Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 Case Study **May/June 2019**

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.

Cambridge International will not enter into discussions about these mark schemes.

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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.

GENERIC MARKING PRINCIPLE 5:

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:

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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>
Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to SA of starting to sell new products in a niche market

Knowledge [2 × 1] Award one mark for each relevant advantage/disadvantage
Analysis [2 × 1] Award one mark for a relevant explanation for each advantage/disadvantage
Application [2 × 2] Award two application marks for each advantage/disadvantage

Answers are likely to include:

<table>
<tr><td>Advantage</td><td>• Higher price charged
• Less competition
• Meet specific needs of customers
• Increase sales/market share
• Spreads risk/diversification
• Attracts new/different customers</td></tr>
<tr><td>Disadvantage</td><td>• More expensive to produce the product – uses batch rather than flow production
• Increased costs e.g. product development, new marketing strategy needed
• Limited size of market/limited potential sales
• Smaller market segment
• Higher price does not match existing brand image for low priced soap</td></tr>
</table>

Indicative response:
SA can sell specialist products that meets these specific customer needs (k) and SA wants to sell soap aimed at people with older skin. (ap) This means that there are likely to be few competitors in this market as it is smaller and less attractive for larger businesses making it easier to have a higher market share and higher profits. (an). As incomes are increasing in country Z, older people will be able to afford this soap. (ap)

Possible application marks:
Produces soap; existing soap sold in a mass market; bars or liquid soap; new factory/equipment will cost $15m; 50 workers in the new factory; country Z is a growing economy; older skin; luxury soap; baby soap; medicated soap; low priced soap.

There may be other examples in context that have not been included here.
</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider the following <u>three</u> roles of packaging for SA's new products. Which is the most important role for the successful launch of these new products? Justify your answer.

Relevant points might include:

<table>
<tr><td>Protection</td><td>• So the soap does not get damaged in transit – however this might increase the costs of packaging
• Easier to pack and store the soap in warehouses before sale– however this may take up more storage space</td></tr>
<tr><td>Brand image</td><td>• Makes the soap stand out from other products on the shelves
• Differentiates products from competitors' products
• Images on package reinforces brand</td></tr>
<tr><td>Information about the product</td><td>• Legal requirement – government protection for consumer
• Customers need to know what is in the soap – may have a physical reaction e.g. allergies or ethical reaction e.g. animal testing</td></tr>
</table>

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/ Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified conclusion as which is the most important role of packaging to choose to successfully launch new products compared to the other roles.
7–8 marks for some limited judgement shown in conclusion as to which is the most important role of packaging to successfully launch new products.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the benefits and/or drawbacks of each role of packaging.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the benefits and/or drawbacks of each role of packaging.</td></tr>
</table>
</td><td>12</td></tr>
</table>

Question	Answer	Marks
1(b)	Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Information about the ingredients of the soap is necessary as some people might be allergic to the soap. Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Information about the ingredients of the soap is necessary as some people might be allergic to the soap. This might result in a poor reputation for the soap if customers put bad comments on social media about the soap giving them problems. If full information is provided then this should be avoided and only good comments about the soap should be posted. (L2 plus application for making reference to soap in the explanation) Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which is the most important role of packaging to successfully launch new products. **Award up to 2 additional marks for relevant application.** Possible application marks: produces soap; sold in a mass market; soap sold as bars or liquid soap; bottles; niche market soaps; allergies/allergic reaction; medicated soap; baby soap; soap for older skin; luxury soap; retailers; wholesalers. There may be other examples in context that have not been included here.	

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Question	Answer	Marks
2(a)	**Identify and explain how the following <u>two</u> stakeholder groups might be affected by SA's plans to expand.** Knowledge [2 × 1] Award one mark for each effect Analysis [2 × 1] Award one mark for a relevant explanation for each effect Application [2 × 2] Award two application marks for each effect Examples might include: Shareholders • Higher dividend if the expansion is successful – may be lower dividend is retailed profit used • They might be asked to provide share capital – $15m required • Change the market price of shares • Increased risk of their investment Local community • Unemployment in the local area might fall/incomes in the local area might rise • More production jobs will be available • May case environmental costs/damage/negative externalities Indicative response: Shareholders – The cost of expansion is $15m (ap) and they might be asked to provide share capital (k). This could reduce the market price of their shares in the soap company (ap) as it will take time for the new investment to lead to higher profits and possibly higher dividends (an). Possible application marks: Plc set up 20 years ago; produces soap; sold in a mass market; start selling niche market soaps; need a new factory/equipment; will cost $15m; 50 workers. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Consider the following <u>three</u> benefits to SA of having well-motivated employees. Which benefit will be the most important to SA if it wants to increase profit? Justify your answer.

