Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/12**

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.

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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 'added value'?** Good knowledge [2]: difference between the selling price of a product and the cost of bought in materials and/or components OR improvement to the product that makes it worth more [1] plus a relevant example [+ 1] e.g. packaging Some understanding [1] e.g. improvement to the product that makes it worth more	**2**	Do not accept selling price – cost of sales OR revenue – costs OR selling price – total costs OR selling price – cost price
1(b)	**Identify <u>two</u> qualities that M&R might look for in the new manager.** Application [2 × 1] – award one mark for each quality Points might include: • Good leader • Well organised • Good communicator • Friendly OR approachable • Knowledgeable • Patience • Responsible • Good motivator	**2**	Accept any reasonable answer Do not accept answers such as qualifications, previous experience Do not accept skills on own. Only accept if type of skill is identified e.g. communication skills Do not award good manager as this replicates the question

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Question	Answer	Marks	Notes
1(c)	**Identify and explain <u>two</u> methods of selection M&R could use when choosing the new manager.** 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: • Interview [k] to see whether they have the right qualities [app] • CV and / OR letter of application OR application form [k] sent to the showroom [app] • Ability or aptitude OR psychometric test [k] e.g. watch them try to sell cars [app] • Group exercises [k] to see how well/whether they can work as part of a team [app] • Online screening [k] • Presentation[k]	**4**	Application marks may be awarded for appropriate use of the following: • Cars OR old cars OR vehicles • Repairs • 2 showrooms • successful business • team • (right) qualities • 3 workers OR mechanic • (want to) increase added value • Managing office or selling Do not accept methods of recruitment or advertising as this does not answer the question

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Question	Answer	Marks	Notes
1(d)	**Identify and explain <u>two</u> factors that M&R might consider when deciding on a location for the new showroom.** Knowledge [2 × 1] – award 1 mark for each relevant factor [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: • Customers OR demand OR potential sales [k] somewhere that people are interested in cars [app] to increase revenue [an] • Availability OR cost of suitable land OR parking [k] as likely to need a large space for displaying products [an] • Legal controls [k] could stop them from building in some places [an] • Competitors [k] customers might be loyal to other business so difficult to gain customers [an] • Suppliers [k] so able to get parts/components easily [an] • Infrastructure OR transport links OR utilities [k] • Access to employees [k] as looking for a manager [app] who is able to effectively sell things [an] • Distance from other site [k] as don't want to take customers away from its other business [an] • Safety/security of area [k]	**6**	Application marks may be awarded for appropriate use of the following: • Cars OR old cars OR vehicles • Repairs • 2 (showrooms) • Successful business • Team • Right qualities • 3 workers OR mechanic • (Want to) increase added value • New manager • Local newspaper Do not accept showroom on own as application as this is part of the question Points must be appropriate for a tertiary sector business

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Question	Answer	Marks	Notes
1(e)	**Do you think a newspaper is the best way for M&R to advertise the new job? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether an advertisement is the best way to advertise the new job. Relevant points might include: • Seen by many people OR wide exposure [k] in local area [app] • Most people do not read newspapers [k] so possible candidates might not see the advert [an] • Only shown for a limited amount of time [k] such as one week [app] • Has to pay to advertise [k] as it costs $5 [app] which increases his expenses [an] Other methods to consider might include: • Specialist magazines [k] as target audience are likely to read them [an] so more likely to attract suitable candidates [an] • National newspaper [k] as able to reach people across the country [an] • Jobs website OR own website OR social media [k] as most people use internet to look for jobs today [an] but some people do not have access to the internet [an] • Notice board [k] at the garage [app] • Recruitment agency [k] saving time as they will carry out the recruitment for them [an]	**6**	Application marks may be awarded for appropriate use of the following: • Cars OR old cars OR vehicles • Repairs • 2 OR showrooms • Successful business • Team • Right qualities • 3 workers OR mechanic • $5 • one week • (want to) increase added value • Manager • Local Candidates may consider other ways of advertising the job but evaluation must focus on whether a newspaper is the best way for M&R to advertise the new job. Do not accept points such as higher or lower cost OR cheaper as we do not know the cost of different methods. The only exception to this is social media OR own website

