



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES

0450/12

Paper 1 Short Answer/Structured Response

October/November 2016

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2016 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

© IGCSE is the registered trademark of Cambridge International Examinations.

This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **12** printed pages.

Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
1(a)	<p>What is meant by ‘opportunity cost’? Clear understanding [2], e.g. next best alternative forgone OR next best alternative given up (by choosing another item) [2]</p> <p>Some understanding [1], e.g. what had to give up OR option not chosen</p>	2
1(b)	<p>Identify <u>two</u> possible external benefits that might result from the new factory. Application [2 × 1] award one mark per benefit Points might include:</p> <ul style="list-style-type: none"> • Jobs created/lower unemployment • More choice of chemicals for farmers • higher amount of food possible • Infrastructure/more roads • Increase orders for suppliers • Help attract other (chemical) businesses to area • Taxes paid to government • Increase skills of local people/training • Reduce imports/could increase exports • Assist economic growth • Bring new technology into country 	2

Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
1(c)	<p>Identify and explain <u>two</u> advantages to APQ of being a multinational company.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include:</p> <ul style="list-style-type: none"> • Access to new market/increase sales/market share [k] as people need food [app] • Reduce production costs, e.g. lower labour costs OR lower health and safety costs OR land costs [k] as X is a developing country [app]; • Spread risk [k] when selling chemicals [app] • Easier access to raw materials [k] for all its factories [app] • Avoid barriers to trade [k] • Remain competitive [k] • Reduce transport costs (as can produce goods nearer market) • Economies of scale, e.g. purchasing, finance [k] (only once) • Reduce tax liability/take advantage of favourable tax laws • Access government grants [k] 	4
1(d)	<p>Identify <u>two</u> stakeholder groups of APQ. Explain <u>how</u> APQ could act in an ethical way with each stakeholder group.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant stakeholder Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include:</p> <ul style="list-style-type: none"> • Employees/management [k] if set up in developing country [app] should pay fair wages [an] or offer good conditions [an] • Suppliers [k] pay fair price/pay on time [an] for the chemicals [app] • Community [k] • Pressure groups [k] by trying to prevent pollution/environmental damage [an] caused by factory [app] • Government [k] paying its taxes on time/not do tax avoidance [an] • Lenders/bank [k] if borrow \$100 m [app] • Owners/shareholders [k] as public limited company [app] • Customers [k] do not exploit them by charging high prices [an] to farmers [app] 	6

Page 4	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
1(e)	<p>Explain <u>two</u> possible sources of finance that APQ could use. Recommend which source of finance APQ should use for the new factory. Justify your answer.</p> <p>Knowledge [1] – award up to 1 mark for identification of relevant method(s) Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to which source of finance APQ should use</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Retained Profits [k] so no need to repay [an] so keeps costs lower [an] • Bank loan [k] as interest rates low [app] but it will increase level of debt [an] OR as multinational [app] banks more likely to lend at lower rates of interest [an] • Government grant/subsidy [k] as helping country develop [app] so may be willing to provide finance [an] • mortgage [k] as cost \$100m [app] so have time to make repayments [an] • Leasing [k] so no large payment at the start [an] • Share issue [k] as it is a public limited company [app] • Debentures [k] • Sale of unused non-current assets [k] 	6

Page 5	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
2(a)	<p>What is meant by ‘marketing strategy’? Clear understanding [2]: plan to combine the right combination of the 4 elements of the marketing mix to achieve a particular market objective OR Put together the right mix of the 4Ps to increase sales [2] OR A plan for promoting goods to enter a new market [2] Some understanding [1], e.g. how to combine the 4P’s OR how to promote a product OR a plan for marketing OR how to increase sales</p>	2
2(b)	<p>What is meant by ‘penetration pricing’? Clear understanding [2]: price is set lower than competitor’s prices [1] in order to be able to enter a new market/launch a new product [+1] Some understanding [1], e.g. set low prices</p>	2
2(c)	<p>Identify and explain <u>two</u> possible advantages to \$LAND of advertising. Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include:</p> <ul style="list-style-type: none"> • Persuade/attract customers OR increase revenue/sales [k] to buy more food [app] • Build brand loyalty/good image [k] so keep buying from its shops [app] • Inform/raise awareness/become well known [k] for its toys [app] • Maintain market share/remain competitive [k] as in recession [app] • Remind existing customers [k] as sell such a wide range [app] • Able to target different customers/new market segment [k] 	4

