Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 Case Study **October/November 2017**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks
1(a)	**Identify <u>two</u> ways the size of AH can be measured. Explain the limitations of each of these measures.** Knowledge [2 × 1] – award one mark for each way Analysis [2 × 1] – award one mark for a relevant explanation for each way Application [2 × 2] – award two application marks for each way Award one mark for each way (maximum of two), such as: • Capital employed • Number of employees • Sales revenue/revenue/income • Output/quantity of services/number of customers Do not accept profit Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the way Indicative response: The number of employees (K) as the more employees a business has the larger the business. However, some businesses may use a lot of technology and therefore have fewer employees. (an) AH is a small business because it only has18 employees (ap) and it is also a service sector business as it looks after animals for their owners and therefore they do not use much technology. (ap) Possible application marks: Animals; dogs; cats; pets; pet owners; washing and brushing animals; $10 000 from grandfather; $10 000 from bank loan; 12 adults and 6 children workers; information from Appendix 3 on the costs and revenue of AH. There may be other examples in context that have not been included here.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider <u>three</u> methods of market research Elsie could use to find out the number and types of customers for the proposed locations. Recommend the best method for Elsie to use. Justify your answer.

Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Questionnaires (L1)</td><td>Quantitative data – estimate size of market</td><td>Expensive to collect
May not have expertise to collect accurate information</td></tr>
<tr><td>Interviews (L1)</td><td>Qualitative information– specific information on customer needs</td><td>Interviewer bias possible
Expensive to collect</td></tr>
<tr><td>Focus groups (L1)</td><td>Qualitative information</td><td>Answers may be influenced by other group members.
Time taken to set up</td></tr>
<tr><td>Business reports/government statistics (L1)</td><td>Cheap to collect
Wide range of data available
May not be able to collect this information themselves</td><td>May be out of date
Gathered for another purpose
May not be valid/accurate</td></tr>
</table>
Note: Also reward – Survey; Observation; Newspapers; Internet/online data; Government statistics.

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.
<table>
<tr><th></th><th>Knowledge/Analysis/Evaluation</th></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation of which method to choose for the proposed location and why not the alternative methods.

7–8 marks for limited recommendation of which method to choose.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Discussion of the method used to find out the number and types of customers and/or
Detailed discussion of advantages and/or disadvantages of each method.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Name of a suitable method of research stated or outlined
Advantage and/or disadvantage of the method of research stated</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
1(b)	Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Government statistics are cheap to collect. Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Government statistics are cheap to collect and can be obtained quickly. However, the information may have been gathered for another purpose and may be of little use when trying to predict the pet owner requirements at the different locations. Level 2 – 4 marks plus one application mark for referring to the pet owners at the new locations) Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of which method to choose. **Award up to 2 additional marks for relevant application.** Possible application marks: Animals; dogs; cats; pets; pet owners; washing and brushing animals; New City; expand and move to larger site; information on the three sites; information from Appendix 1 on the AH advert; complaint on the social media message; information from Appendix 3 on the costs and revenue of AH. There may be other examples in context that have not been included here.	

Question	Answer	Marks
2(a)(i)	**Calculate the profit per day for AH using the information in Appendix 3.** Revenue per day = (25 × $5) + (25 × $10) (1) = $375 (1) (Award 1 mark for method of calculating revenue but incorrect answer) $375 – $325 (1) (Award 1 mark for method of calculating profit but incorrect answer) Profit per day = $50 (1) **If $50 with no working shown then award 4 marks.**	**4**

