Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/12**

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)	**Define 'secondary sector'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Firms that process and manufacture goods from natural resources [2] OR Manufacture goods using the raw materials provided by the primary sector [2] OR Uses manufacturing to transform the raw materials generated in the primary sector into a product [2] Partial definition e.g. makes products [1]	**2**	Do not award examples.
1(b)	**Identify <u>two</u> factors a business should consider when deciding whether to introduce just-in-time inventory control.** Award 1 mark for each factor identified. Points might include: • **Reliability** of suppliers / time / speed of delivery / availability of inventory at suppliers / distance from suppliers • Whether there is **steady** production / **predictable** demand • Efficient system of ordering materials / good communication systems • Whether discounts are available for bulk purchases • Cost/availability of storage space Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
1(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to SWB of using quality control.** Award 1 mark for each relevant advantage/disadvantage. Award 1 mark for each relevant reference to this business. Points might include: Advantages: • Tries to eliminate faults before customer receives products / reduces likelihood that customers get faulty products [k] as only has one customer [app] • Not all workers need to be trained (as inspectors employed to check quality) [k] which is important as has 240 employees [app] Disadvantages: • Cost/need to recruit inspectors/employees to check [k] the bookcases [app] • Does not find out how/where fault occurred [k] in each batch [app] • **High cost** if products must be scrapped / reworked / service repeated [k] which clashes with its objective to reduce waste [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 may be appropriate for this question: • 150 000 / bookcases or related words such as wood • Batch production • 240 employees / 100 or part-time employees / 140 full time • Factory • One customer • Just-in-time inventory control • Objective is to reduce waste Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> possible communication barriers that might exist at SWB.** Award 1 mark for identification of each relevant communication barrier (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: • Technical language / jargon / different language spoken [k] so workers do not understand [an] so make wrong number of bookcases [app] • Lack of feedback / no opportunity for feedback [k] so do not know / cannot check if message received / understood (correctly) [an] so not able to help reduce waste [app] • Noise [k] so employees may not hear / mishear orders [an] in the factory [app] • Employees may not be at work [k] as 100 work part-time [app] so not able to obtain the information [an] • Too much information / detail [k] so not possible to absorb / take it all in [an] • Employees may not see/read **message** [k] on the noticeboard [app] • Not listening / not paying attention [k] in the meeting [app] • Wrong communication method/medium used [k] • Receiver may not trust the sender [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 may be appropriate for this question: • 150 000 / bookcases or related words such as wood • Batch production • 240 employees / 100 or part-time employees / 140 full-time • Factory • Reducing waste • Meetings (every month) • Noticeboards • Just-in-time inventory control Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
1(e)	**Do you think it is a good idea for a business to have only one customer? 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 it is a good idea for a business to have only one customer. Points might include: • Only one source of revenue / sales [k] so if the customer does not buy, the business could fail / experience cash flow issues [an] • Can focus / specialise on the needs of that customer [k] increasing customer loyalty [an] • Can help planning / know what need to order [k] reduces amount of wastage [an] • No need to advertise [k] leading to lower marketing costs [an] • Can give customer too much power to influence prices [k] • Less administration (compared to several customers) [k] Other appropriate responses should also be credited. Justification might include*:* Having a single customer can make it easier to focus on the needs of that customer [k] so more likely to build customer loyalty [an.] However, can spread the risk if more than one customer [k] so if one stops buying they can rely on the other customers [an]. I think having a single customer is too high a risk as the business is totally dependent on one other business for its own success [eval] as it ties its success to the other business over which it has little control. [eval]	**6**	This is a general question so there are no marks for application.

