**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Ordinary Level**

# MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

## 7115 BUSINESS STUDIES

**7115/12** Paper 1 (Short Answer/Structured Response), maximum raw mark 100

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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 may also be 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.***

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**1 (a) Identify <u>two</u> objectives that Stilvan might have had when he set up his business. [2]**

**Knowledge [2x1]** 1 mark per objective.
Objectives might include: own boss/make money/freedom/survival/customer satisfaction/ provide service/gain reputation/growth/add value.
Accept any **reasonable** suggestion.

**(b) Identify <u>two</u> advantages of using leaflets as a method of promotion. [2]**

**Knowledge [2x1]** 1 mark per advantage.
Advantages might include:
- cheap method of advertising
- contains contact details for follow-up
- adverts are permanent so can keep for future reference
- easy to distribute/target
- able to give to wide range of people in street
- could include money-off coupons to encourage sales.

**Do not** accept generic answers, e.g. 'colourful and attractive' as this could apply to several methods.

**(c) Using the information given in Table 1, draw a break-even chart for Stilvan's business. [4]**

**Application [4x1]:**
- Accurately plotted TR[1]: start at 0, at 50 units should be at $750.
- Accurately plotted TC [2]: e.g. start at $320[1]; at 50 units should at $670 [1].
- Correct labelling (showing TR and TC) [+1].

Notes:
- Accurately drawn **unlabelled** break-even chart [3].
- For 4 marks TR and TC must be clearly labelled.
- Lines must be linear to be credited.
- Max 1 mark for inaccurately plotted break-even chart with TR and TC labelled.
- NO mark for fixed costs.

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**(d) Identify and explain <u>three</u> problems that seasonal demand can cause for Stilvan's business. [6]**

**Knowledge of possible problems [3x1]:**
- cash flow problems/less or no income during off season
- overheads still have to be paid
- capacity problems, e.g. as sole trader might have too much work to cope at some times of year
- utilisation of equipment
- finding seasonal labour force/employee turnover may be high
- risk of failure.

**Application/analysis [3x1]:** the analysis marks are to be awarded for showing why the problems occur for Stilvan's business.
E.g. capacity problems [k]: as Stilvan is a sole trader, he might have too much work to cope at some times of year [ap].
<u>Or</u> Stilvan might have too much work to cope at some times of year [k], so he rushes work, which could affect his reputation [an].

**(e) Stilvan wants to make his business more profitable. Recommend ways in which this could be achieved. Justify your answer. [6]**

**Knowledge:** identification of options **[2]**:
Content might include:
- expanding his business by doing more of the same
- expanding by diversifying his service range
- increasing efficiency
- cutting costs/economies of scale
- allow practical examples which illustrate how profitability is increased, e.g. hiring machinery to improve efficiency
- advertising/promotion.

**Do not** accept mergers or take-over or find a partner **alone.**

**Analysis of options [2]:** explain how this way would help increase profit.
**Evaluation [2]:** justified decision as to why it is a suitable way for Stilvan to increase his **profitability.**

**2 (a) What is meant by the term 'product orientated'? [2]**

Clear understanding of term [2]: e.g. business that focuses on making the product 'right' [1] and then tries to find customers to buy it [+1].
Some understanding [1]: e.g. concentrates on products/quality/design [1].

**Do not** accept market research as it is stated in the stem.

For two marks need to refer to both the idea of product first and that customer is a secondary consideration.

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**(b) What is meant by the term 'target market'? [2]**

Clear understanding of term [2]: e.g. specific group or segment of customers that the product is directed at [2].
Some understanding [1]: e.g. people who buy their products [1]/people at whom product is aimed [1].

Some understanding with relevant example can gain 2 marks.

**(c) Identify and explain <u>two</u> possible disadvantages to a business of having a wide product range. [4]**

**Knowledge [2x1].**
Disadvantages could include:
- lack expertise in any one area/unable to focus on single product or specialise and become market leader
- customers might not associate them with quality products
- capacity issues, e.g. output or storage issues
- too many competitors
- capital resources spread, e.g. need more machines to make all different products
- additional research, development costs and advertising
- additional training costs.

