Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/12**

Paper 1 Short Answer/Structured Response **October/November 2019**

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	Guidance
1(a)	**What is meant by 'public corporation'?** Clear understanding [2]: A business that is owned and controlled by the government/state Some understanding [1]: E.g. run by government/state	**2**	**Do not award** answers that refer to public companies
1(b)	**Identify two economic objectives of country X's government.** Knowledge [2 × 1] award 1 mark per economic objective Points include: • Low(er) unemployment/full employment/create jobs • Economic growth OR increase in GDP OR improve standards of living • Low inflation/price stability • Improve balance of payments	**2**	**Do not award** answers which refer to other government objectives such as increase investment, protect the environment/reduce greenhouse gases **Do not award** examples of methods to improve balance of payments, e.g. reduce imports

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Question	Answer	Marks	Guidance
1(c)	**Identify and explain two ways a pressure group might try to influence the actions of GOP.** Knowledge [2 × 1] – award 1 mark for each way identified Application [2 × 1] – award 1 mark for each explanation in context Points might include: • create negative publicity OR publish information OR write to newspaper [k] about the pipeline [app] • organise customer boycotts [k] of its oil [app] • demonstrations or protests OR rally opposition [k] against this public corporation [app] • lobby OR petition OR send letters to government [k] to prevent planning permission [app] • demand interview with company [k] • take legal actions [k]	**4**	Application marks may be awarded for **appropriate** use of the following: • public corporation • oil • 200 km OR pipeline • planning permission • 2000 OR skilled/construction jobs • less need for businesses to import • private sector Note: can award responses which refer to trade unions asking for higher pay or better conditions **Do not award** references to strikes unless in context of trade unions

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Question	Answer	Marks	Guidance
1(d)	**Identify and explain two ways in which the objectives of GOP might be different if it was in the private sector.** 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: • May look to maximise profit [k] from its pipeline [app] whereas in public sector the objective may be social/to provide social welfare/to offer services/products for free or at a low price [an] • May look to increase market share [k] making it difficult for other businesses to survive [an] which could conflict with government economic objectives [app] • May look to increase revenue [k] for its oil [app] whereas the public sector may offer subsidised prices [an] • Protecting jobs may be more important in the public sector [k] whereas private sector firms may look to reduce costs [an]	**6**	Application marks may be awarded for **appropriate** use of the following: • public corporation • oil • 200 km OR pipeline • planning permission • 2000 OR skilled/construction jobs • less need for businesses to import • pressure group • economic objectives of country X's government Note: Analysis can be awarded either for comparing the difference in objectives between the two sectors OR relevant development of a private sector objective Note: Due to the wording of the question, private sector objectives on own can be accepted as [k]

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Question	Answer	Marks	Guidance
1(e)	**Do you think the Government should allow GOP to build the pipeline? Justify your answer.** Knowledge [1] – award max 1 mark for identification of relevant point(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 the Government should allow GOP to build the pipeline • Creates jobs [k] as 2000 jobs created [app] helping reduce unemployment [an] but jobs may disappear after work finished [an] • Protect vital industry [k] reducing the number of imports [app] helping country become self-sufficient [an] • Could help develop infrastructure/build new roads [k] • Pollution [k] which is why pressure groups are concerned [app] • Uses up natural resources [k] as produce oil [app] meaning fewer resources available for future generations [an] • Could conflict or help Government with other objectives [k] as this is a public corporation [app] • Reduce the need for oil imports [k] so a positive balance of payments [an]	**6**	Application marks may be awarded for **appropriate** use of the following: • public corporation • oil • 200 km • planning permission • 2000 OR skilled/construction jobs • less need for businesses to import • pressure group **Do not award** pipeline as application as stated in question Note: the answer should be focused on the impact to the country, not GOP

Question	Answer	Marks	Guidance
2(a)	**What is meant by 'franchise'?** Clear understanding [2]: A business based upon the use of the brand names, promotional logos and trading methods of an existing successful business. The franchisee buys the licence to operate this business from the franchisor. A business system where entrepreneurs buy the right to use the name, logo and product of an existing business. Some understanding [1]: Using the name or logo of another business	**2**	For both marks must have idea of payment and using the name/products of existing business **Do not award** examples
2(b)	**Calculate Samira's forecast weekly revenue if she lowered the price of her products.** Good application [2]: 900 Some application [1]: 300 × 3 OR price times number of customers	**2**	

Question	Answer	Marks	Guidance
2(c)	**Identify and explain two reasons why revenue is important for Samira's business.** Knowledge [2 × 1] – award 1 mark for each reason identified Application [2 × 1] – award 1 mark for each explanation in context Points might include: • Pay its day to day expenses [k] of producing/selling (fried) food [app] • Measure of success/size of business [k] against increased competition [app] • Need it to generate profit OR breakeven [k] for her takeaway [app] • Steady amount can help gain credit/support loan application [k]	**4**	Application marks may be awarded for **appropriate** use of the following: • franchise • takeaway • successful business • (fried) food • delivery service • increased competition • lower prices • revenue fell • 2 OR part time workers • market research OR secondary research OR focus group • correct use of data from table, e.g. 200 OR 300 customers

