Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer and Data Response **October/November 2021**

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.

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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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Question	Answer	Marks	Notes
1(a)	**Identify <u>two</u> features of a sole trader.** Award 1 mark per feature. Points might include: • Keeps all the profit • Unlimited liability • Unincorporated / no separate legal identity • Takes all decisions / own boss • Has total ownership of business / owned by one person • Few legal requirements Other appropriate responses should also be credited.	**2**	Do not credit in private sector as this applies to many forms of business organisation.
1(b)	**Define 'working capital'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Amount of capital available to a business to pay its day-to-day expenses/costs [2] OR The capital needed to finance the day to day running expenses (and pay the short-term debts of the business) [2] OR Current assets – current liabilities [2] Partial definition e.g. funds used to buy inventory [1]	**2**	Do not credit examples.

Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> ways that break-even information can help Jerome's business.** Award 1 mark for each relevant way. Award 1 mark for each relevant reference to this business. Points might include: • He knows the level of output needed to make a profit / cover costs [k] for his (low sugar) drink [app] • Helps planning/forecasting/decision-making [k] such as how best to increase added value [app] • Help apply for finance [k] as so far only borrowed from friends and family [app] • Can see what will happen if costs/prices change [k] • Helps identify the expected level of profit/loss at different levels of output [k] • Help identify the margin of safety [k] based on the 10 000 units sold [app] 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: • (low sugar) drinks • 200 units above break-even • 10 000 / 9800 units sold • Added value • Family and friends Other appropriate examples in context can still be credited. Do not award points such as shows costs/sales/revenue/profit on own as this is too vague.

Question	Answer	Marks	Notes
1(d)	**Explain how each of the following can help Jerome increase added value:** • **Change the packaging** • **Use cheaper materials** Award 1 mark for identification of each relevant point (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 might include: Change the packaging: • This will allow Jerome to be able to increase the price [k] of his drink [app] increasing the gap between price and costs [an] • Customers can perceive the product to be worth more [k] so may be prepared to pay more for the same product [an] Use cheaper materials: • This will help lower input costs [k] when making 10 000 units [app] increasing the gap between cost and price [an] • Lower costs [k] can lead to higher profit per unit sold [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: • (low sugar) drinks • 200 units above break-even • 10 000 units sold • 9800 (break-even) Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
1(e)	**Do you think giving out free samples is the best method of sales promotion for a business to use when promoting a new food product? 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 a justified decision as to whether free samples are the best method of sales promotion for a business to use when promoting a new (food) product. Points might include: Free samples: • Encourages potential customers to try something [k] which can persuade them to buy [an] • Trying is likely to be more effective than just telling someone about it [k] as the taste is an important part of the buying process [an] • Tempts existing customers to buy more [k] which can increase revenue [an] • Cost of providing samples [k] can decrease profit margin [an] • Way to use up inventory [k] • No guarantee people will buy [k] Other options could include: • Buy one get one free [k] would generate some income [an] • Point of sale displays [k] raise awareness of the product [an] Other appropriate responses should also be credited. Justification might include: • Encourages potential customers to try something new [k] which can persuade them to buy [an]. However, the cost of providing samples [k] can decrease the profit margin. [an] Free samples are the best method despite the cost [eval] as taste is important when buying food [eval].	**6**	This is a general question so there are no marks for application. Candidates can discuss other options, but evaluation must focus on whether free samples is the best method of sales promotion to use.

Question	Answer	Marks	Notes
2(a)	**Define 'multinational company'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. A business with factories, production, or service operations in more than one country [2] OR A business with production or service operation in another country outside its normal area of operation [2] Partial definition e.g. has businesses everywhere [1] OR works/operates in more than one country [1]	**2**	Do not award 'sells in other countries' as this could equally apply to an exporter.
2(b)	**Identify <u>two</u> reasons why a government might support business activity.** Award 1 mark per reason. Points might include: • Create jobs • Increase competition / develop a market • Increase output / economic growth/GDP • Benefit society (small) businesses can grow into large/important ones in the future • Generate new ideas • Can produce (a future source of) tax revenue Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

