Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/22**

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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[Turn over

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.

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 of using specialisation when producing SSE's products.** Award 1 mark for each relevant advantage (max 2). Award a maximum of 3 additional marks for **each** explanation of the advantage of using specialisation when producing SSE's products – **one of which must be applied to this context.** Relevant advantages might include: • Increases efficiency/productivity – it allows the use of more machinery and technology in the production process – increases output per production employee • Time is saved during the production process – as workers do not need to move around between tasks on the production line – improves the use of space in the factory so can fit in more production lines into the limited space • Helps keep (unit) costs low – only performing one task makes workers quicker – allowing lower prices to be charged • Cheaper to train each employee – as production employees are trained in only one task • Increased total output produced – potentially increasing sales and revenue • Less waste – as keep repeating the same task which may lead to fewer mistakes being made • Higher quality – as workers become more skilled at one particular task For example: Increases efficiency (1) as it allows the increased use of machinery and technology in the production process (1) so the output of safety helmets can be increased (app). This increases output per production employee (1). **Application** might include: sport helmets; bicycle riding; cricket; skateboarding; flow production; operated successfully for 30 years; one large factory; production workers are specialised in one task; sports safety industry; different sports.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>

Consider the advantages and disadvantages of the following <u>two</u> methods of market research SSE could use when entering new markets in other countries. Which method of market research should SSE use? Justify your answer.

- **Primary market research**
- **Secondary market research**

<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 methods.

Well-justified recommendation.

Candidates discussing both methods in detail, in context and with a well-justified recommendation, including why the alternative method 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 method.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one method 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 methods with little/no explanation.

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

Candidates outlining both 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>1(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Primary market research</td><td>• It is up to date about the different sports that may be popular in other countries – for example cricket helmets may need to be adapted to local styles
• Aware of current specific customer needs in different countries – it is planned and carried out to gather specific information relevant to sports helmets – will gather the opinions of potential customers and more likely to meet their needs
• It will be focused on the specific trends in sports played in these countries
• It will not be available to competitors</td><td>• May be biased – particularly if interviewers are not objective when carrying out the interviews – could ask leading questions that influence the answers given
• It can be expensive – especially if using focus groups or interviews – as specialist market research staff will need to be employed to carry out the research
• It may take time to carry out as questionnaires amongst bicycle riders will take time to give out as they may be spread out across a country – the results will need to be gathered and then the results analysed</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
1(b)		

	Advantages	Disadvantages
Secondary market research	• Often much cheaper than primary research – because the data on people **riding bicycles** in that country is already collected • Can be used to help assess the total size of the market for **cricket helmets** in a country – and would not be available using primary research – so SSE could estimate the likely total demand for their **helmets** across the new markets in another country • Secondary sources such as newspapers could help SSE assess the economic state of the potential new markets – to see if demand is likely to grow or be static – whether it is worth entering the new market if the economy is not growing • It is usually quicker to gather than primary research	• The data collected on **skateboarding** may be out of date – therefore it will be of little use to SSE when entering a new market as the data is likely to have changed • The data is available to competitors – so SSE will not gain any advantage over existing competitors in the new markets • The data will have been gathered for another purpose – it may not fit the needs of SSE research – so it will be of less use and not answer their research needs about the new markets

Question	Answer		Marks
1(b)	Recommendation	Justification could include: • SSE should use primary market research as the data gathered will be specific to the **new sports helmets** in the different countries so SSE will have more accurate data on the potential for sales in the new market and whether it is worth entering that market. Secondary market research is likely to provide data that is out of date and hence will be of little use to SSE in deciding if there is a sufficiently high demand for its products to be worth entering this market. • SSE should use secondary market research as it cheaper than primary market research. SSE are considering **entering several new markets selling cricket helmets in other countries** so the expense of the research in each country will need to be kept low. Secondary market research will provide data much quicker for SSE to decide if the market is worth entering.	

