Cambridge O Level

**Cambridge Assessment International Education**
Cambridge Ordinary Level

**BUSINESS STUDIES** **7115/11**

Paper 1 Short Answer / Structured Response **May/June 2018**

MARK SCHEME

Maximum Mark: 80

**Published**

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.

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## Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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| GENERIC MARKING PRINCIPLE 5:<br><br>Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen). |
| GENERIC MARKING PRINCIPLE 6:<br><br>Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 1(a) | **What is meant by 'market share'?**<br><br>Clear understanding: e.g. percentage or proportion of the total market sales [1] held by one brand or business [+1]<br><br>**OR** business sales/total market sales × 100<br><br>Some understanding [1] e.g. share of sales made / percentage of customers a business has | **2** | |
| 1(b) | **Identify <u>two</u> aims of promotion.**<br><br>Award 1 mark per aim.<br><br>Points might include:<br>• inform / raise awareness / introduce new products<br>• create brand image / improve image<br>• compete with competitors<br>• persuade / increase sales / attract customers<br>• customer loyalty | **2** | Question must relate to Marketing Mix.<br>**Do not award** answers related to staff promotion. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 1(c) | **Identify and explain <u>two</u> methods of market research that GKA could use.**<br><br>Award 1 mark for each method identified<br>Award 1 mark for each explanation in context<br><br>Points might include:<br>• observation / visiting competition [k] other food retailers [app]<br>• questionnaires [k] about the low prices [app]<br>• surveys [k] about the own-label products [app]<br>• interviews [k] about the new shops [app]<br>• experiments / free samples / test marketing [k] the cereal [app]<br>• access government statistics [k]<br>• focus groups / consumer panels [k]<br>• use market research agencies [k]<br>• loyalty card data [k]<br>• articles / newspapers / magazines[k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• use of numbers such as 300 or 100 (shops)<br>• food retailer<br>• food / breakfast cereal<br>• toothpaste<br>• high income / low income areas<br>• change its pricing strategy<br>• low prices<br>• quality products<br>• limited range (of products)<br>• no promotion<br>• own-label products<br><br>(TV) Internet / online on own<br>(NAQ) Primary / Secondary / Field / Desk |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 1(d) | **Identify and explain <u>two</u> ways in which GKA could keep costs low.**<br><br>Award 1 mark for each relevant way<br>Award 1 mark for each relevant reference made to this business<br>Award 1 mark for each relevant explanation<br><br>Relevant points might include:<br>• choose low cost locations [k] for all 100 sites [app] leading to lower fixed costs [an]<br>• pay minimum wage [k] to shop workers [app] keep variable costs low [an]<br>• economies of scale [k] (only once) for its limited range of products [app] leading to lower average costs [an]<br>• set lower marketing budget [k] as no money spent on market research [app]<br>• replace workers with machinery / automation / reduce workforce [k]<br>• cheaper supplier [k]<br>• close some locations [k] which would reduce electricity cost [an]<br>• set up online [k]<br>• reduce waste [k]<br>• Buy direct from manufacturer [k] so lower cost than buying from wholesaler [an] | **6** | Application marks may be awarded for appropriate use of the following:<br>• use of numbers such as 300 or 100 (shops)<br>• food retailer<br>• food / breakfast cereal<br>• toothpaste<br>• high income / low income areas<br>• limited range (of products)<br>• no promotion<br>• low prices<br>• quality products<br>• own-label<br>• market share increased 5%<br>• profit increased by 40%<br><br>**Do not award** analysis for answers that clearly refer to manufacturing such as Lean production. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 1(e) | **Do you think GKA should change its pricing strategy as the business expands? Justify your answer.**<br><br>Award 1 mark for identification of relevant point (s)<br>Award 1 mark for a relevant reference made to this business<br>Award up to 2 marks for relevant development of point(s)<br>Award up to 2 marks for a justified decision made as to whether GKA should change its pricing strategy as the business expands.<br><br>Relevant points might include:<br>• identification of a pricing strategy [k]<br>• actions of competitors [k]<br>• cost of new locations [k] in high income areas [app] may make it hard to control costs [an]<br>• diseconomies of scale [k] from extra 100 shops [app] leading to a rise in average costs [an]<br>• economies of scale[k] may allow them to charge lower prices[an]<br>• current prices give the image of poor quality [k] because they are low prices [app] so may not attract new customers [an]<br>• they would lose their USP if they change price [k] leading to a loss of the current customer base [an] in areas where average incomes are low [app] | **6** | Application marks may be awarded for appropriate use of the following:<br>• use of numbers such as 300 or 100 (shops)<br>• food retailer<br>• food / breakfast cereal<br>• toothpaste<br>• high income or low income areas<br>• limited range (of products)<br>• no promotion<br>• quality products<br>• low prices<br>• try to keep costs low<br>• market share increased 5%<br>• profit increased by 40%<br><br>Note: question should focus on whether business should change its pricing strategy not just increase or decrease price. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(a) | **Identify <u>two</u> situations in which downsizing the workforce might be necessary.**<br><br>Award one mark per situation<br><br>Points might include:<br>• introduction of automation / new technology<br>• redesign work space / layout<br>• demand factors e.g. falling demand, changing tastes, end of product life cycle, recession / economic slump, more competition, less revenue<br>• factory closure<br>• relocation to another country<br>• business taken over / merger<br>• excess workforce / unnecessary workers<br>• financial problems e.g. lack of income, increase in costs, cash flow issues, cannot afford the workers,<br>• changes in law<br>• delayering / restructuring | **2** | **Do not award** answers discussing who should be removed from the workforce e.g. poor attendance |