Question	Answer	Marks	Notes
2(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to NSN of using just-in-time inventory control.** Award 1 mark for each relevant advantage/disadvantage. Award 1 mark for each relevant reference to this business. Points might include: Advantages: • Less warehouse space [k] needed to store parts for cars [app] • Less inventory held [k] in its factories [app] • Lower storage costs [k] for the multinational company [App] • Improve working capital [k] • Improve cash flow [k] • Lower risk of obsolete/damaged stock [k] Disadvantages: • Very reliant on suppliers to deliver stock when needed / if parts not available / late it will have a major impact on production [k] as technology has changed how production is carried out [app] • May not be able to meet sudden/unexpected order [k] • Little room for mistakes (as minimal stock available for rework) [k] • Less (purchasing) economies of scale [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: • Car • Factory • Multinational company • Technology changed production Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> ways in which an increase in economic growth might affect NSN's decision to build a new factory in country Z.** Award 1 mark for identification of each relevant way (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: • Could lead to increased demand [k] for cars [app] increasing revenue [an] • Shortage of skilled workers [k] may make it more difficult to recruit workers [an] for the 7000 jobs[app] • Employees may ask for higher wages [k] increasing costs [an] • Increased rent costs / less choice of location [k] increasing fixed costs [an] for the factory[app] • Increased competition [k] so may gain few customers / low market share [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: • Car • $80m (grant) • 7000 jobs • Just-in-time inventory control • Multinational company Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
2(e)	**Do you think the ways technology has changed production methods benefits all employees? 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 a justified decision as to whether the way technology has changed production methods has benefited all employees. Points might include: • Need for retraining / learn new skills [k] leading to opportunities for promotion [an] • Safer conditions [k] so less risk of injury [an] • The job is more repetitive [k] so lower job satisfaction [an] • Fewer workers needed / workers may lose their jobs / redundancy [k] so lower standard of living [an] • More job insecurity / fear of change [k] so could reduce motivation [an] • More skilled workers may be needed [k] leading to higher pay [an] Other appropriate responses should also be credited. Justification might include: • Less job security [k] could reduce workers motivation [an]. However, more skilled workers may be needed [k] leading to higher pay. [an] No, it will not benefit all employees as it depends on the individual worker. Those who lose their jobs will not see the benefit from technology [eval] whereas those who keep their job can benefit from learning new skills. [eval]	**6**	This is a general question so there are no marks for application. Note: Answer must focus on the benefit or not to the workers so do not accept points such as 'more efficient' or 'better quality/ less mistakes' unless clearly link issue to employees. Do not award work is easier/less work as this is too vague.

Question	Answer	Marks	Notes
3(a)	**Define 'externalities'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Third party effects arising from production or consumption of goods and services for which no appropriate compensation is paid [2] OR Advantages or disadvantages that fall on third parties that are not directly involved in the production process [2] OR The effect of business activities on unrelated parties [2] Partial definition e.g. effect on third party or society [1]	**2**	
3(b)	**Define 'stakeholder groups'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Any person or group with a (direct) interest in the performance/activities of a business [2] Partial definition e.g. An individual or group which has an interest in a business [1] OR Someone affected by what a business does [1] OR Anybody inside or outside the business who cares about its operations [1]	**2**	

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Question	Answer	Marks	Notes
3(c)	**Outline <u>two</u> reasons why profit might be important to SBG.** Award 1 mark for each relevant reason. Award 1 mark for each relevant reference to this business. Points might include: • Source of finance [k] as its objective is to grow [app] • To ensure survival of the business / avoid closure [K] protecting jobs of its 700 employees [app] • Measure/indicator of success of the business [k] in each of the 16 countries [app] • Measures the performance of managers [k] in the paint business [app] • Reward for risk-taking [k] • Decide whether to continue making or selling a product [k] • Attract investors [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: • Paint • 6 factories • 700 employees • 16 countries • Growth (is the objective) • Employees are encouraged to be involved in decision-making. Other appropriate examples in context can still be credited. Do not credit payment of day-to-day expenses.

