Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 Case Study **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.

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
1(a)	**Identify and explain <u>two</u> advantages and <u>two</u> disadvantages of GT being a public limited company.** Award 1 mark for each relevant advantage/disadvantage (maximum of 4), such as: Advantages: • Limited liability • Incorporated business with separate legal identify • Shares can be issued to the general public • Opportunity to raise very large sums of capital • No restrictions on buying, transferring or selling of shares • High status and easier to attract suppliers Disadvantages: • Quite complicated legal formalities • Many regulations and controls including publication of accounts/accounts can be seen by competitors • Selling shares to the public is expensive • Danger the owners may lose control if too many shares are issued/risk of takeover Award a maximum of 1 additional mark for **each** explanation. Indicative response: Limited liability [1] means the shareholders can only lose the capital they invested in the company and not their personal possessions. [1].	**8**

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Question	Answer	Marks
1(b)	**Consider the advantages and disadvantages of the following two options for distributing GT products. Recommend the option GT should choose. Justify your answer.** **Relevant points might include:**	**12**

	Advantages	Disadvantages
Continue selling to large shops	• Already established channel of distribution and links with retailers • Easier to use in store promotions as already has relationship with retailer • Lower delivery costs compared to online	• Harder to expand sales if using the same channels and not new ones • May sell many competing goods in shops alongside GT toys
Only sell its products online	• Sell to a wider range of customers • Customers can access all the range of products • Lower price as no retail profit margin • Possibly allows prices to be reduced to make the toys more competitive	• May lose existing customers if they want to see and handle toys before buying • May not have a cost-effective delivery network available

Level 1 **(1–3 marks)**
1 mark for each L1 statement (max of 3 marks)
E.g. Lower price as no retail profit included.

Level 2 **(4–6 marks)**
Detailed discussion of the advantages and disadvantages of each option.
1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks)
E.g. Lower price as no retail profit included so this may attract more customers leading to higher sales of toys and profit for GT. However, GT may lose existing customers if they prefer to feel and see the toys to check they are suitable for their children before buying. This may reduce the sales of toys to existing customers and result in a lowering of toy sales for GT. (4 marks for L2 answer plus 1 application mark for referring to the purchase of toys for their children).

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Question	Answer	Marks
1(b)	**Level 3** **(7–10 marks)** For L3 to be awarded there need to be at least 2 L2 marks awarded and then a recommendation which justifies which channel of distribution to choose. 7–8 marks for some limited judgement shown in recommendation as to which channel of distribution should be chosen and/or why not the alternative channel chosen. 9–10 marks for well justified recommendation as to which option will be the best channel of distribution to choose and why not the alternative channel**.** **Award up to 2 additional marks for relevant application.** Possible application marks: manufacturer of toys; toys sold to large toy shops throughout country Y; 200 different designs; teddy bears; toy cars; building blocks; suitable for babies/young children; toys also exported; Marketing manager wants to only sell toys online; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; sells well designed toys of high quality; education and safety of children are GT's main priorities; recent price increases have resulted in falling sales, selling online will help prevent any communication barriers. There may be other examples in context, which have not been included here.	

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Question	Answer	Marks
2(a)	**Identify and explain <u>two</u> roles of the Operations manager at GT.** Knowledge [2 × 1] – award 1 mark for each role. Analysis [2 × 1] – award 1 mark for a relevant explanation for each role. Application [2 × 2] – award 2 application marks for each role. Award 1 mark for each role (maximum of 2), such as: • **Planning** the production such as setting a target of an increase of 10% in output of toy production • **Organising** the tasks done by the production line workers such as deciding which worker will fit heads onto the figures and which ones will package the dolls • **Coordinating** different departments with the production department ensuring that for example the purchasing department orders the right quantity of components for the toy cars ready for their assembly • **Commanding** the supervisors on the production lines to ensure they all know what they should be doing to keep to their targets and meet deadlines • **Controlling** the employees on the production line to make sure they are all meeting their targets and producing toys efficiently. Award a maximum of 3 additional marks for **each** explanation of role of the Operations manager at GT – **2 of which must be applied to this context.** Indicative response: Planning (k) the production of toys in the GT factory. (ap) This gives a sense of direction and purpose to the operations department, as they will all have a common purpose to work towards. (an) The output of toys should therefore go more smoothly as the correct components to make the toy cars should arrive on time to be ready for assembly on the production line. (ap). **Possible application marks:** manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to sell toys online; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; sells well designed toys of high quality; safety of the child is very important; components are imported and uses JIT; need to purchase cheaper components to reduce costs; currently low levels of worker motivation; recent price increases have resulted in falling sales. There may be other examples in context, which have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Consider the following three ways GT can reduce the average cost of products. Recommend the best way to choose. Justify your answer.