| 2(b) | **Identify <u>two</u> possible ethical issues that SJD might have to respond to.**<br><br>Award 1 mark per ethical issue.<br><br>Points might include:<br>• protecting the environment<br>• fair wages to workers / pay **above** minimum wage<br>• pay fair prices to suppliers<br>• charge fair prices to consumers<br>• not employing child labour. | **2** | Ethical issues raised must relate to SJD<br>Do not reward aspects covered by law |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(c) | **Identify and explain <u>two</u> possible problems for SJD if it decides to relocate its business.**<br><br>Award 1 mark for each problem identified<br>Award 1 mark for each explanation in context<br><br>Points might include:<br>• access to / cost of available space [k] for steel production [app]<br>• legal controls / level of government support [k] in other countries [app]<br>• access to suitable / cost of workers [k] for private sector business [app]<br>• availability / cost of raw materials [k] such as iron [app]<br>• access to / cost of infrastructure e.g. transport and energy [k]<br>• level of competition [k]<br>• exchange rates / currency issues [k]<br>• cultural issues e.g. different working hours [k]<br>• language / communication difficulties [k]<br>• trade restrictions / obtaining permits [k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• cheap imports<br>• steel<br>• iron<br>• high tax rates<br>• ethical issues<br>• 3500 or 9000<br>• competitors plan to close factories<br>• construction businesses<br>• (other) countries<br>• private sector<br>• factory |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(d) | **Explain how each of the following factors might affect SJD's business.**<br><br>Award 1 mark for each relevant point<br>Award 1 mark for each relevant reference made to this business<br>Award 1 mark for each relevant explanation<br><br>Relevant points might include:<br><br>**High business tax rates:**<br>• reduces profit [k] so may need to make more workers redundant [app]<br>• increase prices [k] so may lead to lower demand [an] from construction businesses [app]<br>• increases costs [k] leading to less profit [an] for this private sector business [app]<br><br>**Cheap imports:**<br>• reduced demand [k] for steel [app] as its customers are able to buy from rivals [an]<br>• may reduce prices [k] so revenue is reduced [an]<br>• lower costs of production [k] as this is a producer [app] as raw materials may be cheaper [an]<br>• reduce market share [k] | **6** | Application marks may be awarded for appropriate use of the following:<br>• steel<br>• iron<br>• ethical issues<br>• 3500 or 9000<br>• competitors plan to close factories<br>• construction businesses<br>• private sector<br>• producer<br>• (other) countries<br>• government support<br>• employees redundant<br>• relocation<br><br>**Do not award** reference to cheap imports / high business tax rates, as application. This is in the question. |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 2(e) | **Do you think the Government should help businesses like SJD? Justify your answer.**<br><br>Award 1 mark for identification of relevant point (s) [max 1]<br>Award 1 mark for a relevant reference made to this business<br>Award up to 2 marks for relevant development of point(s)<br>Award up to 2 marks for a justified decision made as to whether the Government should help businesses like SJD<br><br>Points for might include:<br>• protect jobs [k] as they plan to make 3500 redundant [app] which would increase unemployment [an] and the cost of paying unemployment benefits [an]<br>• protect the vital industry [k] of steel [app] to ensure supply in their own country [an]<br>• impact on other businesses [k] who need the material for construction [app]<br>• government could lose tax revenue if they fail [k]<br><br>Points against might include:<br>• there is an opportunity cost / helping businesses would require money from the government [k] money spent on helping SJD will reduce the money available for other projects [an]<br>• can obtain materials from other countries [k] as have access to cheap imports [app]<br>• environmental impact of business [k] as industry creates pollution [an]<br>• it is not the role of government [k] to help private sector business [app]<br>• disincentive for businesses to be successful [k] this could lead to them being inefficient [an] | **6** | Application marks may be awarded for appropriate use of the following:<br>• cheap imports<br>• steel<br>• iron<br>• high tax rates<br>• ethical issues<br>• 3500 or 9000<br>• competitors plan to close factories<br>• construction<br>• private sector<br>• producer<br>• (other) countries<br>• relocate<br><br>**Do not award** government support as application as referred to in the question.<br><br>**Do not award** answers which focus on how governments will help businesses |

| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(a) | **What is meant by 'non-current liabilities'?**<br><br>Clear understanding [2]: debts / loans repayable in more than 12 months [2]<br>**Or** Money owed for more than a year [2]<br><br>Some understanding [1]: e.g. debts or money owed [1]<br>**Or** repayable in more than 12 months [1] | **2** | **Do not award** 'long term liabilities' as this is the alternative name for the term<br><br>**Do not** credit 'liability' as stated in question<br><br>Some understanding plus a relevant example can gain 2 marks. i.e. money owed for example bank loan |
| 3(b) | **Identify <u>two</u> reasons why a business might need finance.**<br><br>Award 1 mark per reason.<br><br>Points might include:<br>• start-up / start a business venture<br>• cash flow problems / survive (BOD)<br>• pay creditors<br>• offer credit to customers<br>• fund expansion<br>• replace machinery / investment<br>• working capital/ day-to-day<br>• pay for advertising (promotion) | **2** | |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(c) | **Identify and explain <u>two</u> possible advantages to IBH of being a private limited company.**<br><br>Award 1 mark for each advantage identified<br>Award 1 mark for each explanation in context<br><br>Points might include:<br>• can control who buys shares [k] so can keep control in this competitive market [app]<br>• easier to raise finance / able to sell shares [k] as they want to expand [app]<br>• seen as more creditworthy to suppliers [k] so could be more willing to supply leather [app]<br>• limited liability [k] this keeps personal assets of family safe [app]<br>• incorporation / separate legal identity [k]<br>• no need to publish accounts [k]<br>• continuity [k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• family (owned)<br>• want to expand<br>• shoes or related words such as leather, children, women<br>• competitive market<br>• needs finance<br>• directors<br><br>**Do not award** private limited company as application, as this is stated in the question. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(d) | **Identify and explain <u>two</u> advantages to IBH of using batch production**<br><br>Award 1 mark for each relevant advantage<br>Award 1 mark for each relevant reference made to this business<br>Award 1 mark for each relevant explanation<br><br>Points might include:<br>• economies of scale [k] to reduce average costs [an] to increase the profit above $120 000 [app]<br>• allows variety of products [k] so easier to meet demand for different styles [an] of shoes [app]<br>• flexibility / easy to switch production [k]<br>• limited quantity [k] so if children's tastes change [app] so not left with unwanted stock [an]<br>• variety of tasks for workers [k] which increase worker motivation and output [an]<br>• production may not be affected if machinery breaks down [k]<br>• spread risk [k] as they are not reliant on one product for all sales [an] | **6** | Application marks may be awarded for appropriate use of the following:<br>• want to expand<br>• shoes or related words such as leather, children, women<br>• competitive market<br>• correct references to data in Table 1<br>• needs finance<br>• directors<br>• private limited company<br><br>The advantage needs to clearly relate to the business not the worker |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 3(e) | **Do you think IBH's performance has improved in 2017? Justify your answer using profit margins.**<br><br>Award 1 mark for identification of relevant point<br>Award 1 mark for relevant reference made to this business<br>Award up to 2 marks for relevant development of point(s)<br>Award up to 2 marks for a justified decision made as to whether IBH's performance has improved or not<br><br>Points might include:<br>• revenue increased [k] by 80 000 [app]<br>• non-current liabilities have increased [k] by 100 000 [app]<br>• gross profit increased [k] by 80 000 [app]<br>• profit has remained the same [k]<br>• gross profit margin increased [k] from 60% [app + an] to 67% [an]<br>• gross profit margin increased [k] by 6–7% [app + an + an]<br>• (net) profit margin has fallen [k] from 30% [app + an] 25% [an]<br>• (net) profit margin fallen [k] by 5% [app + an + an] | **6** | Application marks may be awarded for appropriate use of the following:<br>• want to expand<br>• shoes or related words<br>• correct use of data from Table 1<br>• (use of $000 not required)<br>• competitive market<br>• directors<br>• private limited company<br><br>To gain analysis mark at least one profit margin must be calculated. % sign is not required.<br><br>Accept 66% or 67% for gross profit margin. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(a) | **What is meant by 'stakeholder group'?**<br><br>Clear understanding [2]: any group or person with a (direct) interest in the performance / activities of a business<br><br>Some understanding [1]: someone affected by a business [1] or anybody inside or outside the business who cares about its operations [1] | **2** | **Do not award** examples as this does not answer the question.<br><br>**Do not award** affects/influences the decisions |
| 4(b) | **Identify <u>two</u> possible reasons why Ben's business has remained small.**<br><br>Award 1 mark per possible reason<br><br>Points might include:<br>• personal wishes / owners objectives<br>• size of market / niche<br>• lack of finance<br>• avoid diseconomies of scale / communication issues / co-ordination issues | **2** | (TV) State of economy |
| 4(c) | **Identify and explain <u>two</u> reasons why quality might be important for Ben's business.**<br><br>Award 1 mark for each reason identified<br>Award 1 mark for each explanation in context<br><br>Points might include:<br>• help establish loyalty [k] which can help improve his business success [app]<br>• increase sales / revenue / attract new customers [k] through more recommendations [app]<br>• improve reputation / brand image [k] for his gardening business [app]<br>• no need for rework [k]<br>• able to charge high prices [k]<br>• maybe his USP[k] | **4** | Application marks may be awarded for appropriate use of the following:<br>• small (business)<br>• gardening or related words such as cutting grass<br>• (business) success<br>• bonus<br>• recommendation<br>• 15 years ago |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(d) | **Identify and explain <u>two</u> advantages to Ben's business of having part-time workers.**<br><br>Award 1 mark for each relevant advantage<br>Award 1 mark for each relevant reference made to this business<br>Award 1 mark for each relevant explanation<br><br>Points might include:<br>• more flexible / help meet demand during busy times [k] can cover when full-time workers not available [app] so work is completed on time [an]<br>• help retain experienced employees [k] who have worked there for a number of years [app] so reducing his recruitment costs [an]<br>• can add more skills / experience to business [k] to increase demand [an]<br>• help attract / easier to find workers [k]<br>• do not have to pay holiday / sick pay [k]<br>• may be more motivated [k] so productivity would rise [an]<br>• part-time workers don't work as many hours [k] Ben pays an hourly wage rate [app] therefore the total wage bill would be lower [an] | **6** | Application marks may be awarded for appropriate use of the following:<br>• small (business)<br>• gardening or gardening related words allowed once<br>• (business) success<br>• bonus<br>• hourly wage rate<br>• recommendation<br>• 15 years ago<br>• 4 (part-time), 2 (full-time)<br><br>**Do not award** answers which clearly confuse part-time with seasonal workers.<br><br>**Do not award** answers that suggest that part-time are easier to dismiss<br><br>**Do not award** answers such as cheaper unless explained as all paid an hourly wage rate. |

