Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer/Structured Response **October/November 2017**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks	Guidance
1(a)	**Identify two characteristics of a successful entrepreneur.** Knowledge [2 × 1] – award 1 mark for each relevant characteristic Points could include: risk taker, innovator, creative, self-confident, optimistic, hardworking, independent, effective communicator, leadership, initiative, self-motivating/determined, results driven, good at networking, multi-skilled	**2**	Award any reasonable answer.
1(b)	**Identify two possible reasons why Ella plans to produce the lights in another country.** Application: [2 × 1] award 1 mark for each relevant reason Points might include: • lower costs • no local factory or capacity to make it • access to materials • Fewer restrictions	**2**	
1(c)	**Identify and explain two reasons why obtaining finance might be difficult for Ella's business.** Knowledge [2 × 1] – award 1 mark for each relevant reason Application [2 × 1] – award 1 mark for each explanation in context Possible points might include: • No business experience [k] of making lights [app] • Seen as higher risk OR don't trust her OR can't repay [k] as just left college [app] • Can offer no security [k] • May not have a business plan OR documentation to support request for finance [k] • Unproven product [k]	**4**	Application marks may be awarded for appropriate use of the following: just left college, bicycle light, new business or product or entrepreneur, produce in another country, correct use of numbers e.g. $8, $500, $750 and $300.

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Question	Answer	Marks	Guidance
1(d)	**Identify and explain one advantage and one disadvantage to Ella of using price skimming.** Knowledge [2 × 1] award one mark for one advantage and one disadvantage Application [2 × 1] award one mark for each relevant reference to this business Analysis [2 × 1] award one mark for each relevant explanation Points might include: Advantages: • Recover costs quicker [k] as need to sell fewer than 300 [app] to pay for development [an] • Gives the image of a quality product [k] which can attract wealthy customers [an] to try out the new light [app] • Higher revenue **per item**[k] • Break even at a lower output [k] Disadvantages: • Put off some potential customers [k] leading to lower sales [an] • Only work in short term [k] as competitors could produce cheaper alternatives [an]	**6**	Application marks may be awarded for appropriate use of the following: just left college, light, new business, new product, new entrepreneur, produce in another country, raising finance difficult, correct use of numbers, safety features Note: be wary of 'higher sales'/ 'higher revenue' as a K point. It must be per unit
1(e)	**Recommend which promotion option Ella should choose. Justify your answer using the information in Table 1.** Knowledge [1] – award 1 mark for identification of relevant points (s) Application [1] – award 1 mark for relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to which method of promotion Ella should use Points might include: • Option 2 is cheaper [k] as is $200 less than option 1[app] + [an] • Ella can't afford much advertising [k] as a new business [app] she can't afford a website [an] • Specialist magazine reaches the target market [k] for bicycle lights [app] therefore likely to sell more [an] • Website may not be required [k] already has an order for 300[app]	**6**	Application marks may be awarded for appropriate use of the following: just left college, light, new business, produce overseas, raising finance difficult, price skimming, correct use of numbers, magazine, website Either option is acceptable if justified. **Note: $250 is incorrect** as this is an incorrect calculation of the difference between the cost of a website with and without online ordering

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Question	Answer	Marks	Guidance
2(a)	**What is meant by 'productivity'?** Clear understanding [2] e.g. a measure of the output of a business in relation to its inputs [2] OR effective utilisation of resources in a time period [2] Equation: output divided by Input [2] Some understanding [1] e.g. output per worker OR measure of efficiency OR rate at which they produce goods	**2**	
2(b)	**Identify two reasons why a business might need working capital.** Knowledge [2 × 1] award one mark per reason • Paying invoices/bills • Day to day expenses • Buying raw materials • Paying wages • Paying salaries • Paying rent • Re-payment of short term debts • Paying utilities • Use in an emergency • Evidence to support requests for finance	**2**	
2(c)	**Calculate the following values shown on the cash flow forecast.** Application [4] award one mark per correct answer **W**: 5 or 5000 **X:** 75 or 75 000 **Y:** 5 or 5000 **Z:** (10) or (10 000) Note: **Z** must be shown as a negative number to be credited.	**4**	Note: answers can be written on the cash flow forecast or in the space provided **Do not** use OFR as no wage calculation is required.