Relevant points might include:

<table>
<tr><th></th><th>Advantage</th><th>Disadvantage</th></tr>
<tr><td>Change to a cheaper supplier of raw materials:</td><td>• Lower costs of purchasing raw materials
• New supplier may be keen to keep GT happy so supply at better price</td><td>• May be inferior quality
• May be an overseas supplier with higher transport costs
• Takes time to find new suppliers
• Takes time to build up new relationship with supplier</td></tr>
<tr><td>Change the design of products so that they need fewer components</td><td>• Quicker to assemble each toy
• Speeds up the production process
• Possibly fewer workers needed if fewer parts to fit</td><td>• May affect the performance of the toy if it moves
• Toy may lose some of its quality</td></tr>
<tr><td>Change from batch production to flow production</td><td>• Much larger output produced
• Unit costs should fall
• Expand into new markets with increased output
• Lower unit costs allows lower prices and more competitive</td><td>• High cost of installing machinery
• Less able to respond to changes in styles of toys
• May not be able to sell the much larger quantity of each style of toy</td></tr>
</table>

Level 1 **(1–3 marks)**
1 mark for each outline of the advantages and disadvantages of each way. (max of 3 marks)
E.g. Lower cost of purchasing raw materials.

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

Question	Answer	Marks
2(b)	**Level 2** **(4–6 marks)** Detailed discussion of the advantages and disadvantages of each way. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. Lower cost of purchasing raw materials, which should allow GT to lower the prices of their toys. This should make their toys more competitive in other countries and should lead to higher sales. (4 marks for L2 answer + 1 application mark for mentioning toys sales). **Level 3** **(7–10 marks)** For L3 to be awarded there need to be at least 2 L2 marks awarded and then a recommendation of the best way to reduce cost. 7–8 marks for some limited judgement shown in recommendation of the way to reduce average cost and/or why not the other ways. 9–10 marks for well justified recommendation of the way to reduce average cost compared to alternatives. **Award up to 2 additional marks for relevant application.** Possible application marks: manufacturer of toys; toys sold to large toy shops throughout country Y; suitable for babies/young children; toys also exported; Marketing manager wants to sell toys online; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; 200 different designs; plan to reduce components from 50 to 40; body of toy car can be made out of one piece of plastic; sells well designed toys of high quality; safety of the child is very important; components are imported and uses JIT; already low levels of worker motivation; recent price increases have resulted in falling sales. There may be other examples in context, which have not been included here.	

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Question	Answer	Marks
3(a)	**Identify and explain <u>two</u> factors GT should consider when developing products for markets in different countries.** Knowledge [2 × 1] – award 1 mark for each factor. Analysis [2 × 1] – award 1 mark for a relevant explanation for each factor. Application [2 × 2] – award 2 application marks for each factor. Award 1 mark for each relevant factor (maximum of 2), such as: • Size/nature of the market – e.g. product may need adapting to meet different trends in the toy market • Legal requirements – e.g. product design must meet safety requirements • Language – e.g. talking dolls may need adapting to speak different languages • Competition – e.g. needs to develop a product with a USP that is different to competitor's product • GDP/income levels – e.g. may need to adapt product to be lower cost which is affordable to low-income countries • Cultural differences – e.g. dolls' clothing may need to be different style or colour. Award a maximum of 3 additional marks for **each** explanation of the factor which may have influenced **how** to adapt or develop the product for different countries – **2 of which must be applied to this context**. Indicative response: The culture (k) in other countries may be different so GT toys(ap) will require adaptation to suit their cultural sensitivities (an) If the toys such as cars or dolls are not changed to suit the customers in other countries then they may not sell very well. (ap) **Possible application marks:** manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to sell toys online; toy cars,dolls,building blocks; toys manufactured using batch production; 200 different designs; sells well designed toys of high quality; safety of the child is very important; suitable for babies and children; components are imported and uses JIT; recent price increases have resulted in falling sales. There may be other examples in context, which have not been included here.	**8**

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Question	Answer	Marks
3(b)	**Consider how the following three communication issues affect GT. Which one of these issues is likely to cause the biggest problem for GT? Justify your answer.**	**12**

Relevant points might include:

Different languages are spoken in GT's markets in other countries:	• Harder to understand what is being said or questions asked • Recruit managers with language skills • May increase costs of employing an interpreter • Customers may have difficulty reading labels/instructions
GT is starting to use several new suppliers:	• No relationship established • May not know who to contact if there are queries • Different suppliers to communicate with which takes time to know who to contact and some errors may be made • Culture may be different if suppliers are in other countries meaning communication may be misunderstood
GT's main communication method with its production workers is a weekly meeting:	• No written record so message may be forgotten • Meeting only once a week and there may be issues arising before the next meeting that needs attention • Workers may be absent and miss the meeting and therefore not receive the information

Level 1 **(1–3 marks)**
1 mark for each limited discussion of communication issues/problem(s) not identified. (max of 3 marks)
E.g. No relationship has been established yet.

