Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/21**

Paper 2 Case Study **October/November 2023**

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 2023 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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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).

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.

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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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0450/7115/0086 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
APP	Application	Indicates appropriate reference to the information in the context.
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>two</u> advantages and <u>two</u> disadvantages of PH being a public limited company.** One mark for each advantage/disadvantage (max of 4). Award a maximum of 1 additional mark for **each** explanation of the advantage/disadvantage of being a public limited company **in the context of PH.** Relevant answers might include: Advantages: • Can sell shares to the public – which may be attractive to prospective shareholders as this business has a long history of producing high quality products • Limited liability – giving protection to the assets of shareholders when the business is expanding in other countries • Continuity – if shareholders die their shares will be passed on to others which has allowed the company to exist for over 50 years • As it has a higher status it may find it easier to borrow from banks • Rapid expansion may be possible/can raise large amounts of capital • Incorporated identity/separate legal identity Disadvantages: • Legal formalities – for this business that manufactures protective hats • Accounts have to be published – which may be viewed by competitors that want to become the market leader instead of PH • Divorce between ownership and control/potential conflict between managers and shareholders • The company may be at risk of a takeover/no control over who buys shares • Directors' decision making may be influenced by major investors when seeking to satisfy their own objectives For example: A public limited company can sell shares to the public (1), and this makes it easier to raise capital for investment in new factories to produce its protective hats (app). **Application** could include: protective hats; construction sites; construction workers on building sites; mining workers; plan to expand by opening factories in other countries; remain the market leader; has a long history of producing high quality products; been in business for 50 years; becoming a multinational company.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider the following <u>two</u> ways PH could ensure quality production. Which way should PH choose? Justify your answer.

Quality control
Quality assurance

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both ways.

Well-justified recommendation.

Candidates discussing both ways in detail, in context and with a well-justified recommendation, including why the alternative way was rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one way.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one way in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the ways with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both ways in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:
<table>
<tr><th>Quality Method</th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Quality control</td><td>• Products checked at the end of the production line tries to eliminate faults and errors before the customer receives the protective hats
• Less training is required for the 100 workers as inspectors check the quality of the hats before they leave the factory</td><td>• It raises costs as inspectors need to be employed
• Identifies faulty hats at the end of the process but does not identify where the fault has occurred
• If PH does not identify the fault, then it does not eliminate the faulty process – higher costs if protective hats need to be scrapped/reworked
• Employees may be demotivated as quality checks are not their responsibility and so do not feel trusted – possibly making more careless errors when carrying out their tasks</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
<table>
<tr><th>Quality Method</th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Quality assurance</td><td>• Products checked at every stage of the production process to try to eliminate faults or errors at each stage of production before passing to the next stage - reducing faults at the end
• There are fewer customer complaints of faulty protective hats
• Reduced costs of wastage as fewer hats are scrapped due to being faulty
• Can make workers feel trusted and may improve motivation</td><td>• Can be expensive to train employees to check the quality of their own work
• The reliability of employees is important, and they need to be committed or quality assurance will not be effective
• Takes longer to produce protective hats as each worker needs to do their own check for faults
• Components and raw materials need to be of an approved standard to comply with quality assurance - may restrict the suppliers that can be used - possibly increasing costs
• Employees may expect to be paid more to carry out the quality checks as they are currently only on the minimum wage</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
<table>
<tr><td>Quality Method</td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification may include:
• If the process to produce protective hats is simple, then quality control may be most suitable as inspectors may just carry out a simple check at the end of the production line. The 100 production workers do not need to be trained to check their own work, reducing training costs, which they would have to do if quality assurance was used. This makes the production process faster than if quality assurance is used as production workers would need to keep checking the hats at each stage of the production process.
• Quality assurance is best because each stage of production can be checked so it is less likely for a faulty product to go to customers than if quality control is used. It keeps a good brand image and reputation for PH products which is very important for protective hats. It will ensure faults do not need to be repaired, reducing cost of faulty products being scrapped.</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer	Marks
2(a)	**Explain <u>two</u> limitations and <u>two</u> benefits to a business of developing new products.** 1 mark for each limitation/benefit (max of two limitations/benefits). Award a maximum of one additional mark for **each** explanation of the limitation/benefit of developing new products. There are no application marks available for this question. Relevant answers might include: Limitations: • Would need to carry out market research to see if there is a market for the new product – which is expensive/may not be accurate • Analysing the results to develop a new product that meets customer needs takes time – could have been used for alternative tasks • Trailing new products is expensive – as a free sample of the new product to try out still costs the business to produce • Demand may be so low that revenue does not cover costs/may not be a market for the new product – the new product may have to be withdrawn • Image of the business could be damaged – if the new product does not meet customer needs Benefits: • It could have a USP – which could make the products more popular with consumers than those of other businesses/business remains competitive • It could attract a different market segment/new customers/expand into a new market – leading to higher sales and revenue • It could encourage existing customers to buy the new product/return more often – increasing market share • It spreads risk/diversifies as the choices for customers may now be wider – reducing the likelihood of revenue falling if one product does not sell • Developing new products first before competitors – may be able to charge a higher price and achieve higher sales/revenue For example: Trialling new products is expensive (1) as a free sample of the new product to try out still costs the business to produce (1).	**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 <u>three</u> methods PH uses to collect market research data. Which method is most likely to ensure that accurate data is collected? Justify your answer.