Question	Answer	Marks	Guidance
2(d)	**Identify and explain one advantage and one disadvantage to NMBJ of having a low level of inventory.** Knowledge [2 × 1] – award 1 mark for one advantage and one disadvantage identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Possible points might include: Advantages: • Lower inventory holding costs [k] help reduce variable costs [an] • Lower security OR rent costs OR insurance [k] as less space needed [an] for ingredients [app] • More flexible [k] as adapt to each different batch [app] to keep customers returning [an] • Help cash flow [k] • Less risk of waste OR damage OR obsolescence [k] which could lower productivity [app] Disadvantages: • Possible delays in production [k] as batches delayed [app] leading to lower output [an] • Few OR no purchasing economies of scale [k] which could help reduce cash outflows [app] • Not able to meet orders [k] for cookies [app] so could damage reputation [an]	**6**	Application marks may be awarded for appropriate use of the following: cookies/biscuits, related words such as ingredients or examples, productivity, use of numbers, batch production, $1.5 million. Note: Points can refer to raw materials or finished goods.

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Question	Answer	Marks	Guidance
2(e)	**Do you think paying higher wages is the best way for NMBJ to improve employee motivation? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant points(s) Application [1] – award 1 mark for relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] award up to 2 marks for justified decision as to whether paying higher wages is the best way for NMBJ to improve employee motivation Points might include • Only a short term incentive [k] have to pay, whatever the output [an] • Money is the main motivator [k] • Other ways to motivate e.g. job rotation, enrichment, fringe benefits [k] • Help retain workers [k] so not as many people leave [app] leading to lower recruitment costs [an] • This will increase costs for the business [k] by $15 000 per month [app] so output per worker would need to rise [an]	**6**	Application marks may be awarded for appropriate use of the following: correct use of numbers, batch production, cookies or related words such as ingredients; workers leave, profits increased, 1.5 million, increased productivity Candidates could calculate value of wages per worker (to show increase i.e. $200 to $250) App and AN Note: The focus needs to be on the business for analysis to be awarded. e.g. 'Job rotation is a better motivator[k] so workers are not bored' is only awarded as knowledge

Question	Answer	Marks	Guidance
3(a)	**What is meant by 'economies of scale'?** Clear understanding: [2] factors that lead to lower average costs as a business increases in size. Some understanding:[1] benefit of increasing in size	**2**	Do not award answers such as 'benefit of being big' as this does not explain the term

Question	Answer	Marks	Guidance
3(b)	**What is meant by 'autocratic leadership style'?** Clear understanding: [2] managers expect to be in charge of business and expect their orders to be followed OR managers make decisions without consulting workers [2] Some understanding: [1] workers have no say in decisions OR decisions made by managers [1]	**2**	
3(c)	**Identify and explain one advantage and one disadvantage of GDC's organisational structure.** Knowledge [2 × 1] award 1 mark for one advantage and one disadvantage identified Application [2 × 1] award 1 mark for each explanation in context Advantages • Employees have a clearly defined role [k] so know where they fit into delivery process [app] • Clear chain of command OR know their manager [k] so know who to ask for help if problem with a parcel [app] • Employees have a clear career structure [k] so can see how to progress from driver [app] • Specialists can be employed [k] Disadvantages • Slow communication [k] due to many number of levels [app] • Heavy workload for managers [k] so do they have time to focus on expansion [app] • Communication between departments can be difficult [k] which could damage its good reputation [app] • Can create rivalry between departments [k] • Workers can feel isolated [k]	**4**	Application marks may be awarded for appropriate use of the following: competitive market, expand to other countries, correct use of numbers, business customers, good reputation, delivery, parcels, many levels of hierarchy, long chain of command, 5000 employees, autocratic.

