Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer and Data Response **May/June 2022**

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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0450/7115/0986 Business Studies – Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

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Question	Answer	Marks	Notes
1(a)	**Define 'competitive pricing'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. When a product is priced in line or just below competitors' prices (to try to capture more of the market) [2] OR Setting a price similar to that of competitors products which are already established in the market. [2] OR When the price of a good is set at the same level as other products in the market and at a level customers expect or are willing to pay [2] Partial definition e.g. have similar prices to other businesses [1] OR bases their prices on the competitors pricing [1]	**2**	
1(b)	**Define 'marketing budget'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. A financial plan for the **marketing of a product** or product range (for a specified period of time) [2] OR The amount of money made available by a business for its marketing **activities** during a particular period of time [2] Partial definition e.g. money to be spent on marketing [1]	**2**	

Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> possible threats to Pamela's business of using e-commerce.** Award 1 mark for each relevant threat (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increased competition [k] which makes it harder to calculate a competitive price [app] • Unfamiliarity / customers are less likely to buy from a business they don't know [k] leading to fewer sales of toys [app] • No face-to-face contact which could make it difficult to establish a relationship [k] so difficult to gain customer loyalty [app] • Website design must be clear / attractive / easy to use, or customers will not visit [k] • Limited/no access to the internet [k] • Increasing costs as a specialist may need to be employed / website design / maintenance of sites [k] • May need a larger space to store products increasing costs [k] • Packaging/delivery of each item will increase costs per product [k] • Larger number of returns could lead to higher business costs [k] • All customers can see negative reviews [k] Other appropriate responses can also be credited.	**4**	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: • Gift shop • (celebration) Cards/toys/candy • Entrepreneur/the owner • 30 years ago • 5 employees • Customer loyalty • Competitive pricing • Marketing budget • Sales promotion Other appropriate examples in context can still be credited. Can outline two separate costs if both clearly related to Pamela/business.

Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> methods Pamela's business can use to maintain customer loyalty.** Award 1 mark for identification of each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Communicate with customers e.g. newsletters, social media [k] so that they remember your business [an] when they next need candy (sweets) / toys / cards [app] • Offer rewards to existing customers / introduce a loyalty scheme [k] using money from the marketing budget [app] so consumers have an incentive to return [an] • Train staff / offer good quality service [k] from all 5 employees [app] • Extra services or examples such as delivery / credit facilities [k] • Ask for feedback / carry out market research [k] so the items you are selling match customer needs [an] • Resolve complaints quickly [k] so that customers don't go to other businesses [an] • Introduce new products / high quality products [k] satisfying the customers' needs [an] • Brand loyalty [k] Other appropriate responses should also be credited.	**6**	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: • Gift shop • (celebration) Cards/toys/candy • 5 employees • Entrepreneur • 30 years ago • Competitive pricing • Marketing budget • Sales promotion Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
1(e)	**Do you think being a risk-taker is a more important characteristic of a successful entrepreneur than being creative? 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 a justified decision as to whether being a risk-taker is a more important characteristic of a successful entrepreneur than being creative. Points might include: Risk-taker: • A successful entrepreneur must take risks otherwise there is no business [k] • Entrepreneurs take the risk of investing their own money [k] this may bring high rewards [an] however they may fail and lose their personal possessions [an] • Taking risks is a way to learn [k] if an idea is good or not [an] Creative: • New ideas [k] leading to increased sales/revenue [an] • Creativity adds value [k] so higher prices can be charged [an]. • Creativity alone does not guarantee success [k] if customers do not purchase [an] Other appropriate responses should also be credited. Justification might include: Entrepreneurs take the risk of investing their own money [k] this may bring high rewards [an]. Being creative maybe a more important characteristic as making a business different to its competitors [k] can lead to increased sales [an]. In a competitive market creativity is especially important because it helps the business stand out from competitors. [eval] An entrepreneur can take risks, but if customers will not buy, they will not be successful. [eval]	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

Question	Answer	Marks	Notes
2(a)	**Define 'public limited company'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Businesses owned by shareholders, but they can sell shares to the public and their shares are tradeable on the stock exchange [2] OR Often a large company, owned by shareholders who have limited liability. The company can sell its shares to the general public [2] OR A company that sells its shares to the general public through a stock exchange (because the company can sell shares to anyone, it can raise massive amounts of money) [2] OR A business whose shares can be freely bought and sold to the general public [2] Partial definition e.g. a business that can sell shares [1]	**2**	
2(b)	**Calculate the margin of safety for CTF's children's beds. Show your working.** Correct answer: 4000 [2] Correct method but incorrect answer e.g. Current output–break-even output [1] OR 18 000 – 14 000 [1] = 4000 [1] If correct answer given with no working shown, award 2 marks. Award only 1 mark if 4000 is written as part of the answer but is not given as the final answer.	**2**	

Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> ways an increase in inflation might affect CTF.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Employees might ask for pay rise [k] reducing its margin of safety [app] • Increase in raw material costs[k] for manufacturing (beds) [app] • Prices may have to increase [k] • Fewer sales / customers cannot afford to buy [k] the beds [app] Other appropriate responses should also be credited.	**4**	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: • Public limited company (PLC) • (children's) Beds • Factory/manufacturer • Margin of safety / 4000 • Batch production • Environmental pressures • 14 000 (break-even output) • 18 000 (current output) • 25 000 (capacity) Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> possible advantages to CTF of using batch production.** Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2) Points might include: • Flexible [k] easy to change the type of beds [app] to adapt to customer demands [an] • Economies of scale / materials can be bought in bulk [k] which can help reduce average costs [an] improving the margin of safety [app] • Production may not be affected to any great extent if machinery breaks down [k] so some output made [an] so help reach its break-even output of 14 000 [app] • Variety of products [k] which could lead to increased sales [an] • Variety of tasks can motivate workers [k] leading to less absenteeism / lower labour turnover [an] at the factory [app] • Spread risk (as can make more than one type of product) [k] Other appropriate responses should also be credited.	**6**	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: • Public limited company (PLC) • (children's) Beds • Factory/manufacturer • Margin of safety / 4000 • Environmental pressures • 14 000 (break-even output) • 18 000 (current output) • 25 000 (capacity) Other appropriate examples in context can still be credited. Advantages should focus on advantages to the business not employees. Answers such as variety of work on own are too vague [tv].

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Question	Answer	Marks	Notes
2(e)	**Do you think manufacturing businesses should always respond to environmental pressures? 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 a justified decision as to whether manufacturing businesses should always respond to environmental pressures. Points might include: • Reduces the risk of a customer boycott [k] • Enhance brand image / reputation [k] leading to more potential customers / revenue [an] • Help recruit / retain employees [k] • Help attract investors [k] so raise more capital [an] • Reduces risk of legal action/fines [k] avoiding bad publicity[an] • May need to buy new equipment [k] which increases costs [an] leading to higher prices [an] • Reduce productivity [k] which could lower profit margin [an] • May need to find new suppliers of raw materials [k] leading to higher unit costs [an] Other appropriate responses should also be credited. Justification might include: Yes, although this could mean the business has to find new suppliers of raw materials [k] increasing unit costs [an]. However, responding to environmental pressures can improve the reputation of the business [k] leading to an increase in revenue [an]. The additional revenue gained could offset the costs of responding to environmental pressures. So, if they can find the resources they need at a competitive price, they should. [eval] [eval]	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

Question	Answer	Marks	Notes
3(a)	**Define 'shareholders' equity'**. Award 2 marks for a full definition. Award 1 mark for a partial definition. (Total sum of) money invested into the business by the owners of the company [2] OR Share capital plus reserves [2] OR Total assets minus total liabilities [2] Partial definition e.g. money raised from selling shares [1]	**2**	
3(b)	**Identify <u>two</u> financial statements a public limited company is legally required to publish each year.** Award 1 mark for each financial statement. Two from: • Income statement (Profit and loss) • Statement of financial position (Balance sheet) • Cash-flow statement/statement of cash flows • Statement of changes in equity	**2**	Only award the first two responses given. Do not award cash-flow **forecast.**
3(c)	**State whether each of the following are classified as a current asset or a current liability.** Award 1 mark for each correct answer. Overdraft–current liability Trade receivables–current asset Trade payables–current liability Cash in bank–current asset	**4**	

Question	Answer	Marks	Notes
3(d)	**Explain <u>one</u> way each of the following stakeholder groups might use VCG's accounts:** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Shareholders: • Help assess business performance / profits [k] to see whether they will receive a dividend / return on their investment [an] from this bag manufacturer [app] • Help decide whether to continue to invest [k] as the business is looking to open a second factory [app] which could mean less dividends paid [an] • Assess the liquidity [k] they do not want to invest in a business with serious cash or liquidity problems [an] • To compare performance over time [k] and how much the $800 000 in equity increases [app] to decide whether they should take their money and invest elsewhere [an] • Compare performance between different businesses [k] to decide whether it is a good investment [an] Suppliers: • Can see the total value / level of debt [k] current liabilities $250 000 [app] to help decide whether they should offer (more) credit [an] • Assess whether the business has sufficient cash [k] within current assets of $300 000 [app] for the business to be able to repay them when debts become due [an] • Assess profitability / level of sales [k] successful business may need more materials so maintains or increase revenue for the supplier [an] especially as make high-quality products [app] Other appropriate responses should also be credited.	**6**	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: • Bags or examples such as briefcase / travel bag • (second) Factory • $2m (revenue) • $800 000 (equity) • $300 000 (current assets) • $250 000 (current liabilities) • 1.2 (current ratio) • High–quality • 50 / Skilled workers Other appropriate examples in context can still be credited. Candidates must quote the numbers to be awarded application for use of Table 3.1 information. Calculation of current ratio is not [an] as it does not answer the question.

