Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer/Structured Response **October/November 2020**

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)	**Define 'trade union'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Group of workers who join together to ensure their interests are protected [2] Organisation that represents the workers and fights for improvements to pay and conditions [2] An organisation that exists to provide workplace support for its members [2] Partial definition – e.g. Group of workers who join together [1] Group of people who act together to protect their rights [1]	**2**	Do not award pressure group as this does not answer the question.
1(b)	**Define 'level of hierarchy'** Award 2 marks for a full definition. Award 1 mark for a partial definition. Managers/supervisors/other employees who are given a similar level of responsibility in an organisation [2] A level of authority in a business structure [2] Partial definition e.g. People all at the same rank [1]	**2**	Note: To gain 2 marks the answers should show that workers are on a similar level and are within one organisation.

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Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> advantages of SRB using delegation.** Award 1 mark for each relevant advantage. Award 1 mark for each relevant reference to this business. Points might include: • Workload spread more evenly/reduced workload for managers [k] in its 80 branches [app] • Management can focus on more important matters [k] such as responding to increased competition [app] • Motivates employees/gives sense of responsibility [k] so less problems with trade unions [app] • Improved efficiency/better quality of work (because workers are specialised) • Career opportunities [k] as able to do similar work to the 100 managers [app] • Management can measure the success of staff more easily [k] • Can assist with training [k] Other appropriate responses should also be credited.	**4**	Points can relate to employees or the business. Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Business customers • 100 managers • 80 branches • Removing one level of the hierarchy • Saving $1m in costs • Increased competition • Bank (services) or related words such as loans • Develop new products and services • Trade union Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> factors SRB should consider when deciding which managers to make redundant.** Award 1 mark for identification of each relevant factor (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Importance of the role being performed [k] to maintain contact with business customers [app] to ensure good customer service [an] • Performance/experience/skills/flexibility [k] such as not able to use delegation [app] so not able to do the job required [an] • Length of time worked/redundancy costs [k] may be cheaper to choose people who have not been there for a long time [an] • Attitude/attendance/disciplinary record [k] will want to lose poor/ bad workers [an] from the 80 branches [app] • Wages/salary [k] as removing higher paid employees would help reduce costs long term [an] helping to reach the cost reduction of $1m [app] • Which departments need to lose/retain workers [k] • Number of customers [k] at the branch [app] • The number of subordinates under each manager [k] as workers may become inefficient if poorly supervised [an] • Those who volunteer [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. Make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Business customers • 100 managers • 80 branches • Removing one level of the hierarchy • Saving $1m in costs • Increased competition • Bank (services) / give loans • Delegation. Other appropriate examples in context can still be credited. Do not accept reduced costs alone as [k] or [an] as this is [tv].

Question	Answer	Marks	Notes
1(e)	**Do you think that more advertising is a better way for a business to respond to increased competition than introducing new products? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether more advertising is a better way for a business to respond to increased competition than introducing new products. Points might include: Advertising: • To raise awareness of its products [k] to increase revenue [an] but products might not be what customers want which will limit effectiveness [an] • No guarantee that target customers may see it [k] so sales may not rise [an] • More advertising will increase costs [k] • Widen target market/appeal to more potential customers [k] Introducing new products: • Widen target market/appeal to more potential customers [k] • May not appeal to customers [k] • High cost of development [k] which will add to expenses [an] • Allows access to new markets [k] which helps spread risk [an] and increases potential sales [an]. Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Some points could be awarded for different options, but do not award the same point twice. For evaluation to be awarded justification will usually follow on from relevant analysis of points. For the second evaluation mark the candidate must address that there is increased competition.

Question	Answer	Marks	Notes
1(e)	Justification might include: Increased advertising will raise awareness of products [k] potentially increasing revenue. [an] Introducing new products might appeal to a wider target market [k] so helping to spread risk. [an] It depends on reason for increased competition, if customers dislike your products then advertising may not be effective. [eval] Developing products may be more expensive but the business could have little choice if it wants to remain competitive. [eval]		

Question	Answer	Marks	Notes
2(a)	**Define 'flow production'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Where large quantities of a product are produced in a continuous process [2] Mass production using a production line [2] Partial definition e.g. 'Makes lots of the same thing' [1] Large quantities of a standardized product [1] Large-scale production/large volumes, continuous production [1]	**2**	