A focus group made up of existing customers
An online survey with only 5 questions
Secondary research including government sources

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more methods.

Well-justified conclusion.

Candidates discussing all three methods in detail, in context and with a well-justified conclusion including why the alternative methods were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one method.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the methods with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining three methods in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><th>Market research method</th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>A focus group made up of existing customers</td><td>• Asking questions of people that work in the construction and mining industries who are already familiar with the products – more likely to gain detailed/honest information about existing products - good and bad points to help develop a new protective hat
• Interaction between members of the focus group can help the researchers understand the reasons for existing customer opinions</td><td>• Discussion is likely to be biased – as the sample in the focus group is restricted to existing customers – may not gain information about existing competitors/the requirements for a new mining hat – may lose sales if new product doesn’t meet customer needs
• Limited number of people asked as focus groups are small – may not gather the opinions of a large enough sample to gain accurate research data
• Can be time-consuming and expensive to conduct – especially if carried out for PH by a specialist market research agency</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
2(b)		

Market research method	Advantages	Disadvantages
An online survey with only 5 questions	• Results can be automatically analysed and presented using IT – quicker and cheaper to collate the results than alternative forms of survey • Fast and with quicker response times than postal survey – can be emailed out to existing customers of the **hats** to complete the survey – already have their email addresses so quick to send out links to the survey • Cheaper to carry out than interviews or postal questionnaires – no personnel or postage to pay • Larger sample from different parts of the world	• Only including 5 questions may restrict the answers – less likely to be accurate due to other options not being available to answer • Absence of interviewer or person to explain the question – may be misinterpreted so results less accurate • May be completed quickly and therefore may not be taken as seriously as an interview when being asked questions – again results may not be accurate • May not be completed by a wide range of potential customers from the **construction industry** – as don't have access to their contact details/they don't have the internet
Secondary research including government sources	• Reliable as collected by the government – more likely to be accurate as less likely to be biased/carried out by experts • May be free to access information about the **construction companies** in the country – reducing market research costs	• May be out of date – therefore may not reflect current trends • Restricted to single secondary source – may have been collected for a purpose that does not inform PH about their market – e.g. general information about **mining industries** • Available to competitors – so may not help competitiveness

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
<table>
<tr><td>Market research method</td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Conclusion</td><td colspan="2">Justification may include:
• A focus group is likely to be the most accurate as it uses existing customers who are already familiar with the hats. It will allow detailed information to be gathered on the opinions of existing customers. Online surveys may not sample a wide enough group of people and the answers will be restricted by only 5 questions being asked so the answers to other questions will not be gathered. Government statistics may be out of date and therefore not reflect current trends in industries such as mining.
• An online survey is likely to be most accurate as it can ask for responses about hats for construction sites and mining from a much larger sample than the focus group. This is more likely to provide opinions from a wider group of people than just existing customers as well.
• Secondary research is likely to be the most accurate as government data on construction and mining industries will have been gathered by experts and hence is unlikely to contain inaccuracies or be biased.</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer	Marks
3(a)	**Explain <u>two</u> reasons why training is important to PH.** 1 mark for each reason (max 2). Award a maximum of 3 additional marks for **each** explanation of the reason why training is important to PH – **one of which must be applied to this context.** Relevant answers might include: • To introduce a new process or equipment – so that employees know how to use the new equipment without damaging it/operate it safely – or not being sure how to operate it and become less productive • To improve the efficiency/productivity of employees – as they will be skilled in operating equipment – and output will increase • To train unskilled workers to perform a wider range of tasks – so they may be moved to other areas of the factory – which makes production more flexible when increased output of a particular product is required • To decrease the chances of faulty products being produced/fewer mistakes – to ensure high quality products are manufactured – so the reputation of PH does not fall • To decrease the chance of accidents • To provide opportunities to internally recruit • To improve the motivation of employees • To provide induction training to introduce new employees to the business • Less supervision of workers may be required For example: To decrease the chances of faulty products being produced (1) because PH has a reputation for producing high quality products (app) and PH does not want to get a bad reputation (1) as sales would decrease (1). **Application** could include: protective hats; construction sites; construction workers on building sites; mining workers; plan to expand by opening factories in other countries; remain the market leader; has a long history of producing high quality products; 100 production employees; been in business for 50 years; becoming a multinational company; workers are currently demotivated; flow production line.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Consider how the following <u>three</u> groups might use the financial data shown in Appendix 3. Which group will find this data most useful? Justify your answer.