**Analysis [2x1]:** explain how this might be an issue for a business, e.g. need more machines to make all different products [k], which will increase fixed costs [an].

**(d) Identify and explain <u>three</u> channels of distribution that Cycles4u could use to help launch a new range of bicycles. [6]**

**Knowledge [3x1].**

Options might include:
- through wholesalers
- directly to retailers as bicycles might be expensive
- e-tailers or direct sales
- through agents.

Note: methods must be appropriate to context.
**Do not** accept advertising.

**Application/analysis [3x1]:** explain how or why channel is appropriate.
Can be generic, e.g. through wholesalers [k] who will break bulk and sell smaller quantity on to retailers who might not want to risk buying large amounts of a product [an/ap].

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**(e) Do you think that Cycles4u should use market research in the future? Justify your answer. [6]**

**Knowledge [2].**
Relevant points identified might include:
- find out customer needs
- show trends in market
- help business remain competitive
- time and cost issues
- depends on what type of market research used
- methodology, e.g. issues such as accuracy/bias.

**Analysis of points [2]:** explain how and why factor needs to be considered.
E.g. find out customer needs [k] so able to produce goods which customers want to buy, which could lead to more sales [an].

**Evaluation of approach [2]:** justified decision related to whether Cycles4u should use market research in future or not.

E.g. generally market research provides benefits to a company, such as greater awareness of customer needs [k] so business is able to increase sales as they know what people will buy [an]. However, it might prove of limited benefit if data is 'incorrectly' gathered [k], which could lead to the wrong bicycles being made [an]. So it could help Cycles4U to identify their target market and their needs [ev] but only if they use the market research carefully [ev].

**3 (a) What is meant by the term 'public limited company'? [2]**

General features of limited companies, e.g. have limited liability/separate legal identity from owners/sell shares/in private sector.

Specific features of public limited company, e.g. shares issued to and owned by public [1]/shares sold freely on the stock market [1]/freedom of access to financial statements [1].

Notes:
- Two marks can be gained by identifying two specific features.
- General features of a limited company [max 1].
- Can gain two marks for one general feature and one specific feature of a public limited company.

**(b) Identify <u>two</u> features of a very competitive market. [2]**

**Knowledge [2x1]** 1 mark per feature.
Features could include: number of or other rival companies/many similar products/marketing is important/price wars are likely or low prices/innovation.

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**(c) Identify and explain <u>two</u> possible reasons why staff at Mayfair Solutions are paid high wages. [4]**

**Knowledge [2x1].** Reasons could include:
- highly skilled
- scarcity value
- motivation/reward
- level of responsibility
- retention
- because they can afford to.

**Analysis [2x1]:** explanation as to why this might lead to high wages, e.g. highly skilled [k] and so contribute a lot to the business [an].

**(d) Identify and explain <u>three</u> problems that the need to keep updating its software packages may create for Mayfair Solutions. [6]**

**Knowledge [3x1].** Problems could include:
- capital requirements
- time
- skilled workers
- failure to keep pace with market needs
- cost of research/promotion
- errors in the program/quality issues
- retention/motivation of workers.

**Analysis [3x1]:** explain how or why it could be a problem for Mayfair Solutions.

**(e) Mayfair Solutions has recently received a take-over bid from a large rival software company. Do you think that this take-over would benefit both employees and shareholders of Mayfair Solutions? Justify your answer. [6]**

**Knowledge of impact of a take-over on stakeholders [2].** Points might include:
- shareholders: increase in share price/money made from sale of shares/larger company might mean more secure investment
- employees: prestige/better job security/better promotion prospects/loss of some duplicate jobs/fear of change and new systems.

Issues must be related to shareholders/employees, **not the business.**
**Do not** accept answers which focus on whether to accept the bid or not.

**Analysis of the impact [2]:** explain how take-over could affect each stakeholder.

**Evaluation [2]:** justified decision as to the desirability of outcome from perspective of different groups [2].
Note: allow either a positive or negative viewpoint.
Max 4 marks if only consider employee or shareholder.

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**4 (a) What is meant by the term 'a niche market'? [2]**

Clear understanding of term [2]: e.g. highly specialised sub-part of a larger market [2] OR a subsection of a market [1] with specific needs and characteristics [1].
Some understanding [1], e.g. small part of a market [1].