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Question	Answer	Marks	Notes
2(a)	**What is meant by 'social enterprise'?** Good knowledge [2]: an organisation which has social objectives as well as trying to make a profit Some understanding [1] not all about profit OR profit is not only objective OR an organization which has social objectives OR aims to benefit society	**2**	Do not award examples of objectives such as aim to protect the environment OR be ethical
2(b)	**What is meant by 'micro-finance'?** Good knowledge [2]: small amounts of capital loaned to entrepreneurs [1] in countries where finance is difficult to obtain [+ 1] OR small loans [1] to people not traditionally served by banks [1] OR loan to poor people [1] not traditionally served by banks [1] Some understanding [1] small loans OR identifies a feature such as not given by big banks OR help people who can't afford a loan OR loans given to poor people	**2**	Banks and governments do not offer microfinance so do not award answers such as small loan from bank Do not accept money to start up as this could apply to many sources of finance or grants Do not accept answers which explain what money is used for

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Question	Answer	Marks	Notes
2(c)	**Identify and explain <u>two</u> factors that might affect the accuracy of FTT's market research.** Knowledge [2 × 1] – award 1 mark for each relevant factor [max 2] Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Wrong sample size [k] as may only have asked local people [app] • Information may be out of date [k] so may not like same types/blends of coffee [app] • How carefully sample drawn up OR characteristics of people asked [k] cannot just ask people interested in ethical goods [app] • Way questions asked by interviewer [k] • Poorly written questions OR questions not relevant [k] • Who carried out the research [k] • Dishonest opinions OR people say what they think you want to hear [k]	**4**	Application marks may be awarded for appropriate use of the following: • coffee • beans • high quality • local people • ethics or fair trade • social enterprise • retailers • increasing demand • Start exporting OR selling in other countries • Appropriate pricing Bias can be accepted as knowledge only if no other valid example of bias is given Do not award answers which focus on reason for the research as this does not answer question

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Question	Answer	Marks	Notes
2(d)	**Identify and explain <u>two</u> ways in which being ethical might help FTT.** Knowledge [2 × 1] – award 1 mark for each relevant way [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: • Good image OR good reputation OR customer loyalty [k] so customers willing to pay high prices [an] for fair trade coffee [app] • Higher demand OR sales OR enter new market [k] which can help increase revenue [an] when selling in other countries [app] • Help recruit OR retain OR motivate workers [k] in this social enterprise [app] • Investors more likely to invest [k] making it easier for others to obtain micro-finance [app] • Better supplier relations [k] so able to get best beans [app] • Less opposition from pressure groups [k]	**6**	Application marks may be awarded for appropriate use of the following: • Coffee • Beans • High quality • Local people • Social enterprise • Market research • Increasing demand • Retailers • Start exporting OR (selling in) other countries • Micro-finance • Appropriate pricing Do not accept ‘better quality’ OR ‘legal’ OR ‘rights’ as these are different concepts Do not accept answers which outline ways a business can be ethical as this is not the question

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Question	Answer	Marks	Notes
2(e)	**Recommend an appropriate pricing method for FTT to use if it starts selling in other countries. Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant issue(s) or identifies method [max 1] Application [1] – award 1 mark for each relevant reference to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to why chosen method is appropriate for FTT to use Relevant points might include: • Price skimming [k] which will reinforce brand image [an] for its high quality product [app] so consumers will pay high prices [an] • Competitive pricing [k] so the price should not stop people buying its products [an] so less likely to lose market share [an] for its coffee beans [app] • Cost plus pricing [k] as ingredients are high quality [app] making sure they can make a profit for each item sold [an] and is easy to calculate [an] • Penetration pricing [k] (as low price) is more affordable for customers [an] but would lower profit margin [an] • Promotional pricing [k] but can only be used for a short period of time [an]	**6**	Application marks may be awarded for appropriate use of the following: • coffee, • beans, • local people, • market research • increasing demand • social enterprise • retailers • micro finance • high quality Do not award exporting as [app] as this is the same as selling in other countries Do not award definitions as this does not answer the question

