Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer/Structured Response **October/November 2018**

MARK SCHEME

Maximum Mark: 80

Published

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	Answer	Marks	Notes
1(a)	**What is meant by 'niche market'?** Clear understanding [2] – e.g. highly specialised [1] sub part of a large market [1] Some understanding [1] – e.g. small part of a market OR specialist market OR part of the market with specific needs and characteristics	**2**	For 2 marks must have both elements
1(b)	**Identify <u>two</u> advantages to SOLS (other than lower prices) of using a website to sell its products.** Application [2 × 1] award 1 mark per point Relevant points might include: • Wider target market / more people to sell to / accessible worldwide • Lower fixed cost • 24 hour access • Reinforce image • Provide information • Way to obtain / ask for feedback	**2**	The advantage must relate specifically to the business (SOLS) not to the customer.
1(c)	**Explain, with reference to SOLS, the difference between quality assurance and quality control.** Knowledge [2 × 1] – award 1 mark for each relevant method [max 2] Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Quality assurance involves checking throughout the process [k] such as making sure leather used is suitable [app] • Quality control happens at end [k] after shoes have been made [app] • Quality assurance means everyone is involved in checking [k] such as each worker producing different styles [app] • Quality assurance is process orientated [k] whereas quality control is product orientated [k]	**4**	Application marks may be awarded for appropriate use of the following: • shoes or related words such as leather OR pairs OR luxury • 5 styles • sold directly to customers OR website OR no shops • $100 less (per pair) • niche market • job production • batch production • men

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Question	Answer	Marks	Notes
1(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to SOLS of using cost plus pricing..** Knowledge [2 × 1] – award 1 mark for each relevant advantage / disadvantage Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: **Advantage:** • Know that the costs will be covered [k] and they can make a profit per item [an] even though they can sell items for less than competitors [app] • Simple / easy to calculate [k] so saves time when setting prices [an] for shoes [app] • Know their profit margin / profit per item [k] • Different mark ups could be added [k] for the 5 styles [app] **Disadvantage:** • Does not consider what competitors do [k] so price set might be uncompetitive [an] for each style [app] • Does not take account of changes in demand OR spending patterns [k] so could lead to fewer sales being made [an] • Little incentive to control costs [k] • Prices could be higher than competitors [k]	**6**	Application marks may be awarded for appropriate use of the following: • shoes or related words such as pairs OR leather OR luxury • 5 styles • sold directly to customers OR website OR no shops • $100 less (per pair) • quality assurance • job production • batch production • niche market • competitors / competitive market Profit can only be credited if it is clear that this is **profit per item / margin**. Do not reward alone as [k] prices are too high, as this is not specific to cost-plus pricing.

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Question	Answer	Marks	Notes
1(e)	**Do you think SOLS should change its method of production? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for a 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 whether SOLS should change its method of production Relevant points might include: **Job production:** • Meet exact customer demands / unique / higher quality [k] so able to charge higher price [an] in a niche market [app] • More varied work leads to higher motivation [k] leading to few workers leaving / less absenteeism [an] • Change could damage reputation [k] for its luxury product [app] which could lower its sales [an] **Batch production:** • Flexible or easy to switch production [k] between the 5 styles [app] so able to react quickly to changes in customer demand [an] • Some economies of scale [k] leading to lower average costs [an] • Can be demotivating for employees (as work likely to be more repetitive) [k] so may not pay as much attention to quality assurance [app] increasing amount or cost of wastage [an] • Able to produce more [k] which is important as demand has increased [app] so maybe able to meet additional demand [an] • Cost of new equipment OR training [k]	**6**	Application marks maybe awarded for appropriate use of the following: • Shoes or related words such as pair or leather or luxury • 5 styles • Sold directly to customers/ website/no shops • $100 less per pair • Job or batch production • Niche market

