Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer/Structured Response **May/June 2021**

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.

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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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Question	Answer	Marks	Notes
1(a)	**Define 'public sector'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Government or state-owned businesses/organisations [2] OR Part of the economy controlled by state/government [2] Partial definition e.g. not owned by individuals [1] OR Provided/run by government [1]	**2**	
1(b)	**Define 'profit'** Award 2 marks for a full definition. Award 1 mark for a partial definition. Amount of money left after all costs have been subtracted from revenue. [2] OR Surplus after total costs deducted from sales revenue [2] OR (Total) revenue – total cost [2] OR Gross profit minus expenses [2] Partial definition e.g. revenue minus costs [1]	**2**	Do not credit answers such as money made by business. [TV]

Question	Answer	Marks	Notes
1(c)	**Identify <u>four</u> ways to measure the size of a business** Award 1 mark per way. Points could include: • Sales value / value of output / revenue • Volume of output / amount of services / amount of sales / number of customers • (Value of) capital employed / value of statement of financial position / market capitalisation • Market share • Number of employees • Number of outlets Other appropriate responses should also be credited.	**4**	Only award the first four responses given. *Do not credit measures of success such as profit.*

Question	Answer	Marks	Notes
1(d)	**Explain <u>one</u> way each stakeholder's objectives might conflict with BKH's objective to increase profit.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Customers • May want low prices / value for money [k] when buying insurance [app] which could reduce revenue [an] • Desire high-quality customer service [k] which requires more than 2000 staff [app] increasing costs/expenses [an] • May want offices in more locations [k] than 18 [app] which could increase costs [an] Employees • May want high/regular pay [k] for its 2000 employees [app] which could lead to higher costs [an] • May require job security / contract [k] after the takeover [app] • Job satisfaction / motivation / training / promotion [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Insurance (of house or car) • 18 (locations) • 2000 (employees) • Public limited company • Shareholders • Takeover or expand. Other appropriate examples in context can be credited.

Question	Answer	Marks	Notes
1(e)	**Do you think economies of scale are the most important reason for taking over another business? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to whether economies of scale are the most important reason for taking over another business. Points might include: • Possible purchasing economies of scale / bulk buying [k] leading to lower **average** costs [an] which could allow for lower prices [an] • Reduces competition [k] which could increase market share / sales [an] and therefore increase revenue [an] • Economies of scale may not be possible to achieve [k] • A business can become too large and may experience diseconomies of scale [k] Other appropriate responses should also be credited. Justification might include: Possible purchasing economies of scale / bulk buying [k] leading to lower costs [an] which could allow for lower prices [an]. Removing a competitor maybe an alternative reason for the takeover [k]. It depends on the business' objectives [eval] if it is a direct competitor increased market share maybe more important than possible economies of scale. [eval]	**6**	This is a general question so there are no marks for application. Two knowledge marks are available for examples of economies of scale. Lower average unit costs may be [k] or [an] but do not credit the same point twice.

Question	Answer	Marks	Notes
2(a)	**Define 'import quota'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Limit on the number of goods into a country [2] Partial definition e.g. limit on number of imports [1]	**2**	
2(b)	**Calculate PJA's gross profit margin. Show your working.** Correct answer 45(%) [2] Correct method but incorrect answer [1] e.g. gross profit / revenue ×100 OR 3330 / 7400 *100	**2**	0.45 alone = 0

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Question	Answer	Marks	Notes
2(c)	**Outline <u>one</u> benefit and <u>one</u> limitation to PJA of developing new products.** Award 1 mark for each relevant benefit/limitation. Award 1 mark for each relevant reference to this business. Points might include: Benefit: • Attract new customers / sales / growth [k] for its clothes [app] • Need to replace products in decline / keep up with changing customer tastes [k] of 16–25-year-olds [app] • Retain customers / to maintain market share [k] • Spread risk / attract new markets / have other products to rely on for sales [k] • Charge a higher price [k] • Improve reputation [k] • Can create a unique selling point [k] Limitations: • No guarantee customers will like the new product [k] as fashion changes [app] • Competitors might introduce rival products / reduce prices [k] as most of competitors are multinational companies [app] • High cost [k] • Production issues, e.g. is there sufficient capacity [k] within factory [app] • Having access to suitable materials [k] as trying to avoid import quotas [app] Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Correct use of data from table 2.1 • Clothes • Fashion • 16–25-year-olds / young customers • Local • Factory • Multinational companies • 3 weeks / 21 days. Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> ways PJA's managers can use ratio analysis.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Able to see trends over time [k] for its clothing [app] to see where / whether performance has improved or not [an] • See trends between competitors [k] such as whether revenue is higher than $7400m [app] to assess how / whether they are as competitive as they think [an] • Able to measure financial performance / profitability / success [k] as if last year ROCE was lower than 8% [app] profitability has improved [an] • Help make investment/expansion decisions [k] such as developing new products [app] • Check / manage liquidity OR working capital [k] as if last year the current ratio was higher than 1.5 [app] then they know liquidity has got worse [an] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Correct use of data from table 2.1 • Clothes • Fashion • 16-25-year-olds / young customers • Local or factory • Multinational companies • Develop new products. Other appropriate examples in context can be credited.