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Question	Answer	Marks
2(a)	**Explain <u>four</u> factors a business should consider when choosing which source of finance to use for expansion.** Award 1 mark for each relevant factor to consider when choosing which source of finance to use for expansion (max 4). Award a maximum of one additional mark for **each** explanation of the factor. There are no application marks available for this question. Relevant answers might include: • Legal form of business – if the business is a company, then share issue is an option/if the business is unincorporated then owner's savings may have to be used as it cannot issue shares to raise finance • Amount required – as the finance is for expansion then a large amount is likely to be required so sources such as bank loans or share issue may be chosen • Purpose – as the finance is needed for expansion it is likely to be a large amount and so should be able to be repaid over a long period to make the repayments manageable • Existing loans – if the business already has a high number of bank loans, then this may not be an option due to the already high expenses of paying the interest on loans • Control of the business – if the business is a company, then issuing additional shares may lead to the original shareholders losing control of the business so may need to decide which is more important, expansion or control • Cost of finance – the interest rate charged on the borrowing • Length of time needed to repay • Size of business For example: Legal form of business (1) if the business is unincorporated then owner's capital or borrowing may have to be used as the business cannot issue shares to raise finance for expansion (1).	**8**

<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>two</u> options for SSE to distribute its products in the new markets in other countries. Which option should SSE choose? Justify your answer.

- **Sell direct to customers using SSE's website**
- **Sell to large sports retailers in other countries**

<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 options.

Well-justified recommendation.

Candidates discussing both options in detail, in context and with a well-justified recommendation, including why the alternative option 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 option.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one option 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 options with little/no explanation.

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

Candidates outlining both options 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><td></td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Sell direct to customers using SSE's website</td><td>• Price may be lower as profit margins are only for SSE and do not include a retail profit margin – so sales may be higher – hence profit gained from selling cricket helmets may be higher
• Direct relationship with customers who ride bicycles – possibly better knowledge of customer needs as can gain direct feedback from customers – may lead to improved customer loyalty – increased repeat sales/improved reputation and word-of-mouth advertising
• Reaches a wider market for sport safety helmets in other countries – website can be accessed all over the world for customers to view and order sports helmets
• SSE controls all of the marketing mix</td><td>• Increased costs of processing returned goods – as not able to try on sport helmets before buying – may lead to higher costs if safety helmets are returned if do not fit well
• Increased costs of distribution due to postage to each individual customer – fewer journeys made in larger orders if supply retailers
• Increased administration costs as processing large number of individual orders for bicycle safety helmets rather than fewer bulk purchases from large retailers
• May require increased storage for sport helmets before being dispatched to customers – increased warehouse costs
• Increased advertising costs and costs of maintaining and upgrading the website
• Not all customers have access to the internet</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer	Marks
2(b)		

	Advantages	Disadvantages
Sell to large sports retailers in other countries	• Bulk orders from large retail chains in other countries – shipped as large bulk orders abroad – reducing distribution costs • Retailers are more familiar with the markets in other countries – may only order **sports helmets** such as **cricket safety helmets for children** that are likely to sell well in other countries – increases sales/revenue • May carry out some advertising for SSE – reduces marketing costs • Large sports retailers attract customers who are likely to be interested in SSE's products – easier to reach its target customers in other countries than selling direct through a website • Improved reputation/higher sales/revenue – customers can try on the **sport helmets** – buy a better fitting product – better meets their needs for **protection whilst playing sports** • Costs of storage are all or at least partly paid for by the retailer	• Sold with **sports helmets** of competitors – may be more difficult to compete as products directly next to each other in the sports shops – harder to increase sales • No direct contact with customers – less likely to gain feedback about customers' thoughts on the **sport helmets** • Prices may be higher if markup is added- reduced demand or profit margin reduced for SSE as discount required by retailer – lower profit

Question	Answer		Marks
2(b)	Recommendation	Justification could include: • SSE should choose to sell directly to customers in other countries using its own website as it will have complete control over the marketing of its **sports safety helmets.** It can gain feedback directly from its customers so it can adapt to market changes and better meet customer needs leading to increased demand and sales. Sports retailers should not be chosen as they sell many other brands of sports safety helmets and SSE cannot control the advice given to customers when they make a purchase which could lead to the wrong products being purchased and SSE's reputation being ruined. • SSE should choose to distribute through large sports retailers in other countries as it will reduce both administration and transport costs. Warehouse space will also be reduced. Customers can try on the **sports safety helmets** in shops making it more likely that they will make a purchase and increase sales for SSE.	