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Question	Answer	Marks	Notes
2(b)	**Identify <u>two</u> methods (other than technology) a business can use to improve efficiency.** Award 1 mark per method. Points might include: • Reorganise layout/reduce waste/Kaizen/JIT/lean production • Training/improve employee skills/employ more skilled workers • Improve motivation/communication • Specialisation Other appropriate responses should also be credited.	**2**	Only award the first two responses given. Accept practical examples such as examples of performance related pay as motivation methods. Do not accept employ more workers as this will not improve efficiency.
2(c)	**Outline <u>two</u> sources of finance YMG could use for the new technology.** Award 1 mark for each relevant source of finance. Award 1 mark for each relevant reference to this business. Points might include: • Sell shares/owners capital [k] as a private limited company [app] • Bank loan [k] as need $60m [app] • (Retained) profits [k] as likely to have funds as it is the largest manufacturer [app] • Leasing [k] as move into new markets overseas may not be successful [app] • Hire purchase [k] • Owners savings [k] • Sell unwanted assets [k] • Crowdfunding [k] Other appropriate responses should also be credited.	**4**	Long term sources are required for this investment. Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Private limited company/sell shares to family and friends • Flow production • $60m. • New markets • The largest manufacturer • 3 billion litres • Soft drinks Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
2(d)	**Explain how each of the following problems might affect YMG when entering new markets in other countries.** Award 1 mark for identification of each relevant problem (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points may include: Lack of local knowledge: • May not be aware of competitors actions [k] leading to fewer sales /lower revenue [an] of soft drinks [app] • May not understand customer buying habits [k] so must spend more money developing new products [an] rather than investing $60m in new technology [app] • Customers may not like [K] the soft drinks [App] Import quotas: • This limits the number of items that can be brought into the country [k] so fewer litres needed [app] which could lead to higher prices[an] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Private limited company • Flow production • $60m. • The largest manufacturer • 3 billion litres • New technology • Soft drinks • Expanding production Other appropriate examples in context can still be credited. Do not accept answers which clearly refer to tariffs. Do not accept the same analysis point for both problems.

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Question	Answer	Marks	Notes
2(e)	**Do you think a joint venture is the best way for a business to enter a new market in another country? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether a joint venture is the best way for a business to enter a new market in another country. Joint venture • Allows the business to gain important local information about customers [k] so better able to meet customer requirements [an] ensuring sales [an] • Wider range of contacts/better access to resources [k] so may be able to obtain cheaper resources [an] reducing production costs [an] • Less competition [k] as working with local business [an] helping to increase its market share [an] • Can provide access to other specialist staff and technology [k] • Clash of management styles [k] lead to conflict/problems with decision making [an] • Must share profits [k] Other options may include: • Franchising [k] which will reduce the problem of a lack of local knowledge [an] may negatively affect reputation [an] • Licensing [k] losing control over the production [an] • Expand themselves [k] allowing them to retain all the profits [an] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Answers which only discuss alternative options cannot be awarded evaluation marks.

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Question	Answer	Marks	Notes
2(e)	Justification might include: • A joint venture allows the business to gain important local information about customers [k] so they are better able to meet customer requirements [an] ensuring sales [an]. Expanding on their own would require them to raise more capital [k]. If they are happy to share control a joint venture is the best way as it helps reduce the risks of setting up in a new country[eval]. Since expanding on their own maybe too expensive. [eval]		

Question	Answer	Marks	Notes
3(a)	**Define 'sole trader'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Ownership of business in the hands of one individual/person [2] Unincorporated business owned by one person [2] Partial definition e.g. Run/operated by one person [1]	**2**	Do not accept features such as unlimited liability as this is NAQ.
3(b)	**Calculate X and Y.** Award 1 mark for each correct calculation. X = 8400 Y = 7000	**2**	$ not required.

Question	Answer	Marks	Notes
3(c)	**State <u>four</u> factors that can influence the amount of inventory a business might hold.** Award 1 mark per factor. Points might include: • Demand from customers/amount of sales • Perishability of the items • Storage space available • Cost of storage • Delivery charges • Seasons/celebrations/festivals • Amount of money available (to buy inventory) • Lead time/reliability of supplier • Method of production (mass may require high inventory) • Stock control system – JIT/lean production Other appropriate responses should also be credited.	4	Only award the first four responses given.

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Question	Answer	Marks	Notes
3(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Elton of operating in a niche market.** Award 1 mark for identification of each relevant advantage and disadvantage (max 1 for each). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Less competition [k] so easier to attract/retain customers [an] to his shop [app] • Clear focus/easier to target customers [k] interested in certain sports [app] reducing costs of advertising [an] • Builds up specialist skills and knowledge [k] • Can often charge a higher price [k] helps improve profit margin [an] • Customers are prepared to pay for expertise [k] • Customers tend to be more loyal [k] so may remain in business for another 5 years [app] Disadvantages: • Lack of economies of scale [k] leading to higher unit costs [an] so not able to lower cost of sales of $7000 [app] • Risk of over dependence on a single product or market [k] • Likely to attract competition if successful [k] • Vulnerable to market changes [k] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Sole trader • 5 years • Clothing and equipment for sports • shop • Remained small • Wide range of inventory needed • Profit margin was 35% • Use of figures from Table 3.1 Other appropriate examples in context can still be credited. Candidates may gain credit for changes to profit margin only once in either the advantage OR the disadvantage.