Question	Answer	Marks	Notes
3(a)	**TRB is in the secondary sector. Identify the other <u>two</u> classifications of business sector activity.** Knowledge: award 1 mark for each of the other sectors identified Sectors are: primary, tertiary	**2**	

Question	Answer	Marks	Notes
3(b)	**Identify <u>two</u> ways to measure the size of a business.** Knowledge [2 × 1] – award 1 mark per way Points could include: • Sales value OR value of output OR revenue OR income • (Value of) capital employed • Value of balance sheet • Market share • Number of employees • Number of outlets • (Volume of) output OR number of services OR number of customers	**2**	Do not accept profit dosize OR number of assets OR Do not accept machines OR capital [tv]
3(c)	**Identify and explain <u>two</u> methods of lean production that TRB might use.** Knowledge [2 × 1] – award 1 mark for each relevant method [max 2] Application [2 × 1] – award 1 mark for each explanation in context Reasons might include: • Kaizen OR continuous improvement [k] when making computers [app] • Just in time inventory control [k] for ordering batteries [app] • Reorganize layout [k] to help improve efficiency [app] • Cell production OR autonomous team working [k] • Kanban [k] in the factory [app] • Waste reduction [k]	**4**	Application marks may be awarded for appropriate use of the following: • (Assembles) computers • Factory • 40% exported • Import • Components OR parts OR examples such as glass OR battery • Competitors relocating to low cost countries • Small business • Secondary sector • Improve efficiency

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Question	Answer	Marks	Notes
3(d)	**Identify and explain <u>two</u> possible benefits to TRB of improving efficiency.** Knowledge [2 × 1] – award 1 mark for each relevant benefit 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: • Reduce **average** costs [k] of making computers [app] so may be able to sell them at a lower price [an] • Less mistakes [k] improving reputation [an] of this small business [app] • Less waste [k] of imported parts [app] reducing amount they need to buy [an] • Fewer workers needed [k] helping reduce (labour) costs [an] • Increased output OR quicker production [k] • Better able to compete [k] which is important for a small business [app]	**6**	Application marks may be awarded for appropriate use of the following: • (assembles) computers • factory • 40% exported, • import • components OR parts OR examples such as glass OR battery • competitors relocating to low cost countries, • small business • secondary sector Do not award charge a lower price [tv] Do not award ways to increase efficiency

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Question	Answer	Marks	Notes
3(e)	**Do you think there are more opportunities than threats of globalisation for TRB? 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 there are more opportunities than threats of globalisation for TRB. Points might include: • Able to export more OR access to wider markets OR more sales [k] than 40% [app] helps spread risk [an] • Cheaper labour OR materials [k] such as glass [app] which could lower total cost [an] • Easier to relocate to other countries [k] like its competitors [app] • Become better known OR build brand image [k] • Increased competition [k] for computers [app] could result in lower sales OR revenue [an] • Loss of employees to other companies OR wider pool of potential employees [k]	**6**	Application marks may be awarded for appropriate use of the following: • (Assembles) computers • Factory • 40% exported • import • components OR parts OR examples such as glass OR battery • competitors relocating to low cost countries, • Small business • secondary sector • improve efficiency Note: this business is a manufacturer not a retailer Do not accept lower cost on own as [k] as candidates need to identify which costs are lower

Question	Answer	Marks	Notes
4(a)	**What is meant by 'limited company'?** Clear knowledge [2]: business which has a separate legal identity/status to its owners OR a business whose owners are legally responsible for its debts only to the extent of the amount of capital they invested. Some knowledge [1]: e.g. able to sell shares or owners have limited liability	**2**	Features max 1 mark. Do not allow points which specifically refer to features of private limited or public limited companies