Relevant points might include:

<table>
<tr><td>Higher output</td><td>More products available to sell – likely to increase revenue – increased profit as costs may not increase proportionately
May increase productivity – lower unit/average costs</td></tr>
<tr><td>Fewer employees leaving</td><td>Happier more satisfied employees less likely to leave for another employer – reduces recruitment costs/less need for training of new employees</td></tr>
<tr><td>Higher quality</td><td>Fewer mistakes made – lower unit costs – improved gross profit – higher profits
Gives a better reputation with regards to the product – may increase price/more customers attracted</td></tr>
</table>

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/ Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified conclusion of the most important benefit that will lead to higher profit and why it is more important than the other two benefits.
7–8 marks for limited conclusion of the most important benefit.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of each benefit.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of each benefit.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Higher output likely to increase sales

Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Higher output of soap is likely to lead to higher sales and may even lead to higher revenue. If costs do not increase in the same proportion as the increase in revenue then profit may also increase enabling SA to pay higher dividends. (L2 plus application for recognising that it is a company producing soap).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which justifies which is the most important benefit.

</td><td>**12**</td></tr>
</table>

Question	Answer	Marks
2(b)	**Award up to 2 additional marks for relevant application.** Possible application marks: Produces soap; sold in a mass market; niche market soaps; new factory and equipment that will cost $15m; employs 100 production workers in the current factory; employ 50 workers in the new factory; luxury soap. There may be other examples in context that have not been included here.	

Question	Answer	Marks
3(a)	**Identify and explain <u>two</u> ways SA could use lean production in its factory.** Knowledge [2 × 1] Award one mark for each relevant way Analysis [2 × 1] Award one mark for an explanation for each way Application [2 × 2] Award two application marks for each way • Just-in-time/JIT – inventory arrives at production line when wanted/ no warehousing of inventory • Kaizen – continuous improvement/eliminates waste/ better layout of factory improves flow of production • Cell production – small team working/responsible for complete unit of work • Kanban – inventory arrives at production line only when inventory has been used/reduces the holding of inventory Indicative response: Just-in-time (k) means that inventory is reduced to no or very low levels held in storage. (an) This reduces the need for having warehouse space to hold the ingredients to make soap. (ap) SA will need to have good relationships with its suppliers to ensure that the flow production line is not interrupted by inventory running out. (ap) Possible application marks: Produces soap; sold in a mass market; wants to start selling niche market soaps; employs 100 production workers; flow production; batch production. There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Consider <u>three</u> leadership styles the Operations manager could use in the new factory. Recommend which leadership style should be used to improve decision-making. Justify your answer

Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Autocratic</td><td>• Clear instructions given by manager/quick decision making
• Less likely to make mistakes if clear what to do
• Some employees like having no responsibility to make any decisions</td><td>• Does not allow worker involvement/one way communication
• May be demotivating for some employees as feel less involved in the business</td></tr>
<tr><td>Democratic</td><td>• Motivating as workers feel they can contribute to the decision making
• Feel they are being listened to and views respected/two way communication
• May have some good ideas for how to improve the work flow as they are the ones working on the production line</td><td>• More time consuming to make decisions as time taken consulting the employees before decisions made</td></tr>
<tr><td>Laissez-faire</td><td>• Motivating as workers feel in control</td><td>• Some workers will not like this responsibility</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the level levels-based mark scheme on the next page

<table>
<tr><td></td><td>Knowledge/Analysis/ Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation as to which leadership style will be most effective in improving decision making and why the other leadership styles will be less effective.