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Question	Answer	Marks	Notes
3(e)	**Do you think Elton should be pleased with the financial performance of his business? Justify your answer using appropriate ratios.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether Elton should be pleased with his financial performance. Answers might include: • Gross profit margin has improved [k] from 70% [an] to 72% [an] showing better control of its variable costs [an]. • Profit margin has decreased [k] showing less control of expenses [an] • Revenue improved [k] by $1000 [an] • Gross profit increased [k] by $1200 [an] • Profit decreased [k] by $400 [an] Other appropriate responses should also be credited. Justification might include: • Gross profit margin has improved [k] from 70 % [an] to 72% [an] However profit margin has decreased. [k] He should be pleased as sales and gross profit are rising [eval] but he must be concerned about expenses. [eval]	**6**	Relevant calculations for analysis: Profit margin: 32% in 2019 Fallen by 3% in 2019 Gross profit margin: 70% in 2018 72% in 2019 Risen by 2% [an][an] OFR applies if candidates have incorrectly calculated profit in question 3(b). For evaluation to be awarded justification will follow on from relevant analysis of points and must include ratio analysis.

Question	Answer	Marks	Notes
4(a)	**Define 'business cycle'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Fluctuations in economic activity that an economy experiences over time [2] Changes in level of economic growth/GDP/economic activity over time [2] A period during which a country or economy goes from growth to recession and back again [2] Partial definition e.g. Shows changes in GDP [1] Fluctuations in economic activity [1]	**2**	Do not award alternative names such as trade cycle.
4(b)	**Identify <u>two</u> reasons why a business might change its objectives.** Award 1 mark per reason. Points might include: • Achieved current objective(s) • Changing economic conditions • Changes in legal controls/rules • Changes in the market e.g. competitors join/leave market/ changes in demand • New owners • Growth of business • Change in capital available to the business. Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

Question	Answer	Marks	Notes
4(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to KTF of taking over the other business.** Award 1 mark for each advantage/disadvantage. Award 1 mark for each relevant reference to this business. Points might include: Advantages: • Reduces competition/increased market share [k] as this is one of its main competitors [app] • Possible economies of scale [k] reducing the unit costs of bricks [app] • Possible cost savings [k] which could be one of its objectives [app] • Buying an existing brand can be cheaper than internal growth [k] • Access to new skills or expertise [k]. Disadvantages: • Clash of culture and leadership styles/objectives [k] for a business started 60 years ago [app] • Possible legal action (as gain too much market power) [k] so could face the risk of new legal controls to protect environment [app] • Possible diseconomies of scale or examples e.g. control/ communication problems [k] • Over reliant on one market [k] especially when enter different stages of business cycle [app] • Pressure groups could oppose [k] • Cost of redundancies [k] • Expensive to buy the firm [k]. Other appropriate responses should also be credited.	**4**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Building materials/cement and bricks • $25bn • Started 60years ago • Main competitors • Combined sales of $40bn/raise of $15bn • Business cycle • Interest rates • Legal controls • Protecting the environment • Stakeholder groups Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
4(d)	**Explain how two external stakeholder groups might be affected by the takeover.** Award 1 mark for each relevant stakeholder group. Award 1 mark for each relevant reference to this business. Award 1 mark for each relevant explanation. Points might include: • Banks [k] may have increased demand for loans [an] to pay for taking over its main competitor [app] • Government [k] as may receive more tax revenue [an] if KTF can increase its $40bn sales [app] • [Local] community [k] may be concerned about possible job losses [an] • Suppliers [k] could lead to fewer / increased orders [an] for building materials [app] • Pressure groups [k] • Consumers [k] as may lead to less choice [an] • Competitors [k] as they will be concerned about possible price drops due to the economies of scale gained [an] Other appropriate responses should also be credited.	**6**	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Building materials/cement and bricks • manufacturing • $25bn • Started 60years ago • Main competitors • Combined sales of $40bn • Business cycle • Interest rates • Legal controls • Protecting the environment Other appropriate examples in context can still be credited. Do not award answers which refer to internal stakeholders such as: owners (shareholders), employees.

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Question	Answer	Marks	Notes
4(e)	**Do you think businesses will be more affected by new legal controls to protect the environment than an increase in interest rates? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to which factor likely to have the biggest effect on businesses. Points might include: New legal controls to protect environment: • May have to buy pollution permits/pay fines [k] increasing costs [an] which could increase prices [an] • Introduce new techniques/change how they make things [k] so need to spend more to train employees [an] • Might have to buy new machinery[k] • May be forced to change location [k] • May have to change raw materials [k] Increase in Interest rates: • Bank loans more expensive for business/increased cost of borrowing [k] less likely to invest in capital [an] • Consumers less likely to borrow to buy expensive items [k] leading to lower sales [an] • Demand for higher wages [k] as workers might face lower disposable income [an] Other appropriate responses should also be credited.	**6**	For evaluation to be awarded justification will follow on from relevant analysis of points. Answers which only discuss one option cannot be awarded both evaluation marks.

Question	Answer	Marks	Notes
4(e)	Justification might include: • The business may have to buy pollution permits [k] increasing their costs [an]. Interest rates may mean consumers may not borrow [k] and demand could fall [an]. Legal controls will have more effect because a business cannot avoid them [eval] whereas interest rates may have no effect if the business does not have to borrow money. [eval]		

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