Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer/Structured Response **October/November 2016**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks	Guidance
1(a)	**What is meant by 'globalisation'?** Clear understanding [2]: e.g. – the growth in worldwide trade [2] Freer movement of people and capital between countries [2] The process of countries becoming more interconnected [2] Some understanding [1] or identification of one of these features: trade around the world rise of multinationals movement of capital around the world	**2**	**Note:** Do not accept answers that clearly relate to a business / businesses
1(b)	**Identify <u>two</u> possible threats to C&C from globalisation.** Application [2 × 1] award one mark per way Points might include: • increased competition / increasing imports, • exchange rates, • skilled workers leave for jobs elsewhere • loss of individualised products • wages increased to match multinational wage rates • increasing investment from multinationals setting up in home market • unable to meet demand	**2**	**Note:** Do not accept selling abroad

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Question	Answer	Marks	Guidance
1(c)	**Identify and explain <u>two</u> suitable ways in which C&C might advertise the job vacancies.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Job centre [k] as local shoemakers would look here for jobs [app] • advertising in newspaper [k] as skilled it is labour [app] • specialist (trade magazines) [k] as looking for people to hand make shoes [app] • recruitment agency [k] so C&C can focus on meeting the extra demand [app] • jobs website / **own** website / social media [k] • internal newsletter [k] • Radio / television [k] • Word of mouth [k]	**4**	**Application:** skilled, high quality, demand, factory, shoes or associated words as leather, sewing, global, production, good reputation **Do not accept:** 'in the street', internal / external, Internet or posters on its own. Award relevant examples of either two external or one example of each
1(d)	**Identify and explain <u>two</u> benefits to C&C of having full-time employees.** Knowledge [2 × 1] – award 1 mark for each advantage identified Application [2 × 1] – award 1 mark if relevant reference made to C&C Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Easy to communicate / update [k] on new styles [app] as employees always there [an] • Motivated / More committed to the business [k] so likely to produce enough shoes [an] to help meet the growing demand [app] • Fewer workers needed [k] therefore less administration needed [an] • No need to train regularly [k] as these are skilled workers [app] so able to maintain quality / output [an] • internal pool of candidates for promotion [k] which can help keep recruitment costs low [an]	**6**	**Application:** skilled, high quality, demand, factory, shoes or associated words such as leather, sewing, global, 120 (workers) 100 000 (shoes), 20 production employees) **Note:** must link advantage to C&C to be rewarded. E.g. 'Feel more secure' alone is too vague as this is about the employee and not the business. **Do not accept:** fast / quicker production, higher output / quality, increased efficiency or work harder as K points. Candidate must explain 'why' these occur.

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1(e)	**Do you think C&C should introduce new technology into the production process? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed [max 1] Application [1] – award 1 mark if relevant reference made to C&C's business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether C&C should introduce technology into the production process Relevant points might include: • Increased production [k] as need to produce 100 000 each year [app] so able to work all the time [an] • Consistent quality [k] as machinery likely to make fewer errors [an] which can help retain / enhance reputation [app] • Risk to reputation [k] as known for its hand-made shoes [app] so fewer people may demand its products [an] • Impact on employee motivation [k] as work could become less interesting [an] so quality of shoes falls [app] • Risk of job insecurity [k] as it replaces some / all the skilled workers [app] which could lower efficiency [an] • Cost of investment / retraining [k]	**6**	**Application:** 20 production employees, 120 staff, 100 000 pairs of shoes, exports 10% of output, skilled, high quality, demand, factory, shoes or associated words such as leather, sewing. **Note:** points can relate to employees or the business **Accept**: 'Faster / quicker / saves time**,'** as correct knowledge, given that current production is hand-made. For evaluation either viewpoint is acceptable.

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Question	Answer	Marks	Guidance
2(a)	**What is meant by 'Return on capital employed'?** Clear understanding [2]: ROCE means the profit of the business expressed as % of capital invested in the business or correct formula. (Profit / Capital employed × 100) Some understanding [1] – e.g. profit from capital invested or money made on investment	**2**	**Note:** Must show the awareness of the relationship between profit and capital employed for 2 marks
2(b)	**What is meant by a 'recession'?** Clear understanding [2] – a sustained (over a period of time) reduction in GDP / national income / output Some understanding [1] – 'fall in output' or 'fall in GDP'	**2**	**Note:** Do not accept features, such as 'high unemployment'
2(c)	**Identify and explain <u>two</u> ways in which the size of the business may benefit Dowson.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each relevant explanation in context of Dowson Relevant points might include: • Able to attract better employees [k] so have the expertise to survive the recession [app] • Access to finance [k] as seen as lower risk of failing [app] • Discounts for bulk buying [k] so able to charge lower prices for electrical goods [app] • Marketing economies or bigger marketing budget [k] as able to justify national advertising [app] • Spread risk [k] as can afford to stock a wide range of products [app] • Able to dominate the market / large market share [k] so difficult for small retailers to compete [app]	**4**	**Application:** recession, overdraft $6 m, large / big, electrical goods, shops, larger range of goods. Use of figures from table 1. **Accept:** Economies of scale [K] if no specific examples given.

