UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Ordinary Level

MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

7115 BUSINESS STUDIES

7115/22 Paper 2 (Case Study), maximum raw mark 100

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.

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This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer.

Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

Application marks are not awarded for the name of the business or person from the case material. Application is by answering in the context of the case or by using the information in the case to help answer the question.

1 (a) Kim and Selina buy food for the restaurant from local farms. Explain <u>two</u> factors Kim and Selina should take into account when deciding from which farms to buy the food. [8]

Content: price; quality; location; transport; credit; variety of food sold; reliability of supplier.

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application, and 4 marks for explanation/analysis.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each factor (4 marks × 2 factors)

Below is an example to illustrate the difference between a simple explanation worth one additional mark and a developed explanation worth 2 additional marks. An example is also provided of where the application mark might be awarded.

Possible application marks: any specific food products, e.g. vegetables; customers; wedding customers; business customers; meals; city. There may be other examples in context which have not been included here.

Reason: how far away is the farm (1 knowledge mark)

Simple explanation: so that transport costs will be kept down. If the farm is a long way away, this will add to the restaurant's costs and it may mean they have to increase the price of their meals. (1 additional mark for simple explanation)

Developed explanation: How far away is the farm (1) so that transport costs will be kept down. If the farm is a long way away, this will add to the restaurant's costs and it may mean they have to increase the price of their meals (1). If their prices are increased, they may not be as competitive and they may lose customers and therefore have lower profits. (1 further explanation mark for a developed explanation)

Application: the application mark could be achieved as the answer refers to restaurant customers and meals. (1 application mark)

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(b) Kim and Selina use the services of a number of tertiary businesses including banks, insurance companies, Internet provider and advertising agency. Do you think the restaurant could be successful without each of these services? Justify your answer.
[12]

Content:
- Banks – providing financial services, e.g. secure place to deposit money, loans
- Insurance companies – compensates the restaurant if there was a fire; not always legally required
- Internet provider – gives the restaurant access to the Internet so that they can have website, use email, research, advertising, online bookings
- Advertising agency – advises and/or carries out designing, making, placing adverts

Level 1 – E.g. Banks provide current accounts, which give the restaurant a cheque book so that it can pay food bills easily. 1 mark for each statement.

Level 2 – E.g. Banks provide current accounts, which give the restaurant a cheque book so that it can pay food bills easily. They also provide payment services, such as direct debit/standing orders, which mean that food bills are paid regularly and on time. This means that the business will not be late with a payment and will keep the good will of suppliers.
5 marks for level 2 answer plus 1 application mark for mentioning food bills.
5 marks for the first level 2 answer. Plus 1–2 marks for each additional level 2 answer, i.e. 2 level 2 answers = 6 marks; 3 level 2 answers = 7 marks. 4 level 2 answers = 8 marks. However, if the level 2 answer is very well explained, 6 marks can be awarded for the first level 2 answer. If the second level 2 answer was also very well explained, 8 marks in total can be awarded.

Level 3 – Detailed discussion of at least two level 2 answers which consider why these services are important to the restaurant.
E.g. level 2 answer + Without the bank, the restaurant would have to keep large amounts of cash on the premises, which would not be safe and it would be difficult to make payments for food suppliers in cash as the amounts could be large. Therefore banks are an essential service for the business success.

Possible application marks: expand; fire; kitchens; booking meals; posters in city; new restaurants.
There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks At least 2 services explained at Level 2 + good judgement shown as to why they are important to the success of the restaurant.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of different services. Some limited judgement shown about why they are important to the success of the restaurant.

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Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Services outlined.

2 (a) Kim and Selina want to increase the number of times the restaurant is hired out for weddings and birthday parties. Identify and explain <u>four</u> types of promotion the restaurant could use to increase the number of customers. [8]

Content: advertising – e.g. local newspapers, posters; promotional offers, e.g. discount vouchers; public relations, e.g. sponsoring the local cricket team. The examples MUST be suitable methods which could be initiated by the restaurant. Several relevant types of advertising or promotional methods can be credited.