7–8 marks for some limited judgement shown in the recommendation as to which leadership style will be most effective in improving decision making.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the benefits and/or drawbacks of each leadership style.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Identifies style of leadership and/or identifies features of leadership style</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Autocratic leadership style (L1) – will lead to clear instructions being given by the manager for workers to follow (L1).

Level 2 – 1 x L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Autocratic leadership style will lead to clear instructions being given by the manager. This means production workers will always know what to do and know what is expected of them. However, they will not feel they can contribute or make any comments if they feel something could be improved. (L2)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which leadership style should be used to ensure there is an improvement in decision making.

Award up to 2 additional marks for relevant application.

Possible application marks:
Produces soap; selling niche market soaps; employs 100 production workers in the current factory; 50 workers in the new factory; 150 combined workforce; directors of SA disagree about leadership style; some managers not involved in important decisions; well-motivated employees are important.

There may be other examples in context that have not been included here.</td><td></td></tr>
</table>

Question	Answer	Marks
4(a)	**Identify and explain two opportunities and two threats for businesses in country Z from globalisation.** Award one mark for each opportunity/threat (max 4) plus one additional mark for an explanation of each opportunity/threat **Opportunities** • New markets – increased revenue • Increased brand awareness • Increased sales –higher profit • Saturated home markets – new markets to develop • Spread risks – over more markets/products • New products developed – for new markets with different tastes • Higher incomes in growing economies – increased disposable income leading to higher sales • Free trade agreements – may allow domestic companies easier access to overseas market/Easier to export • Access to cheaper supplies/cheaper labour – lowers costs **Threats** • Increased competition in the home market – lose market share – may need to reduce prices • Free trade agreements – may allow foreign companies easier access to domestic market • Jobs lost in industries that cannot compete with cheaper foreign competition • Workers may choose to work for MNC which pays better wages – losing workers • Pressure to increase wage rates due to match MNC pay • Easier for exploitation by MNCs e.g. labour/natural resources • May be more vulnerable to external shocks e.g. recession in main export markets Indicative response: Country Z has signed a trade agreement (1) which provides opportunities for businesses in country Z to sell in new markets abroad and increase revenue (1).	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Using Appendix 3 and other information, consider SA's financial position, using liquidity ratios. Recommend whether the bank manager should give a loan to SA for the new factory. Justify your answer.

Relevant points might include:

<table>
<tr><td>L2 Liquidity ratios/L2 points</td><td>• Current ratio = 3:1 (3) in 2018
• Acid test ratio = 1:1 (1) in 2018
• Acid test ratio has stayed the same
• Explanation that shows understanding of the meaning/significance of the ratio figures in 2017 and/or 2018</td></tr>
<tr><td>L1 Basic statements</td><td>• Inventory has increased by $5m between 2017–18
• Bank loan has increased by $10m between 2017–18
• Liquidity formulas
• Non-current assets has remained the same
• Simple calculations e.g. current assets in 2018 = $15m
• Revenue in 2018 for low priced soap is $60m</td></tr>
</table>

Award up to ten marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/ Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation whether or not the bank manager should give a loan to SA for the new factory
7–8 marks for some limited judgement shown in recommendation as to whether the bank manager should give a loan to SA for the new factory</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Liquidity ratios correctly calculated.
Explanation of meaning and significance of liquidity ratios.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of financial position without liquidity ratios calculated.
Identifies the change in the figures from Appendix 3
Formula for liquidity ratios
Makes financial calculation from figures in Appendix 1</td></tr>
</table>

</td><td>12</td></tr>
</table>

Question	Answer	Marks
4(b)	Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. The inventory has increased by $5m (L1) as the inventory was $5m in 2017 and $10m in 2018 (1 × Ap). Level 2 – 1 x L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. The acid test ratio in 2018 is 1:1. (L2) Level 3 – For L3 to be awarded there needs to be at least two correct L2 liquidity calculations and then a recommendation as to whether or not the bank manager should give a loan to SA for the new factory. **Award up to 2 additional marks for relevant application.** Possible application marks: 2017 current ratio was 2:1; 2017 acid test ratio was 1:1; any other relevant use of financial data from Appendix 3 e.g. bank loan is now $20m; produces soap; new factory and equipment that will cost $15m; 50 workers in the new factory; country Z is a growing economy. There may be other examples in context that have not been included here.	

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