Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**

Paper 2 Case Study **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.

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

Cambridge International is publishing the mark schemes for the October/November 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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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 two ways QC can create added value for its new service.** 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 Answers are likely to include: • Reward ways of how to set higher prices such as – Improve quality – Provide extra services – Improve brand image • Reward ways of how to reduce input costs such as – Buy cheaper ingredients by changing supplier/buying in bulk to gain a discount/negotiating cheaper price – Source cheaper ingredients from home country instead of importing ingredients Indicative response: Set a higher price (1) so that there is a larger difference between the input costs and price. (1) QC could add additional services to the catering such as silver service (ap) so that it provides a USP that makes the catering service better than competitors and therefore clients will be willing to pay a higher price. (ap) Possible application marks: Catering services; 100 employees; rising incomes; well trained and experienced employees; good reputation; provides catering for businesses such as for conferences; imports food ingredients; birthday parties; wedding services; buy locally produced ingredients; increased spending on luxury goods. 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 the advantages and disadvantages of the following three ways QC could research the market for wedding catering. Which way will give the most accurate results about the market? Justify your answer.

Relevant points might include:
<table>
<tr><td>• Questionnaire about the wedding catering market carried out by QC</td><td>• Primary research so original research
• Gathered for QC specific purpose</td><td>• QC is a small business and therefore could not afford a large sample
• Not experienced in carrying out primary research so may be less accurate</td></tr>
<tr><td>• Questionnaire about the wedding catering market carried out by a market research agency</td><td>• Large size sample size
• Carried out by experts in market research
• May include information not thought about by Neil and Jin</td><td>• Not specifically about QC target market
• The whole market might be very different to QC specific target market
• Expensive for QC to use</td></tr>
<tr><td>• Government statistics on the number of weddings in country Z</td><td>• Cheap and quick to carry out
• Easily accessible
• Gain an idea of overall trends in the market for weddings</td><td>• May be out of date
• May not be helpful as not specific about wedding catering and may only gain numbers etc.</td></tr>
</table>
Conclusion might include:
• Up to date information
• Expertise used/skill of researchers
• Sample size
• Effective questions on questionnaire
• Specific to QC target market
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

<table>
<tr><td>Level 3</td><td>At least 2 × Level 2 +
9–10 marks for well justified conclusion of which way will give the most accurate results for the wedding catering market and why the other ways will be less accurate.

7–8 marks for some limited judgement shown in conclusion of which way will give the most accurate results for the wedding catering market.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the advantages and/or disadvantages of each method of research.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the advantages and/or disadvantages of each method of research.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Questionnaire research is first-hand information gathered for the specific purposes of QC.

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. Questionnaire research is first-hand information gathered for the specific purposes of QC. This makes the information gathered about food requirements for weddings more useful as the questions set will be to find out exactly the information required by QC. However, Jin and Neil are not skilled in carrying out research and they may not phrase the questions very well leading to less accurate information. (L2)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a justified conclusion of which way will give the most accurate results for the wedding catering market.

Award up to 2 additional marks for relevant application.

Possible application marks:
Established 10 years ago; two shareholders; wants to expand; caterers; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; has a cash flow problem; young couples getting married.