For two marks must have reference to idea of 'small part of market' and 'specific or specialised characteristics'.

Note: answer that focuses solely on market [1] maximum.
**Do not** accept 'small market' or examples.

**(b) What is meant by 'an efficient business'? [2]**

Clear understanding [2]: e.g. efficient means to achieve objective in a cost-effective manner (minimum resource inputs).
Some understanding [1]: e.g. makes good use of its resources/good at what it does/well run/good service [1].
**Do not** accept answers such as profitable/cash flow as too vague.

**(c) Identify and explain <u>two</u> qualities that a new Travelscene tour manager will need. [4]**

**Knowledge [2x1].** Qualities could include:
- highly organised/efficient
- sociable/good communication skills
- knowledgeable
- practical examples, e.g. good at languages
- patient.

**Application [2x1].** Context important in the award of marks.

**(d) Identify and explain <u>three</u> possible reasons why Travelscene is a very profitable business. [6]**

**Knowledge [3x1]:**
- high demand for their service
- efficient and hence control costs/economies of scale
- reputation good/brand loyalty/good customer service
- perhaps less competition in niche market
- good workforce
- targets customers well
- well priced.

**Analysis [3x1]:** explain why this could help Travelscene to be profitable.
E.g. efficient and so able to control costs [k], so more profit can be made on each booking [an],

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**(e) The management of Travelscene is thinking of starting a new range of family beach holidays, aimed at the mass market. Do you think that this would be a good idea? Justify your answer. [6]**

**Identification of points [2].** Points could include:
- way to spread risk as diversify into new market segment
- new market so potential for growth and extra sales
- cost of additional marketing
- existing competition in market
- lack of skills to understand market requirements
- known as a specialist one and this reputation might be damaged by the change.

**Analysis of points [2]:** explain how or why this might be an issue.
**Evaluation [2]:** justified decision related to whether it is a good idea based on points raised.

**5 (a) What is meant by 'primary sector activities'? [2]**

Clear understanding [2]: e.g. those activities that are concerned with extraction of resources or agriculture [2] or first stage of the production process [2].
Involves the extraction/production of raw materials [2].
Examples only max 1 mark.
Just 'raw materials' [0].

**(b) Identify <u>two</u> examples of businesses that would be classified as being in the tertiary sector. [2]**

**Knowledge [2]:** 1 mark per example.
Any service-based activity acceptable, e.g. retailer/insurance company/entertainment/ transport company/hospitals/schools/banks.

Note: answer MUST be examples of a business type to be credited, so do not accept answers such as 'DHL' on its own.
**Do not** accept job titles, e.g. mechanic/teacher.

**(c) Identify and explain <u>two</u> possible reasons why worker's wages in primary sector businesses are falling. [4]**

**Knowledge [2x1].** Reasons could include:
- decline in sector leading to less demand
- over-supply of employees
- cannot afford to pay high wages
- work fewer hours
- mechanisation.

**Application/analysis [2x1]:** explain how or why this might lead to a fall in wages.

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**(d) Identify and explain <u>three</u> possible causes of the structural changes that have occurred in country W. [6]**

**Knowledge [3x1].** Causes could include:
- rise in education/need for retraining
- change in competitive advantage
- depletion of natural resources
- mechanisation/technology
- increasing imports
- economic growth/development
- increase in income/standard of living
- changes in population, e.g. age structure.

**Do not** accept points such as 'less importance of primary sector' and 'new tertiary sector businesses have started' as they are stated in stem.

**Analysis [3x1]:** explain how or why this has led to structural change in country W.

**(e) Do you think that the Government should subsidise primary sector businesses to stop them from closing? Justify your answer. [6]**

**Knowledge/identification of the issues [2].**
Points could include:
- inefficient production
- lack of natural resources
- cheaper resources available in other countries
- lack of worker interest in type of work
- level of wages
- number of jobs involved
- national importance/strategic business
- opportunity cost.

**Analysis of consequences [2]:** explain how or why the issue should affect the Government decision to subsidise businesses to stop them closing.

**Evaluation of outcomes [2]:** justified decision as to whether the Government should subsidise, depending on points raised.

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