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Question	Answer	Marks	Notes
3(e)	**Do you think access to labour is the most important factor for a manufacturing business to consider when deciding where to locate a new factory? 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 a justified decision as to whether access to labour is the most important factor for a manufacturing business to consider when deciding where to locate a new factory. Points might include: Access to labour: • Skilled labour may be difficult to find/recruit [k] which could increase recruitment/labour costs [an] but can use machinery to reduce the need for labour [an] • Labour intensive production requires access to labour [k] without labour they cannot operate[an] • Can depend on type of workers required (k) unskilled workers may be easy to find [an] Other factors might include: • Good transport links [k] to ensure products arrive / sent when needed [an] • Proximity to market [k] to ensure sales / revenue can be made [an] • Type of product [k] a fragile / heavy product may need to be closer to customers to reduce risk of damage / cost [an] • Access to raw materials / components [k] so production is not delayed[an] • Availability/cost of suitable land [k] which could restrict size of factory / limit output / increases fixed costs [an] • Government influence or examples e.g. government grants [k] can help reduce costs [an] whereas legal controls could prevent the business from locating in certain areas [an]	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

Question	Answer	Marks	Notes
3(e)	Other appropriate responses should also be credited. Justification might include: Skilled labour may be difficult to find [k] which could increase recruitment costs [an] Factory machinery can replace some labour [k] reducing the importance of labour in the location decision [an]. Labour is the most important factor if the business is labour intensive because without labour the new factory cannot produce output [eval] however, other factors would be of greater importance in a new capital-intensive factory. [eval]		

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Question	Answer	Marks	Notes
4(a)	**Identify <u>two</u> objectives for a business organisation in the public sector.** Award 1 mark per objective. Points might include: • Financial or examples e.g. meet targets set by government, improve efficiency/reduce costs • Make product/service affordable to all • Provide a service to everyone • Protect or create jobs in certain areas (social objectives) Other appropriate responses should also be credited.	**2**	Only award the first two responses given.
4(b)	**Define 'chain of command'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. The structure in an organisation which allows instructions to be passed **down** from senior management to lower levels of management [2] OR The route through which authority is passed **down** through an organisation [2] OR Shows how communication and tasks are passed **down** the business from the top to the bottom [2] Partial definition e.g. shows who gives orders [1]	**2**	

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Question	Answer	Marks	Notes
4(c)	**Outline <u>two</u> ways MBH can use ideas from Herzberg's theory to motivate its employees.** Award 1 mark for each relevant point. Award 1 mark for each relevant reference to this business. Points might include: • Could give employees more responsibility [k] in the hospital [app] • Offer more interesting work [k] as many are skilled employees [app] • Offer more praise for good work [k] • Give chances for promotion [k] as there is a tall organisational structure [app] Other appropriate responses should also be credited.	**4**	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: • 440 / doctors • (5) Hospitals / or related words • 5600 employees • Public sector • Communication barriers • Phone/email • Long chain of command • Tall organisational structure • Skilled employees Other appropriate examples in context can still be credited. Do not award examples of hygiene factors on their own e.g., Pay, improve working conditions as these are not motivators

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Question	Answer	Marks	Notes
4(d)	**Explain how MBH might reduce or remove each of the following communication barriers**: Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Messages lost: • Ask for feedback [k] to ensure that the message is received [an] by all 5 hospitals [app] • Make sure the medium of communication is suitable/works [k] • Delayering/ flattening the structure [k] because it is a long chain of command [app] Use of jargon: • Use simple language [k] on the phone/email [app] so easy for everyone / receiver to understand [an] • Make sure language is appropriate to the receiver [k] to make sure there is no misunderstanding [an] • Providing opportunities for the receiver to ask questions [k] Other appropriate responses should also be credited.	**6**	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: • 440 / doctors • (5) Hospitals / or related words • 5600 employees • Public sector • Phone/email • Long chain of command • Tall organisational structure • Externally recruited Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
4(e)	**Do you think an organisation should always use external recruitment when recruiting skilled employees? 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 a justified decision as to whether an organisation should always use external recruitment when recruiting skilled employees. Points might include: External recruitment: • Bring in new skills / ideas [k] which could help improve productivity / effectiveness / efficiency of business [an] • Can bring in valuable knowledge and experience of competition [k] gaining a competitive edge [an] • Wider choice of applicants [k] increases possibility of finding best person for job [an] • No knowledge of how business works / current operations [k] so might need induction training [an] • Avoids risk of upsetting employees when someone internal is promoted [k] • Higher recruitment costs [k] • More time spent / takes longer to fill vacancy [k] • Required if no suitable candidates in the business [k] Internal recruitment : • Can help motivate other employees [k] which could lead to fewer people leaving / reduce absenteeism [an] • Internal promotion can create another vacancy that then needs to be filled [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Advantages of external recruitment can be disadvantages of internal but do not award the same point twice as mirror answers are not accepted.

Question	Answer	Marks	Notes
4(e)	Justification might include: External recruitment can bring in new skills and ideas [k] helping improve productivity [an]. Whereas using internal recruitment can help motivate other employees [k] which could lead to fewer people leaving [an]. Overall, it depends on the skills within the business because if there are no suitable workers external recruitment would be the only choice. [eval] [eval]		

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