Question	Answer	Marks	Notes
2(e)	**Do you think multinational companies always benefit the countries they operate in? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to whether multinational companies always benefit the countries, they operate in. Points might include: • Creates jobs / provides income [k] so improving living standards [an] • Technical knowhow increased [k] which could help improve production methods / efficiency / output [an] • Orders for local suppliers [k] increasing local incomes / GDP [an] • Improve international reputation of country [k] • Increased investment / infrastructure development in country [k] • Companies pay taxes [k] which increases government income [an] • Competition for local businesses [k] leading to lower demand / lower prices [an] which could lead to the closure of local businesses [an] • Profits are often repatriated [k] limiting the countries growth [an] • Offer higher wages [k] reducing supply of workers for local business [an] • Use up limited resources [k] so there is less available for other local businesses [an] • Jobs created may be unskilled [k] Other appropriate responses should also be credited. Justification might include: Companies pay taxes [k] which increases government income [an]. However, reduced sales for local businesses [k] may lead to lower revenue [an]. A multinational always benefits a country to some extent, because of the money invested. [eval] The overall impact depends upon the effect on local businesses. [eval]	**6**	This is a general question so there are no marks for application. Analysis should focus on the impact on the country.

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Question	Answer	Marks	Notes
3(a)	**Define 'job rotation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Employees swapping around and doing each specific task for only a limited time [2] OR Process of switching an employee between jobs over a period of time [2] OR Increasing variety in the workplace by allowing workers to switch from one task to another [2] Partial definition e.g. workers do a variety of tasks [1]	**2**	
3(b)	**State <u>two</u> factors that a service sector business should consider when deciding where to locate.** Award 1 mark per factor. Points might include: • Customers / level of demand • Cost of rent/taxes • Availability of land/space/parking • Government assistance • Cost/availability of labour • Legal controls • Competitors / near to other business • Transport / accessibility / technology / infrastructure or examples such as electricity, water, gas • Personal preference of owners • Climate Other appropriate responses should also be credited.	**2**	Only award the first two responses given. Do not award access to raw materials, as this is not appropriate for a service sector business. Do not award answers such as cost alone - must be explained.

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Question	Answer	Marks	Notes
3(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to APB of using on-the-job training.** Award 1 mark for each relevant advantage/disadvantage. Award 1 mark for each relevant reference to this business. Points might include: Advantage: • Some output produced while training [k] so able to still print some brochures [app] • Costs **less than** off-the-job [k] and cost might be important issue as he is a sole trader [app] • Specific to business / control what is taught [k] using the printing machines [app]. Disadvantage: • Trainer may not produce as much output / potential disruption [k] when teaching the 6 employees [app] • Trainer may not have the necessary skills / may not know up-to- date methods [k] for the new machine [app] • Trainer may pass on bad habits / may be a poor-quality trainer [k] • Employees make more mistakes when learning which increases waste [k] Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Sole trader • Printing services / leaflets / brochures • Printing / new machine • 6 employees Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
3(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of Alex having a democratic leadership style.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantage: • Improves motivation / sense of belonging [k] of his 6 employees [app] leading to increased output / productivity [an] • Help keep worker loyalty [k] employees are motivated [app], so less time/money spent on recruiting new employees [an] • Creates time for managers to do other work [k] leading to fewer mistakes [an] • Better decisions could be made as can use employees experience and skills [k] such as deciding which is the best machine to buy [app] • Positive work environment / better relations between manager and workers [k] • More ideas / advice provided / better communication / encourages feedback [k]. Disadvantages: • Some employees may not want / be able to cope with being consulted [k] slowing down the decision-making process [an] about what to print [app] • Unpopular decisions less likely to be made [k] • Mistakes can be made if workers are not skilled / lack experience [k] which can damage reputation [an] of this sole trader business [app] • Time-consuming / disagreements may arise [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Sole trader • Printing services / leaflets / brochures • 6 (employees) • Employees are motivated • Increased demand • Printing / new machine Other appropriate examples in context can still be credited. Award productivity changes only once as either an advantage or a disadvantage e.g. Improved motivation [k] increases productivity [an] and Decision-making takes time [k]which reduces productivity [an]