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Question	Answer	Marks	Guidance
2(d)	**Identify and explain <u>two</u> problems for Dowson of having a high level of debt.** Knowledge [2 × 1] – award 1 mark for each advantage identified Application [2 × 1] – award 1 mark if relevant reference made to Dowson Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • High financial risk [k] so banks / suppliers might be reluctant to lend to them [an] so not able to stock a wide range of electrical products [app] • Higher expenses [k] which will reduce level of profit [an] • Problems if interest rates rise [k] as might not be able to meet repayments [an] increasing risk Dowson also fails [app] • Difficult to raise additional finance [k] if lenders fear Dowson not able to repay further loans [an] • Cash flow implications / liquidity [k] as acid test ratio is only 0.5: [app] could lead to insolvency [an]	6	**Application:** recession, overdraft $6m, large / big, electrical goods, shops, liquidity, use of numbers from table 1. **Note:** Do not accept bankruptcy / closure of business as knowledge

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Question	Answer	Marks	Guidance
2(e)	**Do you think the Finance Director is right to be pleased with the liquidity of the business? Justify your answer using the ratio results in Table 1.** Knowledge [1] – award 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to Dowson's business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether the Finance Director is right to be pleased about liquidity Relevant points might include: • Current ratio increased [k] by 0.3 [app][an] so more liquid [an] • Acid test lower [k] from 0.8 to 0.5 [app] so not able to pay short-term debts [an] possibly due to high value of its inventory [an] • Expenses are high [k] as have a high level of debts, which includes $6 m overdraft [app] • Risk that demand might fall [k] due to recession [app] therefore he would be left with excess stock [an] • High level of inventory [k] 66% of current assets [app] [an] • High level of trade receivables [k] danger that customers might not pay [an] due to recession [app] so business will lack the cash it needs [an] • Current ratio shows the business is able to pay its short-term debts [k]	6	**Application:** marks may be awarded for appropriate use of the following: current ratio 1.2:1, 1.5:1, or change by 0.3, acid test ratio 0.8:1, 0.5:1, Acid test fallen by 37.5%, Current ratio increased by 25%, stockholding has risen, recession, overdraft $6m, large / big, electrical goods

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Question	Answer	Marks	Guidance
3(a)	**Identify <u>two</u> reasons why a government might support business start-ups.** Knowledge [2 × 1] award one mark per reason Points might include: reduce unemployment, increase competition, increase output, benefit society, small businesses can grow	**2**	**Note:** Do not allow 'improving the economy' or 'to receive tax' or 'increasing the economy'.
3(b)	**Identify <u>two</u> parts (other than marketing) of a business plan.** Knowledge [2 × 1] award one mark per part Points might include: cash flow forecast, location, human resources plan, production details, business aims	**2**	**Note:** Accept any piece of information that would be included in a business plan that is NOT marketing.
3(c)	**Identify and explain <u>two</u> possible pricing methods that Amelia might use.** Knowledge [2] – award 1 mark for each role identified Application [2] – award 1 mark for each relevant reference to this business Relevant points might include: • penetration pricing [k] as need to get people to try her sweets [app] • price skimming [k] as it's a niche market [app] • cost plus pricing [k] as likely to have large set up costs [app] • promotional pricing [k] • competitive pricing [k] • psychological pricing [k]	**4**	**Application:** sweets / candy, new business, business plan, money spent on packaging, secondary data, people like sweets, niche market, adult.