The marks available for this question are as follows: 4 marks for knowledge; 4 marks for explanation.

1 knowledge mark + 1 explanation mark for each example. **This must indicate how it will lead to an increase in customers.** (4 × 2 marks for each method)

E.g. the restaurant can use money-off coupons to attract customers to book a wedding. (1 knowledge mark) This will attract people to book their wedding at the restaurant, as they will get a price reduction and it will be cheaper for them. (1 explanation mark)

(b) Kim and Selina have advertised a job vacancy for a Restaurant Manager. Look at Appendix 2, compare the <u>two</u> job applicants and decide which applicant you would choose to employ. Explain the reasons for your choice. [12]

Content: Miller – well qualified, worked in restaurants but not for long, sporting interests – healthy person with little time off work – management style is the same as the rejected style.
Nish – not well qualified, experienced in the restaurant business but moved around a lot, person type hobbies, single – lots of time to work – leadership style fits in with restaurant.

Level 1 – Mr Nish has a lot of experience in the restaurant business. 1 mark for each suitable suggestion.

Level 2 – E.g. Mr Nish has a lot of experience in the restaurant business but he seems to have moved around a lot between different restaurants. This may be because he is not very good at his job or maybe he does not like to work in one place for very long. Either way, this is not good as if he is not good at his job the restaurant will not want to employ him and if he doesn't stay in a job long the restaurant would need to recruit someone else and that costs extra money. 6 marks for a detailed level 2 answer plus 1 application mark for mentioning the restaurant.
5 marks for the first level 2 answer. Plus 1–2 marks for each additional level 2 answer, i.e. 2 level 2 answers = 6 marks; 3 level 2 answers = 7 marks. 4 level 2 answers = 8 marks. However, if the level 2 answer is very well explained, 6 marks can be awarded for the first level 2 answer. If the second level 2 answer was also very well explained, 8 marks in total can be awarded.

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Level 3 – Detailed discussion of at least two level 2 answers and there will be a conclusion at the end which justifies which person to employ and why not to employ the other person.

Possible application marks: motivating employees; specific reference to Appendix 2 or Appendix 3. There may be other examples in context which have not been included here.

	Application	Analysis/Evaluation
Level 3		9–10 marks Level 2 + Good judgement shown as to which person to employ and why not the other person.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of the items listed on the application form. Good judgement shown as to which person to employ.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Suitable comments on the application form listed/stated. Limited judgement shown as to which person to employ.

3 (a) The restaurant is located near to several restaurants which are competitors. Identify and explain <u>two</u> advantages and <u>two</u> disadvantages to the business of being located near to competitors. [8]

Content: advantages – attracts customers to the area, facilities in area are good as it is busy, can see competitors' prices, external economies of scale, etc.
Disadvantages – competitors may attract customers to them – lose business, price-cutting competition, lower profits.

The marks available for this question are as follows: 4 marks for knowledge; 4 marks for analysis.

1 mark for each advantage/disadvantage (4 marks max).
4 analysis marks are also available – 1 mark for explanation of why each point is an advantage/disadvantage.

E.g. advantage: if the restaurant is located near to competitors, it is easier to see what prices they are charging or what promotional offers are being made (1 knowledge mark). If they know what competitors are charging for their food, the restaurant can make sure that they stay competitive and keep attracting customers (2).

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(b) Kim and Selina could expand the business through the opening of franchised restaurant outlets. Do you think this is a good idea? Justify your answer. [12]

Content: franchise advantages – brand image will help new restaurants get established; all restaurants on same model; will get money from selling franchise; share of each restaurant's profits; do not need to raise as much capital.
Disadvantages – franchisees may create a bad image and will reflect on the rest of the restaurants; expensive to provide support and advice.
Alternatives considered, e.g. becoming a plc – raise capital; don't have to pay back the capital; raised company profile; shares sold to the public.
But – may lose control; easier to be taken over; accounts published.