Page 6	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
2(d)	<p>Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to \$LAND of buying direct from manufacturers.</p> <p>Knowledge [2 × 1] – award 1 mark for a relevant advantage and 1 mark for relevant disadvantage Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Purchasing economies of scale/discounts for bulk buying [k] as buy for all its shops [app] leading to lower average/unit costs [an] • Quicker access to products [k] so can offer new products before rivals [an] leading to higher sales of toys [app] OR which is important for food [app] to reduce wastage/increase shelf life [an] • Build relationship with supplier [k] may give preferential delivery times [an] • Offer technical support [k] • Develop products specifically for business [k] • Cut out wholesaler profit [k] • Manufacturer may pay for some of the advertising [k] <p>Disadvantages:</p> <ul style="list-style-type: none"> • More paperwork [k] as have a wide range of products [app] which takes more time to complete [an] • Have to recruit more people [k] • Extra storage space needed/must purchase minimum quantity [k] increasing storage costs [an] • Risk of wastage [k] 	6

Page 7	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
2(e)	<p>Do you think that \$LAND will be successful in other countries? Justify your answer.</p> <p>Knowledge [1] – award up to 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether \$Land will be successful in other countries Relevant points might include:</p> <ul style="list-style-type: none"> • Different countries have different tastes [k] so might not like the toys [app] leading to fewer sales [an] • High set up costs [k] as need to open shops [app] • Competition/need to attract customers [k] as customers might be loyal to other companies [an] • Legal/regulations [k] might not be able to sell some of its foods [app] • Strategy has worked in country B [k] as profits increased [app] • Different economic environment [k] as country B is in recession [app] so customers might not want cheaper products [an] • Communication/language problems [k] 	6

Page 8	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
3(a)	<p>What is meant by ‘job production’? Clear understanding [2]: where a single product is made at a time OR makes one product from start to finish (before starting the next one) OR produce a personalized product individually [2]</p> <p>Some understanding [1]: e.g. identifies one distinctive feature of job such as products are made to the specific customer design; often labour-intensive; highly skilled workers; high quality, single product, flexible</p>	2
3(b)	<p>What is meant by ‘quality control’? Clear understanding [2]: checking that a product meets the required standard OR checking of goods <u>at the end</u> of the production process [2] OR Checking the standard of goods through inspection [2] OR process of reviewing accuracy of work bought in or completed [2] Some understanding [1]: e.g. checking the work</p>	2
3(c)	<p>Identify and explain <u>two</u> possible communication barriers for TKF. Knowledge [2 × 1] – award 1 mark for each relevant barrier Application [2 × 1] – award 1 mark for each relevant explanation in context Relevant points might include:</p> <ul style="list-style-type: none"> • Problems with medium, e.g. inappropriate medium used [k] as workers might not always have access to emails [app] • Problems with sender, e.g. language problems/jargon [k] so workers don’t understand terms used by the manager [app] • Overload of information [k] which confuses production workers [app] • Problems with receiver, e.g. workers do not read messages [k] as three workers are part-time [app] OR customers do not read letters [k] so don’t know about its furniture [app] • Technical issues, e.g. no internet connection [k] without electricity cannot send emails [app] • No opportunity for feedback [k] • Wide span of control [k] as manager responsible for eight [app] • Wrong message sent [k] 	4