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Question	Answer	Marks	Notes
2(a)	**What is meant by 'business objectives'?** Clear understanding [2] e.g. a statement of a specific target that a business works towards Some understanding [1] e.g. target or goal	**2**	Do not award examples as this does not explain the term
2(b)	**Calculate X and Y.** Application [2 × 1] award 1 mark per answer X = 115 000 or 115 Y = 40 000 or 40	**2**	
2(c)	**Identify and explain one advantage and one disadvantage to AllPlay of importing its products.** Knowledge [2 × 1] – award 1 mark for a relevant advantage and disadvantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: **Advantages:** • Access to a wider range of products [k] which he needs for the new shop [app] • Lower priced products [k] so might be able to increase his revenue [app] **Disadvantages:** • Import quotas [k] reducing the number of toys [app] • Exchange rate movements [k] might mean cost of sales rises above $63 000 [app] • Tariffs / Import Tax [k] increasing the costs of sales [app] • Different legal OR quality standards [k] • Can't be sure of quality [k] • Transport may take longer [k]	**4**	Application marks may be awarded for appropriate use of the following: • toys or related words • correct use of data from table 1 • widen his product range • shop • all inventory imported • met his objectives • expand

Question	Answer	Marks	Notes
2(d)	**Identify and explain <u>two</u> ways in which the bank might use AllPlay's financial documents.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • To decide whether to give the loan [k] of $20 000 [app] because they can see if they can repay it [an] • To identify assets for security [k] such as the existing shop [app] to reduce the risk of non-payment [an] • Calculate liquidity / cash flow [k] so they know the business can pay its short-term debts [an] of $63 000 [app] • To offer advice [k] on whether a bank loan [app] is the best source of finance [an] • To compare financial documents over time [k] such as their income statement [app] to help them to improve [an]	**6**	Application marks may be awarded for appropriate use of the following: • toys or related words, • correct use of data from table 1 • $20 000 • widen his product range • shop • all inventory imported • met his objectives • made profit in 2017 and 2018 • income statement • loan

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Question	Answer	Marks	Notes
2(e)	**Do you think a bank loan is the best source of finance for Vince to choose? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for a 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 whether a bank loan is the best source of capital for Vince. Either viewpoint is acceptable. Relevant points might include: **Loan:** • Can repay over a long period [k] • Interest payable [k] on the $20 000 [app] so will add to costs [an] • Time to convince bank [k] as need to produce financial documents [app] **Other options could include** • Retained profits [k] – no need to repay [an] which reduces its expenses [an] • Lease [k] – but will not be an asset it can sell [an] • Obtain funds from a partner [k]	**6**	Application marks may be awarded for appropriate use of the following: • toys or related words • correct use of data from table 1 • $20 000 • widen his product range • shop • all inventory imported • met his objectives • made profit in 2017 and 2018 • income statement **Loan cannot** be awarded as application as this is in the question

Question	Answer	Marks	Notes
3(a)	**What is meant by 'brand name'?** Clear understanding [2]: unique name of a product / business [1] that distinguishes it from other businesses or products [1]. Some understanding [1]: e.g. makes a product 'stand out'	**2**	

Question	Answer	Marks	Notes
3(b)	**Identify <u>two</u> reasons why a business might fail.** Knowledge [2 × 1] award 1 mark per reason Relevant points might include: • Lack of demand / recession • Poor management skills / poor planning • Change in tastes • Financial problems e.g. lack of cashflow • Change in legal controls • Action of competitor • Change in economic situation e.g. rise in interest rates, taxes	**2**	
3(c)	**Identify and explain <u>two</u> ways in which having a well-motivated workforce can help Filltum achieve success.** Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Workers are willing to offer good service [k] in the restaurant [app] • Workers willing to share ideas [k] to help the expansion plans [app] • Less likely to leave [k] the franchise [app] • Less absenteeism [k] of chefs [app] • Improved reputation [k] in the 28 locations [app] • Increase productivity / efficiency / fewer errors [k]	**4**	Application marks may be awarded for appropriate use of the following: • restaurant or related words such as vegetables, menu, chef • 10, 28, 16 • 12 of their own restaurants • expansion plans • franchise • on the job training • brand name

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Question	Answer	Marks	Notes
3(d)	**Identify and explain <u>two</u> advantages to Filltum of using on-the-job training.** Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 2] Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Specific to the business needs [k] in the 28 outlets [app] so service standards are easier to maintain [an] • Managers can control the skills taught [k] • Lower cost than off the job [k] lowering expenses [an] at a time when business is looking to open 10 more restaurants [app] • Employees still working while training [k] so able to serve more food [app] and output does not stop [an] • Workers are learning on the equipment that they actually use [k] • Managers can assess workers abilities [k]	**6**	Application marks may be awarded for appropriate use of the following: • restaurant or related words such as vegetables, menu, chef • 10, 28, 16 • 12 of their own restaurants • expansion plans • franchise