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Question	Answer	Marks	Guidance
3(d)	**Identify and explain <u>two</u> reasons why packaging is important for YOGO's products.** Knowledge [2 × 1] – award 1 mark for each relevant role Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • List ingredients [k] as it's a food product [app] must state what it contains to avoid legal action [an] • Promotion / to attract customers [k] to buy[an] from the new business [app] • Inform [k] customers about its flavours [app] so people know what is in its products [an] • Protection / keep item fresh [k] so the sweets are not damaged [app] otherwise products might be wasted [an] • Boost brand image / impression of high quality [k] as it is a niche market [app] which can help increase sales / revenue [an] • Easier to store / transport [k]	**6**	**Application:** Sweets / candy, new business, business plan, secondary data, people like sweets, niche market, adult, food product**.** taste

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Question	Answer	Marks	Guidance
3(e)	**Do you think Amelia's business would benefit from primary market research? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant point(s) Application [1] – award 1 mark if relevant reference made to Amelia's business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether Amelia would have benefited from carrying out primary market research Relevant points might include: • It is expensive [k] spends a lot on packaging [app] therefore may not be able to afford it [an] • It is time consuming [k] she has already done secondary research [app] so how much more can she find out [an] • Collect precise information[k] on sweets [app] so that she can produce the most appropriate products[an] • Secondary data may be outdated [k] [app]Needs might have changed [an] • Help better target promotion / in pricing decisions [k] especially as new business [app]	6	**Application:** sweets / candy, new business, business plan, secondary data, people like sweets, niche market, adult, food product, money spent on packaging **Note:** Do not reward identification of methods of primary research alone as the question is asking for the benefits For evaluation either viewpoint is acceptable

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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> functions of management.** Knowledge [2 × 1] award one mark per function Points might include: planning, organising, co-ordinate, command, control, motivate / supervise, decision making, problem solving, recruit	**2**	
4(b)	**Calculate DCP's average cost per litre.** Good application [2] 30 c or 0.3 (per litre) Some application [1] e.g. total cost divided by output OR 450 000 / 1 500 000	**2**	
4(c)	**Identify and explain <u>two</u> ways in which DCP might communicate with its customers.** Knowledge [2 × 1] – award 1 mark for each relevant reason Application [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Email / website / social networks [k] as customers are in different countries [app] • Meetings [k] as only have 6 customers [app] • Phone / text [k] as able to quickly check information about paint orders [app] • Letter [k] • faxes [k]	**4**	**Application:** paint or use of associated words such as walls, litres, colour, 6 large, business customers, competitive market, high quality, different countries, operations manager Methods identified must be appropriate for a large business customer **Do not accept:** internal communication e.g. memos, noticeboard, categories such as written or verbal on their own, primary methods of research

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Question	Answer	Marks	Guidance
4(d)	**Identify and explain <u>two</u> possible reasons why quality is important to DCP.** Knowledge [2 × 1] – award 1 mark for each reason Application [2 × 1] – award 1 mark if relevant reference made to DCP Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Good reputation / brand image [k] so customers trust the paint [app] which could help increase sales [an] • Attract new customers [k] as products might be better than rivals [app] • Meet legal controls [k] as contains chemicals [app] must be safe to avoid being prosecuted / sued [an] • More competitive [k] as paint is very similar [app] this could give them a competitive advantage over its rivals [an] • Create brand / customer loyalty [k] so business [app] customers keep returning [an] • Can charge a higher price [k] than 35 c per litre [app] to increase revenue [an] • sales might fall [k] if quality is lowered [an] because it is a competitive market [app]	6	**Application**: paint, litres, colour, 6 business customers, competitive market, high quality, industrial, different countries, use of numbers **Candidates may consider why reducing quality is a problem**

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Question	Answer	Marks	Guidance
4(e)	**Do you think charging a higher price is the best way for DCP to increase profit? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to DCP's business Analysis [2] – award up to 2 marks for relevant development of point Evaluation [2] – justified decision made as to whether charging a higher price is the best way to increase profits Relevant points might include: • Revenue could increase[k] and if quantity and costs of the paint [app] remain the same profit could increase [an] • Demand may fall [k] as customers might choose rival products [an] in this competitive market [app] • if demand is price inelastic [k] higher price will see a lower fall in demand [an] therefore revenue will rise [an] • business may be able to lower costs [k] therefore increasing profit with current prices [an] • It would reinforce the image [k] of high quality [app] customers might be happy to pay it [an] • depends on actions of competitors [k]	**6**	**Application:** paint or use of associated words such as walls, litres, colour, cheaper materials, 6 business customers, competitive market, high quality, industrial, different countries, use of numbers **Note:** The answer should focus on price or cost changes **Note:** Do not award candidates who only discuss alternative ways to increase profit, for example, advertising. For evaluation either viewpoint is acceptable

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