Question	Answer	Marks	Notes
2(a)	**Define 'variable costs'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Costs that change with the level of output produced / sales made [2] Costs which **vary directly** with the number of items sold or produced [2] Costs that change in direct **proportion** to output [2] Partial definition e.g. costs that change [1]	**2**	Do not accept examples.
2(b)	**Identify <u>two</u> limitations of break-even analysis.** Award 1 mark per limitation. Two from: • Assumes all costs can remain constant / be represented with straight lines • Not easy to separate some costs into fixed or variable. • Assumes all output is sold / does not allow for inventory being held • Assumes selling price will remain same for all products sold • Assumes only one type of product is sold Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> possible advantages to ALB of using retailers to distribute its products.** Award 1 mark for each relevant advantage. Award 1 mark for each relevant reference to this business. Points might include: • Access to many customers / able to attract people passing by / high footfall / wide distribution is possible [k] which can help increase revenue for its trainers [app] • Lower storage costs / does not need large storage space / cost of holding inventories is paid (in part) by retailer [k] so has more space / funds for its wool [app] • Can act as promotion / retailer will pay for advertising and other promotion [k] which could help raise awareness about protecting the environment [app] • Can sell in large quantities to retailers [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 may be appropriate for this question: • Trainers/sneakers • Wool / sustainable materials or related words • Protecting the environment • 50% (retailers costs) Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
2(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to ALB of trying to protect the environment.** Award 1 mark for identification of each relevant advantage / disadvantage (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Advantages might include: • Better brand image / reputation [k] leading to higher sales [an] of its trainers/sneakers [app] • Can help attract customers [k] which may be important as does use retailers [app] could lead to an increase in revenue / increase market share [an] • May be able to set higher price [k] • Less likely for pressure group action / no consumer boycott / support from pressure groups [k] maintain sales [an] Disadvantages might include: • Higher / increase in costs [k] leading to lower profit margin / higher prices [an] • High variable costs [k] as suppliers who protect environment may charge higher prices [an] • Can be difficult to find materials [k] such as wool [app] leading to lower output [an] • Higher fixed costs [k] as may need to buy specialist equipment which produces less emissions [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 may be appropriate for this question: • Trainers/sneakers or related words • Wool / sustainable materials or related words • 5% profit margin • Retailers (for distribution) • 30% (variable costs) • 15% (fixed costs) Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
2(e)	**Do you think a successful entrepreneur has to be a good manager? 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 successful entrepreneur has to be a good manager. Points might include: Entrepreneur: • Must be creative / innovate / provide new / unique ideas [k] to help gain sales / attract customers [an] • Need to be willing to take risks [k] to benefit from the reward / profit generated from the business [an] • Perseverance / determination [k] as will need to be prepared to keep going when faced with problems / issues that any new business is likely to have [an] • Can hire someone to manage the business (if you don't possess these skills) [k] but this will cost money [an] Manager: • Need to be able to organise operations [k] so able to get supplies / deliver on time to get repeat orders [an] • Must be able to plan [k] so production runs efficiently [an] • Ability to control employees [k] so they are all on task [an] • Help motivate employees [k] to maintain efficiency / reduce absenteeism / ensure retain employees [an] • Activities must be coordinated [k] so time is not wasted [an] • An ineffective manager can make the wrong decisions [k] which will cost money / damage reputation [an] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application.

Question	Answer	Marks	Notes
2(e)	Justification might include: An entrepreneur is someone willing to take risks [k] to benefit from the profit made by the business. [an] Being a good manager is important as planning is needed [k] so that production runs efficiently [an]. However, I think a successful entrepreneur does not have to be a good manager because they can always recruit someone if they cannot do this role [eval], and without taking the initial risk there is no business to manage. [eval]		

Question	Answer	Marks	Notes
3(a)	**Identify <u>two</u> ways a government can support new business start-ups.** Award 1 mark per way. Points might include: • Offer grants • Loans for small businesses • Low tax rates / tax relief / tax breaks • Offer advice / support / information / mentors • Provide (free / low-cost) training • Low cost / rent-free premises • Organise business fairs Other appropriate responses should also be credited.	**2**	Only award the first two responses given.
3(b)	**Calculate <u>X</u> and <u>Y</u>.** Award 1 mark for each correct calculation. X $3800 or 3800 Y $1400 or 1400	**2**	No $ sign required.

Question	Answer	Marks	Notes
3(c)	**State <u>four</u> financial ratios a business can use.** Award 1 mark per financial ratio. Four from: • Profit margin • Gross profit margin • Return on capital employed / ROCE • Current (ratio) • Acid test (ratio) Other appropriate responses should also be credited.	**4**	Only award the first four answers given.
3(d)	**Explain <u>two</u> ways that the introduction of a new tourist tax might affect Aurelie's business.** Award 1 mark for identification of each relevant way (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: • Increase price [k] at her hotel [app] leading to lower demand [an] • Lower demand/sales [k] leading to less revenue [an] than $5600 [app] • Increase **administration** costs [k] for this sole trader [app] reduce her profit **margin** [an] • May have to lower prices [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 may be appropriate for this question: • (Small) hotel or related words such as room • $1 / (price) per night • Sole trader • $5600 (revenue) • $2400 (expenses) Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
3(e)	**Do you think offering good customer service is the best way for a small business to build customer relationships? 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 offering good customer service is the best way for a small business to build customer relationships. Points might include: Offer good customer service: • Makes customers feel valued / builds trust [k] so improves customer loyalty [an] which can help maintain / increase revenue [an] • Can help build reputation / brand image [k] • May need to train/recruit employees [k] which increases costs [an] Other options include: • Loyalty (reward) scheme [k] which can encourage customers to keep returning [an] but there is time / cost of setting up / monitoring scheme [an] • Market research [k] • Maintain good communications [k] • Respond to complaints / offer refunds quickly [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application.