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
2(a)	**Neil and the part-time employees are both stakeholders in QC. Identify and explain:** • **one objective that will be the same for both these stakeholders** • **one objective for Neil that will conflict with an objective of the part-time employees.** Knowledge [2 × 1] – award one mark for stakeholder objectives that are the same/are conflicting Analysis [2 × 1] – award one mark for a relevant explanation of why the objective is the same/why it is conflicting Application [2 × 2] – award two application marks for explanation of each stakeholder objective in context Answers are likely to include: • Owners and employees both want the business to make profits – to pay higher wages and higher dividends/ more likely to survive and employees more likely to keep their jobs. • Owner wants to keep costs lower and may reduce wages but employees want higher wages that will put costs up. Likely shareholder/Owner objectives: • To increase profit/make a profit • To expand/grow the business • To increase sales • To maintain brand image/high reputation/customer satisfaction • To reduce costs • To increase productivity/efficiency • To survive Likely employee objectives: • To receive higher wages • To have job security • To have improved working conditions • To work sociable hours • To be motivated and happy at work Indicative response: Owner wants to make a high profit (1) but this could keep down the wages of the employees. (1) There are 90 part-time employees and they may feel unhappy about this. (ap) These employees may be less willing to work additional catering jobs when QC is busy. (ap) Possible application marks: Catering services; two shareholders; wants to expand; Weddings; Birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; maintain good reputation. 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>2(b)</td><td>Consider the advantages and disadvantages of the following three leadership styles Jin and Neil could use. Recommend which one they should use as QC expands further. Justify your answer.
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Autocratic</td><td>• Clear direction given to employees
• Employees know what is expected from them
• Decisions can be made quickly</td><td>• Communication is only one way
• Cannot know the views or suggestions of employees
• May be demotivating as employees are not included in any decision making</td></tr>
<tr><td>Democratic</td><td>• May be motivating as employees may be asked before decisions made
• Feel as though can contribute to the business – feel valued</td><td>• May take a long time to consult employees
• Decisions may need to be made quickly and this leadership style is too slow</td></tr>
<tr><td>Laissez-faire</td><td>• Give decision making to employees
• Motivating as employees feel they have control over their work
• Managers have more time for other tasks as can delegate more
• Employers feel more trusted</td><td>• Employees may make bad decisions
• May lead to lower productivity or lower profit from bad decisions
• Difficult to have a clear direction for the business
• Managers may lose day to day control of decision making</td></tr>
</table></td><td>12</td></tr>
</table>

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<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 of which leadership style should be used for the new service and why not the alternative leadership styles.

7–8 marks for limited recommendation of which leadership style should be used for new service.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Detailed discussion of the advantages and/or disadvantages of each leadership style.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Outline of the advantages and/or disadvantages of each leadership style.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Laissez-faire leaves decision making to the employees.

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. Laissez-faire leaves decision making to the employees. This will make the employees feel more important and valued and they will work harder as they are more motivated. However, Jin and Neil only give them broad objectives and the employees may not carry out these objectives as the owners want. Leading to the service not being delivered as required due to lack of experience of the part-time employees. (L2)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of which leadership style should be used for the new service.

Award up to 2 additional marks for relevant application

Possible application marks:
Catering services; two shareholders; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; noticeboard; food.

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)	**Neil and Jin need to tell employees about the new service.** **Identify and explain one advantage and one disadvantage of using email for this communication.** 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 Answers are likely to include: Advantage: • Written record – can refer back to the details • Cheap to send to all employees • Quicker to send to large number of people at once • Able to provide detailed information Disadvantage: • Message may not have been understood/language barriers • No chance for clarification by employees • No internet access • No body language/cannot see the reaction • Not sure if the message has been received Indicative response: Emails are cheap to send (1) and can easily be sent to all employees. (1) They can be told about the new catering service (ap) and the email can include all the details about offering catering for weddings or birthday parties. (ap) Possible application marks: Catering services; two shareholders; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; noticeboard; food. 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>3(b)</td><td>Using Appendix 3 and other information provided, consider the costs, revenue and profit of the <u>two</u> options. Which is the best option for QC to choose? Justify your answer.
<table>
<tr><th></th><th>Level 1</th><th>Level 2</th></tr>
<tr><td>Option 1 – (Weddings)</td><td>Growing market as increased spending on weddings

Price is higher for Option 1 events

Variable costs are higher for weddings than birthday parties

Price per event is $30 higher for weddings

250 more people attending each event than birthday parties</td><td>TR per event = $25 000

Variable costs per event = $10 000

Gross profit per event = $15 000

TC per event = $11 000

Profit per event = $14 000

TR per month = $250 000

Gross profit per month = $150 000

TC per month = $110 000

Profit per month = $140 000</td></tr>
<tr><td>Option 2 - (Birthday parties)</td><td>Spending on birthday parties has remained the same

90 more birthday parties per month than weddings

Fixed costs lower by $500 for birthday parties

Variable cost $10 cheaper than weddings per person</td><td>TR per event = $5000

Variable cost per event = $2500

Gross profit per event = $2500

TC per event = $3000

Profit per event = $2000

TR per month = $500 000

Gross profit per month = $250 000

TC per month = $300 000

Profit per month $200 000 per month</td></tr>
</table></td><td>12</td></tr>
</table>

Question	Answer	Marks
3(b)	*Note: Do not reward an answer that is just copied from the table in Appendix 3 without any comment* Recommendations might have points that include: • Total cost of Option 2 is $8000 per event less than Option 1 so Option 2 is easier to finance • Option 2 – the profit for birthday parties per month is $60 000 higher than Option 1 – weddings • Option 2 has the highest profit per month • Option 1 has the highest profit per event • Birthday parties have the highest profit per month but the market appears to be not increasing • Option 1 has the higher growth in sales and the highest profit per event	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(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>There must be at least 2 × L2 correct calculations of profit before L3 awarded
9–10 marks for well justified conclusion of which option to choose compared to the other option.