Page 9	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
3(d)	<p>Identify and explain <u>two</u> ways in which good internal communication can help TKF be more efficient.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include:</p> <ul style="list-style-type: none"> • Clearer instruction/prevent misunderstandings/fewer mistakes [k] prevents need for rework/reduces waste [an] • Increase production/speed up work [k] for furniture orders [app] • Faster decision making/problem solving [k] • Employees aware of objectives [k] so its eight production workers [app] can/might work faster [an] • Better co-ordination between departments [k] if only order wood needed [app] reducing costs of storage [an] • Reduce barriers to communication [k] • Improve relations between employer and employees/better management/improve motivation [k] • More ideas [k] 	6
3(e)	<p>Do you think the manager is right to be worried about TKF's cash flow position? Justify your answer.</p> <p>Knowledge [1] – award up to 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether TKF is right to be worried about its cash flow position Relevant points might include:</p> <ul style="list-style-type: none"> • Closing balance is positive for two of the three months [k] so can meet all expenditure/bills [an] • Cannot cover outflows in January [k] as net cash flow is (5)/opening balance only three [app] so might damage relationship with suppliers of not able to pay [an] • Inflows vary per month [k] so no guarantee have money to pay costs [an] so suppliers might be reluctant to supply wood [app] so cannot meet all its orders [an] • Cash inflow decreases in January [k] by 15 [app + an] • Cannot predict/rely on regular orders [k] using job production [app] • May be a temporary problem [k] as only have three months data 	6

Page 10	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
4(a)	<p>Identify <u>two</u> ways to measure the size of a business.</p> <p>Knowledge [2 × 1] award one mark per way Points might include:</p> <ul style="list-style-type: none"> • Sales value OR value of output OR revenue, • Market share • Capital employed/value of balance sheet • Number of employees 	2
4(b)	<p>Calculate the percentage (%) of businesses in country R which are partnerships.</p> <p>Good application [2] 10% Some application [1], e.g. number of partnerships/total number of businesses OR 0.5m/5m</p>	2
4(c)	<p>Identify and explain <u>two</u> advantages to Moeen and Ali of forming a private limited company.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include:</p> <ul style="list-style-type: none"> • Access to more capital [k] which could help increase their budget/so can afford to create luxury image [app] • Benefit from limited liability [k] if new business fails [app] • Continuity of existence [k] if anything happens to one of them will not have to close hotel [app] • Separate legal identity [k] • Control over who buys shares [k] 	4

Page 11	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
4(d)	<p>Identify and explain <u>two</u> factors that might influence Ali's choice of location.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant factor Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include:</p> <ul style="list-style-type: none"> • Competition [k] from other hotels [app] so might not gain as many customers [an] • Cost of land [k] as has to be city centre [app] which is likely to be more expensive [an] • Availability of suitable land [k] as need a large space [an] OR available space for parking [k] for guests [app] • Close to customers/level of demand [k] • Infrastructure, e.g. water, electricity, internet OR transport links [k] so employees/customers can get there without any difficulty [an] • Image/environment [k] the wrong site might not suggest luxury [app] making it difficult to attract customers [an] • Government regulations [k] could stop them from opening in some locations [an] • Access to suitable employees [k] as need full/part-time [app] to provide customers the right level of service [an] • Close to suppliers [k] 	6

Page 12	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0450	12

Question	Answer	Marks
4(e)	<p>Do you think it would be better for the business to use full-time or part-time employees? Justify your answer.</p> <p>Knowledge [1] – award up to 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether it would be better for the business to use full-time or part-time employees.</p> <p>Relevant points might include: <u>Part-time:</u></p> <ul style="list-style-type: none"> • More flexible hours [k] as it is a hotel [app] need staff all the time [an] • Easier to ask workers to work at busy times [k] if more guests [app] more employees are needed [an] • When not working no need to pay wages [k] so is less expensive than full time [an] as which could help this new business [app] • Need to recruit/train more employees [k] so uses up more of budget [app] which will take time [an] • May leave for full time job elsewhere [k] <p><u>Full-time:</u></p> <ul style="list-style-type: none"> • Consistency of service [k] helps its luxury image [app] so could help boost reputation/ attract more customers [an] • Workers likely to be more committed to business [k] • Easy to communicate/update [k] as employees always there [an] • Internal pool of candidates for future promotion [k] • Fewer workers needed [k] 	6