Question	Answer	Marks
2(a)(ii)	**Identify and explain <u>one</u> way AH could use to increase profit from the existing site.** Knowledge – 1 mark for correctly identifying one way profit can be increased. Possible ways: • Increase revenue (1) e.g. by increasing prices/advertising more/introducing a new service (1) • Reduce costs/expenses (1) e.g. by finding cheaper suppliers/improving efficiency (1) Analysis award up to 3 marks **– 2 of which must be applied to this context –** for a relevant explanation of **one** way AH could increase profit. Indicative response: Elsie could increase her revenue (1) by promoting her existing services to attract more customers.(1) This will lead to more pet owners using her services and paying for their animals to be washed and groomed. (1) If costs increase by less than the increase in revenue then profit will increase. (1) Possible application marks: Animals; dogs; cats; pets; pet owners; washing and brushing animals; qualified animal nurse; set up 2 years ago; $10 000 from grandfather; $10 000 from bank loan; 12 adults and 6 children workers; paid legal minimum wage; shampoo and brushes purchased from wholesaler; expand and move to larger site; needs to recruit a new manager; information on the three sites; information from Appendix 1 on the AH advert; complaint on the social media message; information from Appendix 3 on the costs and revenue of AH. There may be other examples in context that have not been included here	**4**
2(b)	**Consider why a cash flow forecast, an income statement and a balance sheet are important to AH. Which one of these do you think is most important to Elsie's decision about how to finance the new site? Justify your answer.** Relevant points might include: Cash flow forecast – predicts cash in-flows and outflows – to avoid liquidity problem – is there sufficient working capital for the larger premises? Income statement – records revenue and costs or shows profit and loss – profit available to reinvest into the new premises – indicator of success of the business – will there be sufficient revenue from larger premises to make profit? Balance sheet – records assets and liabilities – liquidity ratios – stability of the business – amount of liabilities – value of the existing business – assets to sell if necessary	**12**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation as to which is most important to the decision about how to finance the new site.

7–8 marks for some limited judgement shown in recommendation as to which is most important in its general usefulness to the business.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Discussion of each financial statement, how it can be used and why it is important.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of what each financial statement shows.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks)
e.g. A balance sheet shows the value of the business.

Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks)
e.g. A balance sheet shows the value of the business. If Elsie wants to take out a bank loan then she will need to take the balance sheet to show the bank manager the value of the assets of the business that can be used as security for the loan. (4 marks for level 2)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which is most important to the decision.

Award up to 2 additional marks for relevant application.

Possible application marks: Animals; dogs; cats; pets; pet owners; washing and brushing animals; set up 2 years ago; $10 000 from grandfather; $10 000 from bank loan; 12 adults and 6 children workers; paid legal minimum wage; shampoo and brushes purchased from wholesaler; expand and move to larger site; needs to recruit a new manager; information on the three sites; information from Appendix 1 on the AH advert; information from Appendix 3 on the costs and revenue of AH.

There may be other examples in context that have not been included here.</td><td></td></tr>
</table>

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Question	Answer	Marks
3(a)	**Identify and explain <u>two</u> possible ethical issues that AH should consider.** Knowledge [2 × 1] – award one mark for each ethical issue ('Doing the right thing') Analysis [2 × 1] – award one mark for a relevant explanation for each ethical issue Application [2 × 2] – award two application marks for each ethical issue Award one mark for each ethical issue (maximum of two), such as: • Types of animals looked after – all legal? • Welfare of animals/danger to animals • Working conditions • Child labour employed • Fair pay/paying minimum wage • Disposal of waste in a responsible manner Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the ethical issue Indicative response: AH employs children (K) and then pays them below the legal minimum wage. (ap) This keeps costs low but will give AH a bad reputation leading to a lower number of customers. (an) This will make it more difficult for Elsie to expand the business to a larger site as there may be insufficient number of customers to make this worthwhile. (ap) Possible application marks: Animals; dogs; cats; pets; pet owners; washing and brushing animals; 12 adults and 6 children workers; paid legal minimum wage; complaint on the social media message; cage; rare animal There may be other examples in context that have not been included here.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Consider the advantages and disadvantages of the three sites Elsie is considering. Recommend which site is the best one for AH to choose. Justify your answer.

Relevant points might include:

<table>
<tr><td></td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Site X</td><td>Lowest cost
Plenty of room for large kennels – owners will like this
Room to expand in the future so will not need to relocate again soon</td><td>Small farm buildings = not big enough
Needs converting and a long way from customers – would they travel that far?
Additional costs of $10 000 to repair.
Serving fewer customers than they have already = 25 per day</td></tr>
<tr><td>Site Y</td><td>Larger area – more demand
Buildings in good repair so less required to convert them
Serve twice as many customers as Site X and more customers than existing site</td><td>Additional costs of $5 000 to convert the building.
A lot fewer customers served than Site Z</td></tr>
<tr><td>Site Z</td><td>Existing customers – large demand – serve the most customers
Near to many potential customers as in centre of city – convenient for customers</td><td>High cost – most expensive of the three sites
Busy area – hard to park
Limited space – small cages – not able to expand in the future – may need to move again in the future
Cramped space may lead to bad reputation – lower quality services</td></tr>
</table>