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Question	Answer	Marks
3(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to SSE of using internal recruitment for its new managers.** Award 1 mark for each advantage/disadvantage (max 2). Award a maximum of 3 additional marks for **each** explanation of the advantage/disadvantage to SSE of using internal recruitment for its new managers – **one of which must be applied to this context.** Relevant advantages might include: • Quicker – fewer applicants will apply so quicker to process application forms • Cheaper than external recruitment – as no expensive advertising is required • Applicant is already known to the business – so already know their skills, abilities, and reliability – know if able to do the job • Applicant already knows the organisation and how it works – so no induction training required – reduces training costs / quicker to get started in the new job and be productive • Motivating for other employees – as can see progression routes for themselves – may make them work harder for the business and produce more output Relevant disadvantages might include: • No new ideas come into the business – not become aware of different methods used by other companies – so more efficient working practices may not be introduced • There may be rivalry and jealousy amongst existing employees as they did not gain promotion – may have an unhappy atmosphere in the workplace – less productive • There may not be suitable candidates internally – more qualified/skilled people may be outside the business – these will not be employed if only internal recruitment is used • There will still be a vacancy to fill For example: No new ideas will come into the business (1) and SSE will not become aware of different methods used by other companies (1) that make sports helmets for bicycle riding (app) so more efficient working practices may not be introduced into the factory (1). **Application** might include: bicycle riding; cricket; skateboarding; flow production; operated successfully for 30 years; build its own factories in its most important foreign markets; need to communicate between its head office and its new factories in other countries; production workers are specialised in one task.	**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> barriers could make communication less effective between SSE's head office in country Z and its new factories in other countries. Which barrier would be the easiest to overcome? Justify your choice.

• Problem with the medium used
• Problem with the sender
• Problem with the receiver
<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 barriers to communication.

Well-justified conclusion.

Candidates discussing the three barriers to communication in detail, in context and with a well-justified conclusion, including why the alternative barriers to communication 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 barrier to communication.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more barriers to communication 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 barriers to communication with little/no explanation.

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

Candidates outlining all three barriers to communication 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>3(b)</td><td>Relevant points might include:

<table>
<tr><td>Problem with the medium used</td><td>• Too many people for the message to pass between – as at each stage the message can be distorted – hence reaches the receiver in a different form than when it started off so not effective in communicating the intended message
• Message may be lost – so receiver never sees it – hence message is not acted upon – for example if a message about an order for bicycle riding helmets to be manufactured is emailed to the factory and it goes into junk mail and is not seen – the order will not be made
• Wrong channel used – if the communication is urgent but the communication channel chosen is slow – such as letter used when telephone call would have been more appropriate
• Technical breakdown – internet goes down/mobile phone loses connection/battery is flat – message is not passed on and sender may not be aware of this</td></tr>
<tr><td>Problem with the sender</td><td>• Unclear message – language used is too difficult to understand/jargon used/speaks too quickly
• Message too long – includes too much information about children's cricket helmets so the key message is lost amongst the rest – important points not grasped and acted upon
• Sent to the wrong person/wrong message sent – message not appropriate and may not be passed on so is lost</td></tr>
<tr><td>Problem with the receiver</td><td>• Not listening – when message is being given by phone about orders for components to make bicycle riding safety helmets
• Lack of trust – receiver may not like or trust the sender and therefore the message may not be fully trusted and acted upon immediately
• Poor attitude – casual approach to the message and no urgency to act upon it
• Speaks a different language and does not clearly understand the message sent</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
3(b)	Conclusion: Justification could include: • Problems with the medium used to send a message about the **sport safety helmets** is the easiest to overcome as they can insist that feedback is given and hence any problems with the message can be corrected. If no feedback is received, then the message has probably been lost. Problems with the sender and receiver are more difficult to correct as there are many senders and receivers in the different factories and it is more difficult to adjust their behaviour when communicating between factories to correct problems that arise. • Problems with the sender of a message about **sport safety helmets** is the easiest to overcome as instructions to keep messages short and use clear simple language to avoid problems of messages being misunderstood can be communicated to all employees. • Problems with the receiver of messages in the new factories in other countries about **sport safety helmets** is the easiest to overcome by indicating the level of importance of the message so important messages will be read straight away and not be ignored until too late.	