Question	Answer	Marks	Notes
3(d)	**Explain <u>two</u> ways SBG can involve its employees in decision-making.** Award 1 mark for identification of each relevant way (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: • Delegation [k] as workers in the 6 factories [app] will make the decisions themselves [an] • Democratic leadership [k] encourages employees to offer ideas [an] about developing new products [app] • Encourage team working / kaizen [k] for its 700 employees [app] • Meet with employees/surveys [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: • Paint • 6 factories • 16 countries • 700 employees • Developing new products • Channel of distribution Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
3(e)	**Do you think using wholesalers is the best way for a large business to distribute its products? 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 a justified decision as to whether wholesalers are the best channel of distribution for a large business to use. Points might include: • Transport costs to the retailer is paid for by the wholesaler [k] so reduces costs to manufacturer [an] • Can help sell goods to a larger market [k] leading to higher revenue [an] • Wholesalers buy in large quantities [k] reducing distribution costs [an] • Wholesalers will advertise and promote products [k] • Another middleman will take some of the profit [k] • Producer loses some control over the marketing [k] Other options could include: • Selling direct to customers [k] ensures more control over the marketing mix [an] • Using a retailer [k] Justification might include: • Wholesalers will pay slightly lower prices [k] which will reduce the businesses profit margin. [an] By selling direct to customers [k] this will give the firm more control over marketing. [an] Selling directly to customers maybe the best way to protect its brand image. [eval] For a large business image is likely to have a big impact on in their sales. [eval]	**6**	This is a general question so there are no marks for application. To gain both evaluation marks, response must clearly relate to a large business. Candidates can discuss other options, but evaluation must focus on whether wholesalers are the best way for a large business to distribute its products.

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Question	Answer	Marks	Notes
4(a)	**Define 'cost of sales'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Cost of producing or buying in the goods sold by the business during a period of time [2] OR Cost of purchasing the goods used to make the products sold [2] OR Variable cost of making the goods sold [2] OR Cost per unit x number of output sold [2] OR Opening inventory + purchases – closing inventory [2] Partial definition e.g. money spent on materials [1]	**2**	Do not award examples or answers which include references to expenses.
4(b)	**Calculate X and Y.** Award 1 mark for each correct calculation. X 900 000 or 900 Y 320 000 or 320	**2**	

Question	Answer	Marks	Notes
4(c)	**Identify <u>four</u> stages of the recruitment process.** Award 1 mark per stage. **Four** from: • Job analysis / identify vacancy • Job description • Person/job specification • Advertising (the vacancy) • Application forms sent out/received • Short listing/screening • Interview/testing • Selection / job offer / hire Other appropriate responses should also be credited.	**4**	Only award the first four responses given. Note: Answer must be from the business viewpoint not the applicants e.g. CV or letter of application.

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Question	Answer	Marks	Notes
4(d)	**Explain <u>two</u> reasons why effective communication might be important to BGR.** Award 1 mark for identification of each relevant reason (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: • To ensure employees / suppliers carry out the instructions correctly / understand what to do [k] to make sure the right thing is done / there is no wastage [an] • Speed up decision-making [k] at the new location [app] so able to quickly react to changing customer tastes [an] • To ensure customers are given correct information [k] which can help improve customer loyalty [an] • Find customer preferences [k] so can use the information to help improve its services / make it more competitive [an] • Motivates employees [k] increasing efficiency [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: • Cinemas (or cinema related words such as movies, suppliers of popcorn) • New location • $320 000 expenses • Recruit 10 more employees Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
4(e)	**Do you think issuing new shares is a better way for a limited company to finance expansion than using a bank loan? 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 a justified decision as to whether issuing new shares is a better way for a limited company to finance expansion than using a bank loan. Points might include: Issue new shares: • Permanent source of capital [k] so no need to repay [an] • Access to greater amounts of capital [k] as no restriction on number of shares [an] • No interest to pay [k] so fixed costs do not increase [an] so can avoid increasing debt [an] • Possible loss of control / risk of takeover [k] making it difficult to manage or take decisions [an] • Cost/time to arrange [k] so not able to focus on other issues [an] • Shareholders might expect dividends [k]	**6**	This is a general question so there are no marks for application. Candidates can discuss other options, but evaluation must focus on whether new shares is better than a bank loan to finance expansion.

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Question	Answer	Marks	Notes
4(e)	Bank loan: • Increase debt [k] which can increase gearing ratio [an] • Need to repay [k] • Must pay interest [k] which increases expenses [an] • Have long time to repay [k] allows time to gain extra revenue to meet repayments [an] • Can keep profits for future/emergency [k] • Can borrow large amount / all the money [k] Other appropriate responses should also be credited. Justification might include: Issuing new shares give access to large amounts of capital [k] as there is no restriction on the number of shares. [an] Bank loans require interest payments [k] which will increase costs. [an] It can depend on the current level of debt as a bank loan will increase financial risk[eval] so it may be safer to issue shares as a limited company will not be required to repay the funds. [eval]		