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| Question | Answer | Marks | Notes |
|---|---|---|---|
| 4(e) | **Explain <u>two</u> ways Ben could improve employee motivation. Recommend which way Ben should choose. Justify your answer.**<br><br>Award 1 mark for identification of relevant point (s)<br>Award 1 mark for relevant reference made to this business<br>Award up to 2 marks for relevant development of point(s)<br>Award up to 2 marks for a justified decision made as to which way Ben should use to improve employee motivation.<br><br>Points might include:<br>• change method of payment / increased rate of pay [k]<br>• training [k] so feel more valued [an]<br>• involve workers in decision making [k] so workers feel more important [an] to the gardening business [app]<br>• change leadership style [k] Ben orders workers to do jobs [app]<br>• chance for promotion / become full time [k]<br>• job rotation [k] for the 6 employees [app] so employees are not bored doing the same thing [an]<br>• job enlargement [k]<br>• job enrichment [k]<br>• employee of the month [k] therefore workers feel like their hard work is being recognised [an]<br>• praise [k] meeting employees esteem needs [an]<br>• team working / communication [k]<br>• fringe benefits [k] | **6** | Application marks may be awarded for appropriate use of the following:<br>• small (business)<br>• gardening or related words such as cutting grass<br>• (business) success<br>• service<br>• customer recommendation<br>• seasonal (as gardening may not be needed all year)<br>• ordered to do jobs<br>• 15 years ago<br>• 4 (part-time), 2 (full-time)<br>• hourly wage rate<br>• employed for a number of years<br><br>**Do not award** bonus as knowledge (currently does offer this)<br><br>For evaluation marks to be awarded two relevant ways must have been explained |

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