Level 1 – E.g. if they expand the business by selling the name of the restaurant as a franchise, they will receive payments from the franchisees. 1 mark for each statement.

Level 2 – E.g. if they expand the business by selling the name of the restaurant as a franchise, they will receive payments from the franchisees. The franchisee will also have to give a proportion of the profits to Kim and Selina each year. However, they will have to provide training and support for the franchisee on how to run a restaurant and this will cost them money. 5 marks for level 2 answer.
5 marks for the first level 2 answer. Plus 1–2 marks for each additional level 2 answer, i.e. 2 level 2 answers = 6 marks; 3 level 2 answers = 7 marks. 4 level 2 answers = 8 marks.
However, if the level 2 answer is very well explained, 6 marks can be awarded for the first level 2 answer. If the second level 2 answer was also very well explained, 8 marks in total can be awarded.

Level 3 – Detailed discussion of at least two level 2 answers and there will be a conclusion at the end which justifies whether becoming a franchise is a good idea or not.

Possible application marks: food; training waiters.
There may be other examples in context which have not been included here.

	Application	Knowledge/Analysis/Evaluation
Level 3		9–10 marks Level 2 + Good judgement shown as to whether it is a good idea or not and why.
Level 2	2 marks Well applied to case. At least two examples of reference to, or use of, the case.	5–8 marks Good discussion of advantages/disadvantages of franchise and/or also possible alternatives. Some limited judgement shown about the franchise and/or also the different options.
Level 1	1 mark Limited application to the case. At least one example of reference to, or use of, case.	1–4 marks Advantages/disadvantages of franchise and/or also possible alternatives.

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4 (a) The gross profit margin for the family dining area is 68% and the net profit margin for the family dining area is 16%. Using the information in Appendix 1, calculate the gross profit <u>margin</u> and net profit <u>margin</u> for the expensive dining area. Show your working. [8]

Content:

Expensive restaurant	Gross profit	– 160 000 (2 marks)	64% (4 marks)
	Net profit	– 20 000 (2 marks)	8% (4 marks)

The marks available for this question are as follows: 4 marks for each correct ratio calculation.
2 marks each if only gross profit and net profit calculated. (1 mark for correct method but incorrect answer.) 1 mark for correct formula.

(b) Using the information in the case, consider the <u>three</u> options for expanding the business and advise Kim and Selina which would be the best option to choose. Justify your answer. [12]

Content:

Option 1 Buy a boat and convert it into a floating restaurant next to the main restaurant.
For: next to existing restaurant – already well known; share kitchen facilities – cheaper; novelty – may encourage new customers – increased sales and profits.
Against: H & S may be expensive – increased costs and therefore reduce profits; expensive to buy and convert to restaurant – increased costs.

Option 2 Buy an additional restaurant in an expensive part of the city.
For: new customers – increased sales and profits. More affluent customers – higher prices.
Against: need to establish a reputation – not known in this part of the city so expensive advertising costs; high set-up costs – may need to take on additional loans.

Option 3 Close the restaurant in its present location and move to a new building which is much larger in the city centre.
For: can have more customers – increased sales and profits.
Against: may lose some customers as do not know where they have moved to; expensive to buy new restaurant – will need to finance expansion; city centre rents high; no customers during relocation.

Level 1 – E.g. the restaurant has a good reputation and should stay in its present location. 1 mark for each statement.

Level 2 – E.g. the restaurant has a good reputation and should stay in its present location. Customers know where it is and will have recommended it to their friends. If it moves to another location, some of these customers will not be prepared to travel further to visit the restaurant and therefore they will lose sales revenue and profits. 5 marks for level 2 answer.
5 marks for the first level 2 answer. Plus 1–2 marks for each additional level 2 answer i.e. 2 level 2 answers = 6 marks; 3 level 2 answers = 7 marks. 4 level 2 answers = 8 marks. However, if the level 2 answer is very well explained, 6 marks can be awarded for the first level 2 answer. If the second level 2 answer was also very well explained, 8 marks in total can be awarded.