- **PH's employees**
- **PH's shareholders**
- **Competitor considering taking over PH**

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of how two or more stakeholder groups might use the financial information in Appendix 3.

Well-justified conclusion.

Candidates discussing in detail how all three stakeholder groups might use the financial information in Appendix 3, in context and with a well-justified conclusion including why the other stakeholder groups may find the financial information less useful should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of how at least one stakeholder group might use the financial information in Appendix 3.

Judgement with some justification / some evaluation of choice made.

Candidates discussing in detail of how two or more stakeholder groups might use the financial information in Appendix 3 and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
</table>

</td><td>**12**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss how the stakeholder groups might use the financial information in Appendix 3 with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining how the three stakeholder groups might use the financial information in Appendix 3 and in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:

<table>
<tr><td>PH’s employees</td><td>• Whether to ask for a pay rise - may use the profit to indicate if PH can afford to increase its wages from just paying the minimum wage - $20m profit in 2022indicates that PH may have sufficient profit to increasewages the following year
• Whether to look for another job - revenue has increased 25% from $100m to $125m - may indicate that their jobs are secure as the business is doing well
• Whether there is sufficient revenue to improve working conditions</td></tr>
<tr><td>PH's shareholders</td><td>• Whether to sell shares - profit margin has fallen from 20% to 16% which is a fall of 4%. May indicate losing control of expenses or costs are rising
• The level of profit has remained the same at $20m so dividend payments may remain the same
• Whether to buy more shares - business has made more revenue as it has increased by $25m which may indicate the business is successful and growing – buy more shares or keep existing shares</td></tr>
<tr><td>Competitor considering taking over PH</td><td>• Whether to take over PH as revenue has increased by $25m from $100m so may be taking market share away from the competitor – may indicate the competitor should take over PH – although profit margin is falling and needs to have greater control of expenses – may indicate higher profit and profit margin possible if better managed
• Comparison with own revenue and profit to see if PH is doing better than competitor – may learn how to improve its own competitiveness - gross profit margin has increased indicating that the cost of sales is lower - may be due to cheaper materials being purchased - may lead to lower quality products and may not want to take over the business</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer		Marks
3(b)	Conclusion	Justification might include: • PH's employees will find the financial information in Appendix 3 most useful as it will show if PH can afford to increase the wages of the **100 production employees higher than the minimum wage**. **Profit has remained at $20m** and so PH should be able to afford higher wages. Without knowledge of the revenue increasing and profit it would be harder for employees to argue for an increase in their pay. Shareholders may find this information less important as they would want to know the dividends that were going to be paid out of the profit rather than just the profit figure. Competitors would also want to see the share price if they were considering taking over PH as well as the profit made so this information is less useful to them. • PH's shareholders would find the financial information most useful as they want to know if profit has increased to indicate whether they are likely to receive a dividend. The profit margin of **16%** would indicate that PH is still relatively successful, and their shares may remain at the same value. • PH's competitors would find the financial information most useful as they want to know if PH is worth taking over. If the profit margin has **fallen to 16%**, then there may be room to increase the profit margin if the business is better managed after a takeover. This would allow a comparison with their own profit margin to see if it is higher than theirs and hence worth taking over.	

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Question	Answer	Marks
4(a)	**Explain <u>two</u> benefits of PH's employees becoming members of a trade union.** 1 mark for each benefit (max of 2). Award a maximum of 3 additional marks for **each** explanation of the benefits of PH's employees becoming members of a trade union – **one of which must be applied to this context.** Relevant answers might include: • More likely to be listened to as strength in numbers – employee's views are represented in grievances with managers – so more likely to get their demands actioned • Provides advice to members – such as if they feel they have been dismissed unfairly/unfairly treated by the business – then employees will know if they have a case against the business/whether to take action • The communication between employers and employees is better – as there is a channel through which points from employees can be raised – it is more likely that problems are sorted without causing disputes between employers and employees • Possibly improved pay – as there is strength in numbers to make wage demands for a pay rise more likely to be successful – employees more satisfied with work/happier • Improved working conditions – as trade union can put forward a case to the employer if conditions are not good • Provides services to members – reduced rates of insurance making it more affordable • Helps to protect legal rights of employees – may improve job security For example: Provides advice to members (1) if they feel they have been dismissed unfairly by the business (1) then the 100 employees (app) will know if they have a case against the business to take action (1). **Application** could include: protective hats; construction sites; construction workers on building sites; mining workers; 100 employees; flow production; same tasks every day; paid minimum wage; working conditions are bad.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Consider <u>three</u> possible benefits for PH of becoming a multinational company. Which benefit is likely to be the most important? Justify your answer.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more benefits of becoming a multinational company.