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Question	Answer	Marks	Notes
3(e)	Justification might include: Good customer service can make customers feel valued [k] so customers may be willing to buy additional products [an]. However, it may mean the business has to train its employees [k] which increases costs [an]. But I think it is still the best way as it can also help attract additional customers to the business increasing revenue [eval] which can offset / cover the additional cost of training. [eval].		

Question	Answer	Marks	Notes
4(a)	**Identify <u>two</u> features of a public limited company.** Award 1 mark for each feature identified. Points might include: • Limited liability • Can sell shares to the general public / shares quoted on stock exchange • Must publish its accounts / more regulations • Separate legal identity / business survives death of owners • Minimum of two owners • Must hold an Annual General Meeting (AGM)	**2**	Only award the first two responses given.
4(b)	**Identify the level of Maslow's Hierarchy of Needs each of the following methods belongs to.** Award 1 mark per correct answer. 'Employee of the month award': Level 4 OR esteem Organises team building courses: Level 3 OR social/belonging	**2**	Do not award self-esteem as alternative to esteem (as this is not a level).

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Question	Answer	Marks	Notes
4(c)	**Outline <u>two</u> advantages to GCF of having well-motivated employees.** Award 1 mark for each relevant advantage. Award 1 mark for each relevant reference to this business. Points might include: • High / higher productivity / efficiency / output / work quick or quicker [k] when working for its business customers [app] • Less likely to leave / low labour turnover [k] of its 250 employees [app] • Less absenteeism [k] so easier to offer computer services [app] • Willing to accept change / new methods of working [k] which could be important when its looking to take over a competitor [app] • Good / better (quality) service / fewer mistakes / less errors [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 may be appropriate for this question: • Computer services or examples such as designing apps / websites • 250 (employees) • Business customers • Takeover (a competitor) / plans to expand Other appropriate examples in context can still be credited.

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Question	Answer	Marks	Notes
4(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to GCF of issuing new shares as a source of finance.** Award 1 mark for identification of each relevant advantage / disadvantage (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: Advantages: • Access to **large** amounts of capital [k] so able to fund expansion [an] as need to raise $50m [app] • No interest / finance costs to pay [k] so fixed costs do not increase [an] so can invest in its computer services / designing websites [app] • Permanent source of capital [k] so no need to repay [an] • Avoid increasing debt [k] Disadvantages: • Cost/time to arrange [k] so not able to focus on other issues [an] such keeping its employees well-motivated [app] • Increased risk of takeover / original owners may lose control [k] which could change the direction / objectives of the business [an] • Shares might not be bought / no guarantee can raise planned amount [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 may be appropriate for this question: • Computer services or examples such as designing apps / websites • $50m • Takeover (a competitor) / plans to expand • Well-motivated employees • Public limited company Other appropriate examples in context can still be credited.

Question	Answer	Marks	Notes
4(e)	**Do you think the number of employees is the best way to measure the size of a tertiary sector business? 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 number of employees is the best way to measure the size of a tertiary sector business. Points might include: Employees: • Some businesses make use of a lot of technology/equipment [k] so it does not need as many workers [an] • Some businesses may have a lot of part-time workers [k] which can be difficult to compare businesses [an] • Simple/easy to calculate [k] Other points might include: • Value of sales / revenue / output [k] as high value can suggest many customers [an] resulting in higher revenue [an] • Capital employed [k] but some types of business may have a high level of non-current assets / technology / shops whereas others do not [an] • Number of outlets/branches [k] but could be (in area of) low demand [an] • Market share [k] • Number of customers/services [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application. Do not award profit as a measure of size.

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Question	Answer	Marks	Notes
4(e)	Justification might include: Using employees may not be a good measure as some businesses make use of a lot of technology [k] so it does not need as many workers. [an] A better way is value of sales [k] which can suggest a business has many customers [an]. I think value of sales is the better measure, as all businesses will have sales revenue [eval] whereas the number of employees can depend on the type of tertiary sector business. [eval]		

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