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Question	Answer	Marks	Guidance
2(d)	**Identify and explain two factors Samira should consider before starting a delivery service.** Knowledge [2 × 1] – award 1 mark for each relevant factor 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 OR finance OR examples, e.g. have to buy/hire vehicle for deliveries [k] of takeaways [app] as may not be able to afford it [an] • Labour issues, e.g. access to workers [k] as she only has 2 part time employees [app] would they be willing or able to do the extra work [an] • Demand issues, e.g. as are there enough customers interested in the service [k] from her market research [app] otherwise may not generate sufficient extra revenue [an] • Does she have capacity/space/equipment to provide for the new service [k] • Actions of competitors, e.g. how many competitors offer this service [k] as already facing increased competition from the franchise [app]	**6**	Application marks may be awarded for **appropriate** use of the following: • franchise • takeaway • (fried) food • 2 OR part time workers • increased competition • revenue fell • successful business • lower prices • market research OR secondary research OR focus group • correct use of data from table, e.g. 200 OR 300 customers Note: can accept two different costs if they are clearly different and explained

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Question	Answer	Marks	Guidance
2(e)	**Do you think Samira should use secondary research or a focus group to gather market research information? Justify your answer.** Knowledge [1] – award max 1 mark for identification of relevant point(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 which of the two methods of market research Samira should use. Points might include: Secondary market research: • Low cost way to gain information [k] so money saved can be used for other purposes [an] • Readily available [k] so decisions can be made quickly [an] about whether to increase prices [app] • May be out of date [k] which means the information may not be relevant [an] Focus group • Highly detailed responses OR chance to ask for explanations/follow up questions [k] which could allow her to make more informed decisions [an] such as whether to offer the delivery service [app] • Competitors do not have access to this information [k] • Some group members can influence what others say [k] leading to unreliable results [an] • High cost [k] which is not helpful at a time when revenue has fallen [app] • Time consuming to set up/carry out [k]	**6**	Application marks may be awarded for **appropriate** use of the following: • franchise • takeaway • (fried) food • delivery service • 2 OR part time workers • revenue fell • increased competition • lower prices • correct use of data from table, e.g. 200 OR 300 customers

Question	Answer	Marks	Guidance
3(a)	**What is meant by 'induction training'?** Clear understanding [2]: Introduction given to new employees explaining the businesses activities, customs and procedures and introducing them to other workers A training programme to help new recruits become familiar with their workplace, the people they work with and the procedures they need to follow Some understanding [1]: Training for new employees OR give introduction about the business to employees OR training given to employees before they are employed so they know what to do	**2**	**Do not accept** answers which refer to training in general
3(b)	**Identify two reasons why it is important for LBM to satisfy customer needs.** Application [2 × 1] – award 1 mark per reason Points might include: • increase sales OR increase revenue OR increase customers OR increase market share • build customer relations OR way to build customer loyalty OR maintain sales • help it remain competitive • reduce complaints • improve brand image OR reputation	**2**	

Question	Answer	Marks	Guidance
3(c)	**Identify and explain two problems for LBM of having a wide range of products available to customers.** Knowledge [2 × 1] – award 1 mark for each problem identified Application [2 × 1] – award 1 mark for each explanation in context Points might include: • Lack expertise OR unable to focus on single product OR less specialised [k] which could damage customer service [app] • Increased warehouse space OR increased cost of storage [k] for the new styles [app] • Lots of competitors [k] as others may focus on specific age groups between 18–35 [app] • Additional cost of purchasing items [k] • Increased risk of obsolescence [k] especially as trends in clothing can change quickly [app]	**4**	Application marks may be awarded for **appropriate** use of the following: • online retailer OR (no) shops • clothing OR examples • revenue increased OR 25% OR $600 m • customer service • induction training • 3500 OR new styles (a week) • 18–35 years OR target market • social media networks **Do not award** answers related to production as this is a retail business Answers must be linked to the business and not customers

Question	Answer	Marks	Guidance
3(d)	**Identify and explain one advantage and one disadvantage to LBM of opening its own shops.** 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: Advantages • Able to attract passing trade OR increase sales [k] for its clothing [app] to increase revenue [an] • Can help advertise/promote [k] its new styles [app] increasing awareness OR interest in the business [an] • Able to have personal contact with customers [k] so able to provide a better customer service [app] which can help maintain customer loyalty [an] Disadvantages • Increase costs OR requires additional finance [k] for this online retailer [app] as need to pay rent [an] • No guarantee of additional sales [k] as promotion is through social media [app] • Increased number of employees needed [k] to provide the customer service [app] increasing labour costs [an]	**6**	Application marks may be awarded for **appropriate** use of the following: • online retailer • clothing OR examples • revenue increased OR 25% OR $600 m • customer service • induction training • wide range of products OR additional inventory • 3500 OR new styles (a week) • 18–35 years OR target market • social media networks **Do not award** shops as application as stated in question **Do not award** answers which refer to advantages and disadvantages to customers