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Question	Answer	Marks	Guidance
3(d)	**Identify and explain two reasons why a good reputation might be important to GDC.** Knowledge [2 × 1] award one mark for each reason Application [2 × 1] award one mark for each relevant reference to this business Analysis [2 × 1] award one mark for each relevant explanation Points might include: • Build trust OR loyalty [k] so customers want to use their delivery services [app] and keep purchasing from them [an] • Attract new customers [k] and therefore sales will increase [an] • Easier to raise finance [k] which could help growth plans [app] • Way to attract OR retain employees [k] so able to offer a good service [an] • Can charge higher prices [k] for each delivery [app] helping it increase revenue per unit [an] • Create brand awareness [k] so customers do not buy from competitors [an] in this competitive market [app] • Word of mouth promotion [k]	**6**	Application marks may be awarded for appropriate use of the following: competitive market, expand to other countries, use of numbers, business customers, delivery, parcels, many levels of hierarchy, long chain of command
3(e)	**Recommend the most suitable way for GDC to expand its business to another country. Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant points(s) Application [1] – award 1 mark for relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] award up to two marks for justified decision regards to the most suitable way for GDC to expand. Relevant points might include: • Joint venture [k] with a local delivery business [app] you share the risks of expansion [an] • Merger/takeover [k] they will benefit from local expertise [an] • Franchise [k] they will receive a license fee [an] • Set up own operations [k] they will keep control [an] however this is an expensive way [an]	**6**	Application marks may be awarded for appropriate use of the following: competitive market, correct use of numbers, business customers, good reputation, delivery, parcels, many levels of hierarchy, long chain of command, delivery vehicles, economies of scale, logistics Note: Do not award marketing methods e.g. e-commerce or hiring an agent.

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Question	Answer	Marks	Guidance
4(a)	**What is meant by a 'stakeholder group'?** Clear understanding [2]: any person or people with a direct interest in the performance and activities of a business Some understanding [1]: someone affected by what a business does	**2**	Do not award examples.
4(b)	**Identify two ways (other than legal controls) that a government might use to influence business decisions.** Knowledge [2 × 1] award one mark per way Points might include: • cheaper rents • loans OR grants OR subsidies • training • interest rates • taxation • build infrastructure	**2**	

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Question	Answer	Marks	Guidance
4(c)	**Identify and explain one advantage and one disadvantage of CHONS being a public limited company.** Knowledge [2 × 1] award one mark for each advantage and disadvantage Application [2 × 1] award one mark for each relevant reference to this business Advantages: • Able to sell shares on stock market [k] so no limit to potential number of shareholders [app] • Access to more sources of finance [k] so do not have to ask for support from Government [app] • Limited liability [k] • Separate legal identity [k] of mining business and owners [app] • Better status OR seen as lower risk [k] so suppliers more willing to offer credit [app] Disadvantages: • Have to disclose accounts [k] so less able to keep expansion plans secret [app] • Many legal requirements/regulations [k] • Selling shares expensive [k] • Risk of loss of control [k] for the original shareholders [app]	**4**	Application marks may be awarded for appropriate use of the following: coal or mining related words, correct use of data from table, no government support, export, shareholders, suppliers, expansion plans.

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Question	Answer	Marks	Guidance
4(d)	**Identify and explain two ways in which legal controls might affect CHONS.** Knowledge [2 × 1] award one mark for each way identified Application [2 × 1] award one mark for each relevant reference to this business Analysis [2 × 1] award one mark for each relevant explanation Points might include: • Need to provide safety equipment [k] such as helmets for miners [app] increasing costs [an] • Limit working hours [k] so cannot obtain 50 m tonnes [app] • Minimum wages [k] so cannot afford to create 10 000 jobs [app] • Pollution restrictions/permits [k] as coal burning could damage environment [app] so stakeholders become unhappy [an] • Where business is located [k] as need Government to allow mine to be built [app] without it they cannot start operations [an] • Restrictions on what OR how much can be produced [k] • Increase costs [k] • Banning/restricting exports [k] CHONS would not be able to operate because they are planning to export [an] coal [app] • Banning/restricting imports [k]	**6**	Application marks may be awarded for appropriate use of the following: coal or mining related words, no government support, correct use of data from table, export, government permission to open mine, environment, shareholders, creating jobs, 10 000

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Question	Answer	Marks	Guidance
4(e)	**Do you think the Government should allow CHONS to open the coal mine? Justify your answer using the information in Table 3.** Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] award up to 2 marks for justified decision as to whether the Government should allow CHONS to open the coal mine Points might include: • Jobs created [k] for 10 000 people [app] so more money to spend in community [an] • Use up local coal [k] as plan to export it all [app] • Impact on environment [k] • Traffic problems created [k] which could discourage people OR other businesses setting up in area [an] • Other businesses will benefit [k] e.g. Suppliers [app]	**6**	Application marks may be awarded for appropriate use of the following: no government support, correct use of data from table, export, high unemployment, protect the environment, PLC, suppliers, shareholders, traffic Either viewpoint is acceptable Do not award reference to coal mine as application as stated in question.

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