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Question	Answer	Marks	Notes
3(e)	**Do you think selling more franchises is the best way for Filltum to expand? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for a 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 whether selling more franchises in the best way for Filltum to expand Relevant points might include: **Franchises:** • Do not need to raise as much capital to expand [k] as franchisee will pay a fee to buy the franchise [an] • Will receive a share of each franchise's profits [k] providing an extra source of revenue [an] • Faster way to expand [k] so able to maintain its fast rate of growth [app] • Mistakes by one franchisee may create a bad image for whole business [k] damaging reputation [an] and reducing sales revenue [an] • Will be expected to offer support and advice [k] to these and other 16 franchises [app] which can increase costs [an] • Can share risks with franchisee [k] when many businesses are failing [app] • Brand / Customer awareness increases [k] **Expand themselves:** • Able to keep control [k] • Keep all the profits made [k]	**6**	Application marks may be awarded for appropriate use of the following: • restaurant or related words such as vegetables, menu, chef • 10, 28, 16 • 12 of their own restaurants • expansion plans • fast rate of growth • brand name • when many businesses are failing

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Question	Answer	Marks	Notes
4(a)	**What is meant by 'multinational company'?** Clear understanding [2]: those with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation Some understanding [1] e.g. has businesses everywhere OR worldwide	**2**	Do not award answers such as **sells** in many countries as this could also apply to an exporter
4(b)	**Identify <u>two</u> advantages to AHP of being a multinational company.** Application [2 × 1]: award 1 mark per advantage Relevant points might include: • Access to raw materials • Obtain cheaper raw materials • Lower labour costs • Reduce transport costs • Spread risk • Remain competitive • Avoid barrier to trade • Access to more markets / more sales opportunities • Access government grants / support • Lower taxes in some countries • Improve brand image	**2**	

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Question	Answer	Marks	Notes
4(c)	**Identify and explain <u>two</u> ways in which AHP might have an impact on the environment.** Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context Reasons might include: • Pollution [k] caused by disposal of mobile phones [app] • Loss of green spaces [k] from relocating its factory [app] • Traffic congestion [k] caused by transporting materials an extra 4000 km [app] • Depletion of natural resources [k]	**4**	Application marks may be awarded for appropriate use of the following: • mobile phones • 80% sales (in Europe) • comply with legal controls • relocate its factories • multinational company • country X • transporting extra 4000 km • raw materials
4(d)	**Identify and explain <u>two</u> ways in which an increase in interest rates might affect AHP** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Cost of borrowing increases [k] so less incentive to buy building land [an] for new factory [app] • Consumers reduce spending [k] as cannot afford luxury/non-essential items [an] such as phones [app] • Increased cost (of current loan/overdraft) [k] so profits do not increase [an] • Higher interest rates attract more savings [k] • May have to increase prices [k]	**6**	Application marks may be awarded for appropriate use of the following: • mobile phones • 80% sales (in Europe) • environmental concerns • (relocate its) factories • multinational • country X • transporting extra 4000 km • raw materials

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Question	Answer	Marks	Notes
4(e)	**Do you think AHP should relocate its factories to a low-cost country in Asia? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for a 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 whether AHP should relocate to a low cost country in Asia Relevant points might include: • Further to reach its market [k] as 80% of sales in Europe [app] so may not be able to react quickly to changes in demand [an] • Availability of suitable land [k] as will need a large area which will increase the cost [an] • Availability of suitable labour [k] to make the phones [app] • Distance to raw materials [k] which is an extra 4000 km [app] which could lead to delays in production [an] • Negative reaction of local community [k] as there are environmental concerns [app] • Legal controls may restrict or encourage where it can locate [k]	**6**	Application marks may be awarded for appropriate use of the following: • mobile phones • 80% sales (in Europe) • environmental concerns • (relocate its) factories • comply with legal controls • interest rates set to rise • multinational • country X • transporting raw materials extra 4000 km • raw materials **Factories** cannot be awarded as application in this question.

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