Question	Answer	Marks	Guidance
3(e)	**Explain two suitable sources of finance that LBM could use to purchase additional inventory. Recommend which source of finance LBM should use. Justify your answer.** Knowledge [1] – award max 1 mark for identification of relevant point(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 which source of finance LBM should use for the additional inventory. Points might include: • Overdraft or short-term loan [k] which will have to pay interest on [an] increasing its expenses or cash outflows [an] • Ask suppliers for trade credit [k] for the 3500 styles [app] which will allow them time to sell its products before need to repay [an] • Cash reserves [k]	**6**	Application marks may be awarded for **appropriate** use of the following: • online retailer OR (no) shops • clothing OR examples • revenue increased OR 25% OR $600 m • customer service • induction training • wide range of products • 3500 OR new styles (a week) • 18–35 years OR target market • social media networks Retained profit can be accepted as [k] in this instance as the question does not specifically refer to short-term sources of finance **Do not award** answers such as sale of assets, bank loan (on own), mortgage, share issue or owners savings as these are not appropriate as short-term finance **Do not award** sources such as factoring, asking customers to pay quicker as not appropriate

Question	Answer	Marks	Guidance
4(a)	**What is meant by 'exchange rate'?** Clear understanding [2]: Value/price of one currency in terms of another Accept textbook definition [2]: The rate at which one country's currency can be exchanged for that of another Some understanding [1]: The change OR buying of one country's currency with another country's currency	**2**	
4(b)	**What is meant by 'capital employed'?** Clear understanding [2]: Value of shareholders' funds OR equity + non-current liabilities Accept textbook definitions [2]: Total value of capital used in the business OR value of all long term finance invested in a business Some understanding [1]: Money invested in the business	**2**	

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Question	Answer	Marks	Guidance
4(c)	**Identify and explain two ways NBV's managers could use its financial accounts to help make decisions.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each explanation in context Possible points might include: • Help measure financial performance OR profit over time [k] to see how business achieved $144 bn [app] • Help compare its performance with its competitors [k] who also make bricks [app] • Help decide which source of finance to use OR whether to borrow money or able to afford to borrow [k] • Help make investment decisions [k] such as the new factory [app] • Decide how much dividend to pay [k]	**4**	Application marks may be awarded for **appropriate** use of the following: • multinational company • capital employed OR $144 bn • 18 countries • 400 000 (workers) • diseconomies of scale • building products OR bricks • raw materials (are bought in country of operation) • factory Note: candidates can be credited for both profitability and liquidity as separate points as they relate to different financial statements **Do not award** answers which refer to operational decisions, whether to stop production, increase price, etc.

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Question	Answer	Marks	Guidance
4(d)	**Identify and explain two diseconomies of scale that NBV might experience.** Knowledge [2 × 1] – award 1 mark for each diseconomy of scale 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 Points might include: • Low morale/motivation/lack of commitment [k] for its 400 000 employees [app] leading to higher labour turnover/more workers leaving [an] • poor communication [k] in factory [app] leading to the wrong products being made [an] • lack of/weak co-ordination/control [k]	**6**	Application marks may be awarded for appropriate use of the following: • multinational company • capital employed OR $144 bn • 18 countries • 400 000 (workers) • building products OR bricks • raw materials (are bought in country of operation) • factory Accept slow decision making as [k] as stated in textbook

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Question	Answer	Marks	Guidance
4(e)	**Do you think NBV's decision to set up a factory will only bring drawbacks to other businesses in country B? Justify your answer.** Knowledge [1] – award max 1 mark for identification of relevant point(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 NBV's decision to set up a factory will only drawbacks for other businesses in country B Points might include: Drawbacks • Use up scarce resources [k] to make bricks [app] so fewer resources available for other uses [an] • Increased competition [k] so local businesses may make a loss OR be forced out of business [an] as local businesses cannot compete against (possible) lower prices [an] • Could lead to a potential shortage of suitable applicants for other businesses [k] as people may prefer to work for a multinational company [app] reducing the competitiveness of local businesses [an] Benefits • Lead to improvements in infrastructure/better transport links [k] which can also speed up delivery times for other businesses [an] • Increased sales for local suppliers [k] as all raw materials are purchased from the country [app] leading to higher revenue [an] • Access to wider range of materials for other local businesses [k]	**6**	Application marks may be awarded for **appropriate** use of the following: • multinational company • capital employed OR $144 bn • 18 countries • 400 000 (workers) • diseconomies of scale • building products OR bricks • raw materials (are bought in country of operation) Note: answers should refer to the impact on other businesses, not the country or NBV Note: increased competition [k] can also create benefits to other businesses so relevant development of advantages of this for other businesses can be credited

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