Level 2 **(4–6 marks)**
Detailed discussion of communication issues/problem(s) identified.1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (Max 6 marks).
E.g. No relationship has been established yet, as the suppliers are new, so GT may not know who to contact is there is a problem. It is important for orders to be received and sent out quickly as GT uses JIT and this requires the components to be delivered just when required or production of particular toys may stop. (4 marks for L2 answer plus 1 application mark for answering in the context of the business using JIT for the production of toys)

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Question	Answer	Marks
3(b)	**Level 3** **(7–10 marks)** For L3 to be awarded there need to be at least 2 L2 marks awarded and then a conclusion of which is the biggest communication issue. 7–8 marks for some limited judgement shown in conclusion of which is the biggest communication issue and/or why the other communication issues were less of a problem. 9–10 marks for well justified conclusion of which is the biggest communication issue and why the other issues are less of a problem. **Award up to 2 additional marks for relevant application.** Possible application marks: plc set up 50 years ago; manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to sell toys online not through retailers; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; sells well designed toys of high quality; safety of the child is very important; components are imported and uses JIT. There may be other examples in context, which have not been included here.	

Question	Answer	Marks
4(a)	**Identify and explain <u>one</u> effect on GT and one effect on GT's employees of workers being members of a trade union.** Knowledge [2 × 1] – award 1 mark for each effect. Analysis [2 × 1] – award 1 mark for a relevant explanation for each effect. Application [2 × 2] – award 2 application marks for each effect. Award 1 mark for an effect on GT and one mark for an effect on GT's employees (maximum of 2), such as: Effect on GT • Easier to negotiate with just one organisation representing all employees at GT • May have to face increased wage costs if union successfully negotiates a pay rise • Improve communication between managers and workers • Improve relations between managers and workers • May be affected by industrial action Effect on GT's employees • May be able to negotiate a wage increase • May be able to improve working conditions • Collective bargaining (strength in numbers) increases likelihood of success for worker demands • Worker views are put forward to management • Can seek advice about issues of pay, dismissal, workers' rights • More aware of employee rights. Award a maximum of 3 additional marks for **each** explanation of the effect for GT and GT employees – **2 of which must be applied to this context**. Indicative response: Easier to negotiate, (k) as there is only one organisation representing employees, instead of needing to negotiate with each employee separately. (an) GT has a large factory with many employees (ap) so using the operations manager to negotiate with the trade union will be quicker and easier for the company. (ap) **Possible application marks:** plc set up 50 years ago; manufacturer of toys; sells well designed toys of high quality; employees only recently allowed to join a trade union; low levels of worker motivation; currently negotiating a new wage agreement for production workers. There may be other examples in context, which have not been included here.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Refer to Appendix 3. Consider how the information in Appendix 3 will help the following three users of accounts. Which user will find the information most helpful when taking decisions? Justify your answer.

Relevant points might include:

<table>
<tr><th></th><th>Benefits</th></tr>
<tr><td>Shareholders of GT:</td><td>• To decide whether to reinvest profit
• To judge the success of the business/judge how much dividend they might receive
• Whether they should buy or sell shares</td></tr>
<tr><td>Managers of GT:</td><td>• To judge their performance
• To justify asking for a bonus/pay rise
• Take decisions on how to improve profit for the future as profit margin lower than competitors
• How to improve liquidity as their liquidity is lower than competitors or feel secure as their liquidity is better than competitors if consider acid test of 1 as suitable</td></tr>
<tr><td>Competitors of GT:</td><td>• To judge if GT is more successful than them
• To decide whether to take over GT</td></tr>
</table>

Level 1 **(1–3 marks)**
1 mark for each outline of how the financial information is useful to a user. (max of 3 marks)
E.g. The shareholders of GT might use the information to decide whether to sell their shares

Level 2 **(4–6 marks)**
Detailed discussion of how the financial information is useful to a user.
1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks)
E.g. The shareholders of GT might use the information to decide whether to sell their shares as the profit margin is 10% lower than the profit margin of competitors. This might mean the actual profit is lower and therefore the dividends paid to shareholders will be lower. If this happens then the share price might also fall therefore reducing the value of their shareholding. (4 marks for L2 answer plus 1 mark for application for use of the information from Appendix 3).
Relevant financial calculations using data from App 3 can be rewarded with L2 marks
GT – gross profit = $15m(L2) net profit = $2m(L2) gross profit margin = 75%(L2)
Main competitor – gross profit = $22m(L2) net profit = $5m(L2) gross profit margin = 88% (L2)

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

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Question	Answer	Marks
4(b)	**Level 3** **(7–10 marks)** For L3 to be awarded there need to be at least 2 L2 marks awarded and then a justified conclusion as to which user will find the information most useful when making decisions. 7–8 marks for some limited judgement shown in conclusion as to which user will find the information useful when making decisions and/or why the other information will be less useful. 9–10 marks for well justified conclusion as to which user will find the information useful and why the other two will find it less useful when making decisions. **Award up to 2 additional marks for relevant application.** Possible application marks: plc set up 50 years ago; manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to only sell toys online; toys manufactured using batch production; need to purchase cheaper components to reduce costs; recent price increases have resulted in falling sales. Any relevant reference to the data in Appendix 3. There may be other examples in context, which have not been included here.	

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