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Question	Answer	Marks	Notes
4(b)	**Calculate the values of <u>X</u> and <u>Y</u>.** Application [2 × 1] – award one mark per answer **X** 10 or 10000 **Y** (80) or (80000)	**2**	Note: value for **Y** must be shown as a **negative** value to be credited.
4(c)	**Identify and explain <u>two</u> advantages to BG of having part-time employees.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • More flexible OR able to extend hours OR help meet demand during busy periods [k] so able to offer 24-hour service [app] • When not working no need to pay wages OR only paid for hours worked [k] which can help when worried about cash flow [app] • Can add more skills OR experience OR ideas to business [k] so able to offer extra activities [app] • Help keep OR retain experienced workers [k] • Help attract workers who do not want to work full time OR help attract workers who have other commitments [k]	**4**	Application marks may be awarded for appropriate use of the following: • Correct use of data from table 1, • 3 locations OR parks • Holidays OR activities • 24-hour service • Families, • 40 (part-time employees) • 3 OR managers • Overdraft • (worried about) Cash flow problems Note: answers should be from viewpoint of business not employee Do not award answers which imply lower wage rates such as paid less or less wages on its own. They must link point to hours worked [e.g. as work for less time]

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Question	Answer	Marks	Notes
4(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to BG of using social media networks for promotion.** Knowledge [2 × 1] – award 1 mark for a relevant advantage / disadvantage Application [2 × 1] – award 1 mark for each relevant reference to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Points might include: Advantages: • Cover wide area OR seen by many people [k] as may be used by many families [app] leading to additional revenue [an] • Low cost method of advertising [k] so fewer cash outflows [an] so less need for overdraft [app] • Easy to update OR quick to update [k] about its holidays [app] so can spend time on other tasks [an] • Way to build relationship OR communicate with customers [k] • Can target specific groups [k] could encourage brand loyalty [an] Disadvantages: • No internet access OR not everyone uses social media OR message lost among many messages on social media [k] which results in less revenue [an] • Lack of control OR comments can be altered OR hacked [k] could lead to a bad reputation [an] for its parks [app] • Takes time to continually post OR monitor messages [k] which may be difficult for the part-time employees to do [app]	**6**	Application marks may be awarded for appropriate use of the following: • Correct use of data from table 1 • 3 locations OR parks • Holidays OR activities • 24 hour service • Families • 40 OR part-time employees • 3 OR managers • (worried about) cash flow problems • overdraft

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Question	Answer	Marks	Notes
4(e)	**Do you think an overdraft is the best way for BG to solve its cash flow problem? 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 an overdraft is the best way for BG to improve its cash flow position. Relevant points might include: Overdraft • Immediately available OR relatively easy to arrange [k] so able to cover its outflows [an] • Repayable on demand OR within twelve months [k] • Have to pay interest [k] which will increase outflows [an] Other options might include: • Ask customers to pay earlier [k] would allow business to receive cash inflow sooner [an] before they reach the holiday park [app] but may see a fall in demand which could lead to a greater fall in cash inflow [an] • Ask suppliers for more time to pay [k] which could delay cash outflows [an] and could lose discounts offered for prompt payments which could increase outflows [an] • Increase number of customers [k] could increase cash inflows [an] but cost of advertising could increase outflows in short term [an]	**6**	Application marks may be awarded for appropriate use of the following: • Correct use of data from table 1, • 3 parks OR parks, • Holidays OR activities, • 24 hour service, • Families, • 40 OR part-time employees, • 3 OR manager • social networks for advertising • Limited company The answer should not refer to profit or loss The focus is purely on cash inflow or outflow Solutions should be realistic for short-term period i.e. not long-term solutions (such as bank loan or sell shares) Candidates can discuss other solutions but evaluation must focus on whether an overdraft is the best way for BG to solve its cash flow problem

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