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation as to best site to choose and why not the other sites.
7–8 marks for some limited judgement shown in recommendation as to best site to choose.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed advantages and/or disadvantages of each site or explanation of the impact of the site on the business</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline advantages and/or disadvantages of each site or simple comparative statement</td></tr>
</table>

</td><td>**12**</td></tr>
</table>

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Question	Answer	Marks
3(b)	Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Site X is the cheapest of the three sites. Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Site X is the cheapest of the three sites and this will reduce the amount of finance required to purchase the site. However, it is a long way from customers who are in the city centre and this may mean she has to reduce prices. (L2 = 4 marks plus one application mark for using the information in case) Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies the best site to choose. **Award up to 2 additional marks for relevant application.** Possible application marks: Animals; dogs; cats; pets; pet owners; ;washing and brushing animals; set up 2 years ago; $10 000 from grandfather; $10 000 from bank loan; 12 adults and 6 children workers; shampoo and brushes purchased from wholesaler; needs to recruit a new manager; information on the three sites; information from Appendix 1 on the AH advert; information from Appendix 3 on the costs and revenue of AH.	

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Question	Answer	Marks
4(a)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage of using social media networks for the promotion of AH.** Knowledge [2 × 1] – award one mark for each advantage/disadvantage. Analysis [2 × 1] – award one mark for a relevant explanation for each advantage/disadvantage. Application [2 × 2] – award two application marks for each advantage/disadvantage. Award one mark for each advantage/disadvantage (maximum of two), such as: Advantages • Cheap to advertise the business • Will be seen by many people • Covers a wide area • Easy to update • Target specific customers • Cheap way to gain customer feedback Disadvantages • One unhappy customer can give the business a bad reputation quickly • Message lost amongst many messages on social media • Quickly forgotten and no hard copy to remind customers of the services provided • Not all customers have access to internet/social media Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the advantage/disadvantage. Indicative response: Using social media is very cheap (k) and will quickly get the message to a lot of people about the services provided by AH. (an) Many of these people may own animals and need help looking after them. (ap) The message will raise awareness of AH and make potential customers think about contacting them to have their animals washed and groomed therefore increasing sales. (ap) Possible application marks: Animals; dogs; cats; pets; rare animals; small cage; washing and brushing animals; animals cared for overnight; pet owners; business set up 2 years ago; shampoo and brushes; expand and move to larger site; complaint on the social media message There may be other examples in context that have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Consider the <u>advantages</u> of internal and external recruitment for the new manager. Recommend which method of recruitment is best for AH to use. Justify your answer.

Relevant points might include:
<table>
<tr><td></td><td>Advantages</td></tr>
<tr><td>Internal recruitment</td><td>Lower recruitment costs
Motivating for employees – increased chance of promotion – work hard
Already know the business and processes – no induction training
Suitability of applicants already known by the business</td></tr>
<tr><td>External recruitment</td><td>New ideas
New skills/experience
Less training needed</td></tr>
</table>
Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.
<table>
<tr><td></td><td>Knowledge/Analysis/Evaluation</td></tr>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified recommendation as to whether to use internal or external recruitment and why not the alternative.

7–8 marks for some limited recommendation as to whether to use internal or external recruitment.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the advantages of internal and/or external recruitment.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the advantages of internal and/or external recruitment.</td></tr>
</table>
Level 1 – 1 mark for each L1 statement (max of 3 marks)
e.g. Internal recruitment is cheaper than external.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks)
e.g. Internal recruitment is cheaper than external as it is carried out by existing employees. They are used to the ways of working at AH and can tell the new manager how things are done with the animals. The existing employees can show the manager how the grooming and brushing is carried out so that customers do not see anything new and are happy with the way their animals are looked after. (4 marks for L2 explanation plus one application mark for referring to the grooming and brushing of animals)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation whether to use internal or external recruitment..
</td><td>12</td></tr>
</table>

Question	Answer	Marks
4(b)	**Award up to 2 additional marks for relevant application.** Possible application marks: Animals; unskilled workers; dogs; cats; pets; washing and brushing animals; qualified animal nurse;12 adults and 6 children workers; information from Appendix 1 on the AH advert; complaint on the social media message; There may be other examples in context that have not been included here	