7–8 marks for some limited judgement shown in conclusions as to the best option to choose.</td></tr>
<tr><td>Level 2</td><td>4–6 marks
Calculations of costs, revenue and/or profit for each option.</td></tr>
<tr><td>Level 1</td><td>1–3 marks
Limited statements comparing the costs, revenue and/or profit for each option.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Weddings are $30 higher per person.

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. Weddings will give a profit per event of $14 000. (L2)

Level 3 – For level 3 to be awarded there must be 2 × L2 correct calculations of profit then a well justified conclusion of which option to choose.

Award up to 2 additional marks for relevant application

Possible application marks:
Catering services; two shareholders; wants to expand; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; has a cash flow problem; imports food ingredients.

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
4(a)	**Identify and explain two ways Neil and Jin could improve QC's cash flow.** 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 Answers are likely to include: • Arrange trade credit for ingredients – delay outflows of cash for payments of ingredients so improves cash flow as money held in account for longer. • Reduce trade credit for clients – speeds up inflow of money as payment for catering services are made more quickly so increases speed at which cash flows into account. • Arrange an overdraft facility / short term bank loan • Change to local supplier as ingredients are cheaper • Get deposits from customers before the events • Sell off unwanted non-current assets/Sell unused capital asset • Increase cash inflows • Reduce cash outflows *Note: Do not reward advertising unless part of an explanation* *Note: Bank loan is TV - should be short-term bank loan* Indicative response: Neil can arrange trade credit (1) for ingredients purchased from abroad. (ap) This will delay outflow of cash for payments of ingredients so improves cash flow as money held in account for longer. (1) So QC will keep money in its account for longer and make it easier to pay the wages of the 90 part-time employees. (ap) Possible application marks: Catering services; wants to expand; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees;10 full-time employees; imports food ingredients; offers trade credit; pays cash for ingredients; plans to expand; two shareholders; may run out of working capital. 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>4(b)</td><td>Consider the possible effects on QC of the following three changes. Which change is likely to have the biggest effect on QC's profit? Justify your answer.

Relevant points might include:

<table>
<tr><td>• Increase in income tax</td><td>• Increase tax – lower disposable income – reduce amount spent on weddings and birthday parties – lower demand for catering services
• May need to reduce prices to attract customers
• Employees may ask for an increase in wages as disposable income has gone down</td></tr>
<tr><td>• Appreciation of country Z's currency</td><td>• Local ingredients may still be cheaper than imported ingredients – difference is narrowed
• Imported ingredients are cheaper – effect is lower prices of services or improved profit margins</td></tr>
<tr><td>• Country Z's business cycle enters the boom stage.</td><td>• Boom leads to increased economic growth – increased incomes from higher employment levels – increased demand for catering services – easier for employees to find alternative jobs – may experience increased competition</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(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 conclusion which change is likely to have the biggest effect on QC profit and why the other changes will have less effect.

7–8 marks for some limited judgement shown in conclusion which change is likely to have the biggest effect on QC profit.</td></tr>
<tr><td>Level 2</td><td>4–6 marks

Detailed discussion of the effect of the change on QC.</td></tr>
<tr><td>Level 1</td><td>1–3 marks

Outline of the effect of the change on QC.</td></tr>
</table>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Increased income tax will lower disposable income and reduce spending.

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. Increased income tax will lower disposable income and reduce spending. This is because people will have less money to spend on essential items and will reduce the amount they spend on luxury items such as birthday parties. Hence QC will probably have a reduction in sales. (L2 plus application for referring to luxury items such as birthday parties)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion of which change is likely to have the biggest effect on QC‘s profit

Award up to 2 additional marks for relevant application.

Possible application marks:
Catering services; established 10 years ago; two shareholders; wants to expand; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; has a cash flow problem; imports food ingredients; increased spending on luxury goods; competitors paying higher wages.

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