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Level 3 – Detailed discussion of at least two level 2 answers and then a conclusion which justifies which is the best option for the restaurant to use to expand the business rather than the other two options.

	Analysis/Evaluation
Level 3	9–12 marks Level 2 + Well-justified recommendation for the best option to choose compared with the other two options.
Level 2	5–8 marks Good discussion of each option. Some limited judgement shown about the effectiveness of how to expand.
Level 1	1–4 marks Statements of points for or against each option.

5 (a) Explain <u>two</u> problems for Kim and Selina's business if the customer service in the expensive dining area was of poor quality. [8]

Content: would not keep a good reputation; reduces competition; would not keep customers happy; increase in the number of complaints.

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application and 4 marks for explanation/analysis.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each problem (4 marks × 2 problems)
Below is an example to illustrate the difference between a simple explanation worth one additional mark and a developed explanation worth 2 additional marks. An example is also provided of where the application mark might be awarded.

Possible application marks: weddings and birthday celebrations; family dining; meals; business customers; wealthy customers; restaurant. There may be other examples in context which have not been included here.

Reason: Would not keep a good reputation (1 knowledge mark)

Simple explanation: so that customers will not be assured that they will receive good service if they go to the restaurant and so stop going. (1 additional mark for simple explanation)

Developed explanation: would not keep a good reputation (1) so that customers will not be assured that they will receive good service if they go to the restaurant and so stop going. (1) This would mean that customers would go to another restaurant which did have a good reputation and served customers promptly with their food. The restaurant would lose customers and may get into financial difficulties or even go bankrupt. (1 further explanation mark for a developed explanation)

Application: the application mark could be achieved as the answer refers to restaurant customers and food. (1 application mark)

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(b) Governments often pass laws to protect consumers and laws to protect the environment. Do you think that consumers and the environment need protection from business activity? Justify your answer. [12]

Content: Customers – to protect them from misleading advertising; to ensure that customers are treated fairly.
Environment – to protect areas of natural beauty from being polluted; to prevent the environment from being damaged by business activity.
Generic responses should be given credit.

Level 1 – E.g. customers need protecting so they are not given food which is out of date. 1 mark for each statement.

Level 2 – E.g. customers need protecting so they are not given food which is out of date. If there were no laws to protect consumers, restaurants could serve food that is not fit for eating and make the customers ill. However, if they did this, the restaurant would get a bad reputation and it would lose customers. It may even lead to the restaurant having to close down. So perhaps laws are not always needed. 6 marks for a good level 2 answer.
5 marks for the first level 2 answer. Plus 1–2 marks for each additional level 2 answer, i.e. 2 level 2 answers = 6 marks; 3 level 2 answers = 7 marks. 4 level 2 answers = 8 marks. However, if the level 2 answer is very well explained, 6 marks can be awarded for the first level 2 answer. If the second level 2 answer was also very well explained, 8 marks in total can be awarded.

Level 3 – At least two level 2 + good clear justification of why laws which protect consumers and the environment are necessary. Clear, well-argued discussion of why these laws are not needed can also be rewarded. Access to L3 is possible with an excellent discussion and justification of one of these aspects.

	Knowledge/Analysis/Evaluation
Level 3	9–12 marks Level 2 + Good clear justification of why laws which protect consumers and the environment are needed. Clear, well-argued discussion of why these laws are not needed can also be rewarded.
Level 2	5–8 marks Good discussion of laws which protect consumers and the environment. Limited justification of why laws which protect consumers and the environment are needed.
Level 1	1–4 marks Knowledge shown of why consumers and the environment need laws to protect them.

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