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Question	Answer	Marks	Notes
3(e)	**Do you think the amount of money needed is the most important factor for a sole trader to consider when deciding on an appropriate source of finance? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether the amount of money needed is the most important factor for a sole trader to consider when deciding on an appropriate source of finance. Points might include: • The business might not have sufficient funds [k] so would need to borrow [an] • A sole trader is likely to have access to fewer sources of finance [k] • Cost of finance / interest [k] would change expenses [an] altering profit margin [an] • Unlimited liability for sole traders [k] means that if the business cannot pay its debts the owner's personal assets would be at risk [an] • Amount of debt [k] if a business already has a high level of borrowing banks may not lend any more money [an] • Purpose (why money is needed) [k] if buying a non-current asset then a long-term source would be used [an] allowing sufficient time to repay [an] Other appropriate responses should also be credited. Justification might include: The amount is important because a business might not have sufficient funds [k] so would need to borrow money [an]. This would involve interest [k] which would increase business expenses [an]. Unlimited liability is probably the most important factor for a sole trader because this reduces the finance options available [eval]. They are probably also seen as higher risk so whatever the amount finance is it is likely to be more expensive [eval].	**6**	This is a general question so there are no marks for application. To gain both evaluation marks response must clearly relate to a sole trader. Do not award answers which only identify sources of finance.

Question	Answer	Marks	Notes
4(a)	**Define 'economic growth'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. When a country's GDP **increases / more** goods and services are produced than in the previous year [2] Partial definition e.g. increases in a country's spending/income/output [1] OR Increase in GDP [1]	**2**	For 2 marks the answer must relate to a country not individual business. High GDP [0]
4(b)	**Define 'quality assurance'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Checking for quality standards throughout production process / at every stage [2] Partial definition e.g. checking work done [1]	**2**	Do not credit answers such as check at end or check final product as this defines quality control. Do not credit explanations of why it is done e.g. manufacturer wants product to be perfect.

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Question	Answer	Marks	Notes
4(c)	**Outline <u>two</u> reasons why building customer relationships might be important to TGH.** Award 1 mark for each relevant reason. Award 1 mark for each relevant reference to this business. Points might include: • Increase sales [k] of phone cases [app] • Customer loyalty/retention [k] when using e-commerce [app] • Help build reputation / brand image / act as free advertising [k] for this new business [app] • Opportunity for feedback / help identify customer needs [k] as operate in a niche market [app] • Provide a competitive advantage [k] as other businesses may also set up because of economic growth [app] Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Personalised • (Mobile/phone) cases • New business/start-up • Economic growth • Niche market • E-commerce • 8 employees Other appropriate examples in context can still be credited. Do not award phones as application as business does not make them only the covers.

Question	Answer	Marks	Notes
4(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to TGH of using job production.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Unique / meet exact customer needs [k] for its phone cases [app] can help brand loyalty [an] • Workers likely to make fewer mistakes [k] which helps ensure quality assurance [app] so less need for rework [an] • More varied work (leads to higher motivation) [k] helping retention / lower absenteeism [an] in this new business [app] • Can charge a higher price [k] in a niche market [app] • High quality products [k] which are personalised [app] • Flexible [k] Disadvantages: • Skilled labour can cost more [k] for the 8 employees [app] which increases labour costs [an] • No economies of scale (likely) [k] leading to higher average cost [an] • Production can take a long time [k] causing lower output / efficiency / productivity [an] • Costs are higher as it is labour intensive [k] • Mistakes can be expensive to correct [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Personalised • (Mobile/phone) cases • E-commerce • New business • Niche market • 8 employees • Quality assurance Other appropriate examples in context can still be credited. Do not award phones as application as business does not them only the covers.

Question	Answer	Marks	Notes
4(e)	**Do you think cost-plus is the best pricing method for a new business to use when selling products to a niche market? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether cost-plus pricing is the best pricing method for a new business to use when selling products in a niche market. Points might include: Cost-plus • Know cost can be covered [k] and can make a profit per item [an] • Simple and easy to calculate [k] so saves time when setting prices [an] • Prices may be higher than competitors [k] leading to a fewer sales [an] • Little incentive to control costs [k] Other pricing methods might include: • Penetration pricing [k] as setting a lower price than competitors should attract customers [an] • Competitive pricing [k] but the business will have limited or no control over the price [an] so may not be able to recover its costs [an] • Price skimming [k] customers may expect / be willing to pay more in a niche market [an] • Promotional pricing [k] Other appropriate responses should also be credited. Justification might include: Cost plus pricing is simple and easy to calculate [k] so saves time when setting prices [an]. Although penetration pricing [k] setting a lower price than competitors should attract customers [an]. Cost plus pricing is the best pricing method as covering costs is important for a new business [eval]. Although the price maybe slightly higher this is less important in a niche market where there are likely to be fewer alternatives [eval].	**6**	This is a general question so there are no marks for application. To gain both evaluation marks response must clearly relate to a new business operating in a niche market.

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