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Question	Answer	Marks
4(a)	**Explain <u>four</u> ways the break-even chart in Appendix 3 might be helpful to SSE.** Award 1 mark for each relevant use of the breakeven chart in Appendix 3. Award a maximum of 1 additional mark for **each applied explanation of the use of the break-even chart to SSE.** Relevant uses might include: • Shows the total costs – is $45 000 per week / shows the total revenue – is $50 000 per week / shows fixed costs – is $15 000 per week • Shows the break-even output – that SSE needs to sell 750 helmets per week • Shows the margin of safety – shows that 250 helmets are predicted to be sold above the break-even output • Helps in decision-making – whether to increase or decrease price from $50 • Show the impact of changes in costs – if fixed cost increased from $15 000 • Shows the areas of profit or loss – managers at SSE can read off the expected profit at maximum output of 1000 helmets per week • Shows they make a profit at maximum output – of $5000 per week • Whether or not to go ahead and produce the new product For example: It shows the break-even output per week for SSE's new product (1) at 750 helmets (app). **Application** could include: public limited company; playing cricket; new factory abroad; children's cricket helmets; figures from chart e.g. total costs of $45 000; total revenue of $50 000; fixed costs are $15 000; margin of safety is 250 units; break-even output is 750 units.	**8**

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

Consider how each of the following <u>three</u> changes may affect SSE. Which change is likely to have the greatest effect on SSE's profit? Justify your answer.

- **A depreciation in the currency of country Z**
- **An import tariff introduced on sports helmets imported into country Z**
- **Quotas introduced on sports helmets in countries where SSE sells its products**

<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 changes.

Well-justified conclusion.

Candidates discussing all three changes in detail, in context and with a well-justified conclusion, including why the alternative changes 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 change.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more changes 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 changes with little/no explanation.

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

Candidates outlining three changes 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 points might include:

<table>
<tr><td>A depreciation in the currency of country Z</td><td>• Export of children's cricket helmets will appear to be cheaper in foreign countries – increases competitiveness – increases sales/revenue
• Imports of raw materials to produce bicycle riding safety helmets will be more expensive – increases costs for SSE – may need to raise prices – reduced sales
• Imported helmets will be more expensive in country Z so less competitive with SSE’s products – increases sales of SSE’s products in country Z</td></tr>
<tr><td>An import tariff introduced on sports helmets imported into country Z</td><td>• Tax placed on imported cricket helmets may raise the price of competitor’s products – SSE products more competitive so demand increases – sales/revenue increases
• Higher price of competitor’s products may allow SSE to raise its prices – if demand remains the same – then sales/revenue will increase – profit increases</td></tr>
<tr><td>Quotas introduced on sports helmets in countries where SSE sells its products</td><td>• A limit is placed on the quantity of sport safety helmets that can be imported into export markets – limits the sales of SSE sports helmets – so SSE has decided to set up its own factories in these markets
• Prices of sports safety helmets may rise in export markets as limited supply – may keep revenue the same/increase revenue – depends on elasticity of demand – if price elastic demand, then revenue will fall as the price rises</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer		Marks
4(b)	Conclusion	Justification could include: • Depreciation of the currency will have the greatest effect on SSE's profit as the reduced price in foreign markets is likely to cause a large increase in demand leading to much higher sales of products such as the **children's cricket safety helmets** and hence revenue. The higher revenue will lead to an increase in profit as costs are unlikely to increase if raw materials can be sourced locally. A quota is unlikely to have much effect as long as the quantity is not too restricted, and a tariff is unlikely to have much effect on profit if there are few competitors from abroad in country Z. • A tariff on products such as **skateboarding safety helmets** will have the greatest effect on SSE's profit as competitors may raise prices in response to the tariff and customers in country Z are more likely to now buy SSE's sports helmets**.** Demand for SSE's sports helmets will therefore increase leading to an increase in sales and revenue which will lead to much higher profit. • A quota on products such as **cricket safety helmets** will have the greatest effect on SSE's profit as the number of exports of SSE's products will be restricted and so sales and hence revenue will fall leading to much lower profit.	

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