' as messages would not be sent to employees without a phone.

Question	Answer	Marks	Guidance
2(d)	**Identify one advantage and one disadvantage to Josh of using off-the-job-training.** Knowledge [2 × 1] : award one mark for each relevant advantage / disadvantage identified Application [2 × 1] : award 1 mark if relevant reference made to this business Analysis [2 × 1] : award 1 mark for each relevant explanation Points might include: Advantages: • Other workers not affected [k] so able to do more cleaning jobs [app] to keep up with demand [an] • Worker has access to skilled trainers [k] so know what needs to do to provide a quality service [app] helping maintain reputation [an] • Workers do not learn bad habits [k] • Workers focus 100% on training [k] Disadvantages: • Expensive OR high cost [k] which increases costs for the business [an] to train all 6 workers [app] • Not necessarily tailored to individual company [k] so might not cover the equipment Josh uses [app] • Workers are training rather than cleaning [k + app] and so less output is produced [an]	**6**	Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, full-time, added value, 6. **Do not award** points that apply to both on or off the job training. The focus of the answer must be the effect on Josh not the workers.

Question	Answer	Marks	Guidance
2(e)	**Do you think a bank loan is the best source of finance for Josh to use for the new equipment? Justify your answer.** Knowledge [1] : award 1 mark for identification of relevant point (s) 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 a bank loan is the best source of finance for Josh to use for the new equipment Points might include: • Increased liabilities OR must be repaid [k] by $60 000 [app] • Loan would give him time to repay [k] • Has cash available [k] of $30 000 [app] so he would not need to borrow the full amount [an] • Doesn't have enough cash available [k] to pay the $60 000 [app] • Cost of repayments OR interest [k] • Leasing is a method Josh can use [k] so the latest equipment is always available [app] • Banks may not be willing to lend the money [k]	**6**	Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, $60 000, correct use of table 1, added value, **latest equipment**, Josh has a small business. Candidates may analyse other suitable sources of finance. **Do not award** overdraft as it is not a suitable source of finance to purchase fixed assets. **[Total: 20]**

Question	Answer	Marks	Guidance
3(a)	**Identify two ethical issues for a business.** Knowledge [2 × 1]: award one mark for each issue Points might include: • Paying a fair price to suppliers • Paying a fair wage to workers • Not price fixing • Charging a fair price to customers • Not employing child labour • Source environmentally friendly products • Not harming the environment	**2**	
3(b)	**What is meant by a focus group?** Clear understanding [2] e.g. customers OR people who have similar characteristics to the target market who give their opinions on a product / service Some understanding [1] that this is a form of market research e.g. provide comments OR opinions about the product	**2**	For 2 marks it must be clear who makes up the focus group. **Do not award** answers which simply explain what a group is OR references to secondary market research.

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Question	Answer	Marks	Guidance
3(c)	**Identify and explain two advantages to WSS of selling its franchise** Knowledge [2 × 1] : award 1 mark for each advantage identified Application [2 × 1] : award 1 mark for each explanation in context Points might include: • Cheaper way to expand [k] the 10 franchisees pay some costs [app] • Each franchisee pays money [k] so may be able to open more shops in future [app] • Can expand more quickly [k] • Widen brand awareness [k] as logo is seen in more places [app] • Franchisees responsible for day to day management [k] WSS has time to focus on extending its product range [app] • Retain control of the image [k] so it can ensure the business remains ethical [app]]	**4**	Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 30, shops.

Question	Answer	Marks	Guidance
3(d)	**Identify and explain one advantage and one disadvantage to WSS of changing its brand image.** Knowledge [2 × 1] : award one mark for each relevant advantage/ disadvantage identified Application [2 ×1] : award 1 mark if relevant reference made to this business Analysis [2 × 1] : award 1 mark for each relevant explanation Points might include: Advantages • Reflect new product range [k] as now offering cakes and curries [app] can help attract a wider target market / range of people [an] • Image might be out of date [k] as soup bowl is simple design [app] so need to change it to remain competitive [an] • Customers like something new [k] therefore they are more likely to try [an] the curries [app] • Attract new customers [k] Disadvantage • Damage customer loyalty [k] as existing customers do not like the new logo created [an] • Customers might not recognise the new logo OR be confused [k] so might miss the shop [app] therefore reducing sales [an] • Time / cost (to change the logo) [k] as may need to ask focus group for their opinion [app] increasing expenses [an]	**6**	Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 40 shops, franchise, focus group. The focus of the answer must be the effect on WSS.

Question	Answer	Marks	Guidance
3(e)	**Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.** Knowledge [1] : award 1 mark for identification of relevant point (s) 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 WSS should use sponsorship or newspaper advertising as the main method of promotion Points might include: Sponsorship • Can target the intended market [k] attracting more customers [an] for the cakes [app] • The business will be linked to the event sponsored [k] • Actions of the sponsored person or group could damage WSS's reputation [k] reducing sales [an] Newspaper advertising • Can be seen by a lot of people [k] • Falling readership of newspapers [k]	**6**	Application marks may be awarded for appropriate use of the following: Use of numbers, soup or references to food or ingredients, change logo, expand product range, ethical, brand image. The focus of the answer must be on WSS as the sponsor. **Do not award** sponsorship or newspaper is cheaper as this is not known. **[Total: 20]**

Question	Answer	Marks	Guidance
4(a)	**What is meant by 'chain of command'?** Clear understanding [2]: structure within an organisation through which orders are passed from senior management to the lower levels Some understanding [1]: 'shows who gives orders'	**2**	For 2 marks must have idea of 'orders OR instructions OR authority' and 'who between'.
4(b)	**Identify two Government economic objectives.** Knowledge [2 × 1]: award 1 mark per objective Possible answers include: • Lower unemployment • Economic growth OR increase GDP OR improve standards of living • Low inflation • Improve balance of payments	**2**	
4(c)	**Identify and explain two benefits to GKK of increasing efficiency.** Knowledge [2 × 1]: award 1 mark for each benefit identified Application [2 × 1] : award 1 mark for each relevant explanation Points might include: • Increase output OR quicker production [k] of plastic bottles [app] • Lower average costs [k] so can keep prices low [app] • Fewer workers needed [k] • Better able to compete [k] in this competitive market [app] • Less waste [k] need for less raw materials [app] • Fewer errors [k]	**4**	Application marks may be awarded for appropriate use of the following: Plastic bottles, raw materials, environment OR pollution, competitive market, prices are important.

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Question	Answer	Marks	Guidance
4(d)	**Identify and explain two ways in which new legal controls to protect the environment might affect GKK.** Knowledge [2 × 1] : award one mark for each relevant way identified Application [2 × 1] : award 1 mark if relevant reference made to this business Analysis [2 × 1] : award 1 mark for each relevant explanation Points might include: • Change OR stop using certain materials [k] moving away from plastic [app] changing production [an] • Increase cost [k] because they may have to pay more fines [an] • May need to change supplier [k] so stop using the low cost country [app] increasing variable costs [an] • Reduced demand [k] as customers look for alternative ways to package food [app] so lose revenue [an] • May have to change location [k] as not allowed to operate in certain places [an]	**6**	Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, low cost country, low prices.

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Question	Answer	Marks	Guidance
4(e)	**Explain one lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.** Knowledge [1] : award 1 mark for identification of relevant point (s) [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 GKK should introduce this technique Points might include: • Just in Time inventory control [k] which would help reduce storage costs [an] • Kaizen /continuous improvement [k] by using delegation [app] • Cell production [k]	**6**	Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, delegation, low cost country, low prices, competitive market, short chain of command, wide structure. **[Total: 20]**