Well-justified conclusion.

Candidates discussing in detail all three benefits of becoming a multinational company, in context and with a well-justified conclusion, including why the other benefits of becoming a multinational company will be less important to PH, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one benefit of becoming a multinational company.

Judgement with some justification / some evaluation of choice made.

Candidates discussing in detail two or more benefits of becoming a multinational company and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the benefits of becoming a multinational company with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining three benefits of becoming a multinational company in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</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>Relevant benefits might include:

<table>
<tr><td>Produce goods in countries with low costs</td><td>• Low rents will reduce the total costs of producing goods – may lead to lower prices – increases sales as more competitive
• Low production costs may allow higher profit margins than 16% in 2022 if prices remain the same
• May produce protective hats in countries with low labour costs – leading to lower unit costs – may be able to reduce prices – become more competitive in other markets/increases sales in other markets</td></tr>
<tr><td>Easier access to raw material source</td><td>• Reduced transport costs in other countries – lower total costs
• Quicker delivery of raw materials to produce construction hats – reduces the time from development to the market
• Access to raw materials that stops/reduces competitors access to these supplies</td></tr>
<tr><td>Produce nearer the market</td><td>• Reduces transport costs and quicker delivery to customer - improves customer satisfaction
• Nearer to the market for protective hats may be more familiar with customer needs in that market – therefore more likely to meet customer needs – increasing revenue
• Markets may be quite spread out across the globe as there may not be mines in all countries – however, near to one market may not be near to other markets – limiting the advantage from lower transport cost</td></tr>
<tr><td>Avoid trade barriers</td><td>• Do not pay tariffs – reduces price of goods to customers
• Do not have quotas – no restrictions on quantity of goods supplied to the market – increases sales</td></tr>
<tr><td>Increase market share</td><td>• Able to expand into more markets in the mining and construction industries more easily in other countries – increases revenue/encourages growth of the business
• Spreads risk of selling protective headwear – if demand falling in one market can be compensated for by increasing demand in other countries</td></tr>
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Question	Answer		Marks
4(b)	Receive government grants	• Reduces investment required to set up the factory to produce protective hats – less borrowing required – lower interest payments/lower expenses • The government may require the business to undertake certain activities such as locating in an area of high unemployment – may not always be the best location for the hat factory as other areas may have more factors to attract the business - may not lead to lower costs	
	Remain competitive	• Competitors producing **safety equipment** are expanding into more markets abroad - may lead to falling sales of **protective hats** – needs to compete in all markets to retain sales	
	Benefit from economies of scale	• Selling **protective hats** on a larger scale may allow for reduced average costs – for example marketing economies when advertising globally and products ordered **through its website**	
	May be able to raise prices	• A globally recognised brand may give a better reputation to **the already leading supplier of protective products** – leading to higher prices being charged and increased revenue	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
<table>
<tr><td>Conclusion</td><td>Justification might include:
• Reduced production costs are likely to be the most important as unit costs can be reduced which will make the hats cheaper to produce and can be sold at a lower price. They will be more competitive, and it will be easier to increase sales in many countries. It may be that competitors are also locating in low-cost countries and so if PH doesn't do this then it may not be able to compete. As PH is a multinational it will produce and sell in many countries around the world and so locating near to just one market will not have significant savings in transport costs. Government grants are a one-off payment when setting up in a country and are not likely to have much impact on the business in future years.
• Producing protective hats nearer to the market is likely to be most important as not only will transport costs be reduced, helping to increase profit, but improved knowledge of the market will help to increase sales and hence revenue will increase. Increased revenue and lower transport costs together could lead to a higher profit.
• Government grants could be substantial which means a much smaller bank loan is required. This will lower borrowing costs by reducing interest payments and therefore costs may be reduced significantly and profit from the manufacture of hats to protect employees' heads whilst working will increase for many years whilst the smaller loan is being paid off.</td></tr>
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