

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the May/June 2013 series

0450 BUSINESS STUDIES

0450/11 Paper 1 (Short Answer/Structured Response),
maximum raw mark 100

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.

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CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0450 BUSINESS STUDIES

0450/21 Paper 2 (Case Study), maximum raw mark 80

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1 (a) Identify and explain two characteristics David needs to be a successful entrepreneur. [8]

Knowledge (2×1) – award one mark for each relevant characteristic identified
 Analysis (2×1) – award one mark for a relevant explanation of each characteristic
 Application (2×2) – award two application marks for each relevant characteristic

Relevant characteristics might include:

Award one mark for each relevant characteristic (maximum of two), such as:

- Hard working
- Risk taker
- Creative
- Optimistic
- Self-confident
- Innovative
- Independent
- Effective communicator
- Forward thinker
- Determined

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of why these characteristics are needed to be a successful entrepreneur.

Indicative response:

Hard working (k) as the business has only been established for 10 years and has non-current assets worth \$100m (ap). David worked long hours 7 days a week to find customers so the business has grown (ap). He has had to work hard to manage the business effectively so that it is successful (an).

Possible application marks: cake manufacturing; food; shareholder; private limited company; started 10 years ago in country x; invested all his savings; profits have been constantly increasing every year; constantly develops a new range of cakes; works 7 days a week; has four managers for each department; e-commerce; Figures from Appendix 2; new markets abroad.

There may be other examples in context which have not been included here.

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(b) David has appointed a manager to control each department as shown in Appendix 1. Identify and explain three management functions of the Operations manager. Which do you think is the most important management function? Justify your answer. [12]

Relevant points might include:

- Planning – sets aims/targets; plan for necessary resources
- Organising – delegate tasks; people and resources; ensure everyone working effectively/no duplicated tasks
- Coordinating – ensure departments working together; aims/tasks linked together; chair regular meeting between departments
- Commanding – guiding employees; leading/supervising employees; ensure employees keep to targets/tasks
- Controlling – measure/evaluate work of employees; identify poor performance/identify problems

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

Knowledge/Analysis/ Evaluation	
Level 3	At least $2 \times$ Level 2 + 9–10 marks for well justified recommendation as to the most important management function of the Operations Manager compared to the other functions 7–8 marks for some limited judgement shown in recommendation as to the most important management function of the Operations Manager.
Level 2	4–6 marks Detailed discussion of each management function of the Operations Manager.
Level 1	1–3 marks Name management function and/or identifies key tasks Operations manager will carry out.

Level 1

1 mark for each L1 statement (max of 3 marks), e.g. the Operations Manager needs to control the department.

Level 2

One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. the Operations Manager needs to control the department. This will involve ordering the ingredients to ensure that the planned production of cakes can be made otherwise bakers may not be able to bake the batches of cakes ordered. (4 marks for L2 answer + 1 application mark for mentioning bakers and making cakes.)

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Level 3

For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies the most important management function, e.g. planning will be the most important management function because if the Operations Manager does not plan efficiently then workers may not work effectively. They could be waiting for ingredients to arrive and not be able to work. This is more important than commanding the workers to do their work as if they do not have ingredients then commanding them to work will not be effective.

Award up to 2 additional marks for relevant application.

Possible application marks: cake manufacturing; constantly develops a new range of cakes; e-commerce; Figures from Appendix 2; new markets abroad; large supermarkets; small food shops; 125 workers; may need to make some workers redundant; automated production line; efficiency increases by 10% for option A; investment of \$8m; 10 production employees for option B.

There may be other examples in context which have not been included here.

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2 (a) Identify and explain two ways in which marketing is important for DD.

[8]

Knowledge [2 × 1] – award one mark for each relevant way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

Award one mark for each relevant way (maximum of two), such as:

- to identify customer needs
- to satisfy customer needs
- to maintain customer loyalty
- to gain information about customers/conduct market research/collecting data
- to anticipate changes in customer needs
- to raise awareness of new products
- to advertise/promote the new products
- to create a brand image
- to persuade people to buy products
- to increase sales
- to attract new customers
- reference to importance of the four P's
- to help the business become more competitive

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the ways marketing is important.

Indicative response:

To identify customer needs [k] because David needs to know what types of cakes to bake [ap]. By producing the types of cakes which customers most want to buy will lead to higher sales [an]. Therefore the company is more likely to be successful and return a good dividend to David and his shareholders [ap].

Possible application marks: cake manufacturing; food; shareholders; started 10 years ago in country x; constantly develops a new range of cakes; e-commerce; Figures from Appendix 2; new markets abroad; large supermarkets; small food shops.

There may be other examples in context which have not been included here.

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(b) Consider the advantages of using e-commerce and the advantages of selling to supermarkets in other countries. Recommend which way DD should use to increase sales. Justify your answer. [12]

Relevant points might include:

Advantages of using e-commerce	Advantages of selling to supermarkets in other countries
<ul style="list-style-type: none"> • Can sell to a wider market • Can be used for advertising • Customers can order any time • New markets reached • Direct customer contact 	<ul style="list-style-type: none"> • Large/regular orders placed • Administration savings on fewer but larger order/economies of scale • Feedback from supermarkets on which products sell well • Display in supermarket promotes the cakes

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	<p>At least $2 \times$ Level 2 + 9–10 marks for well justified recommendation as to the best way to increase sales compared to the other way.</p> <p>7–8 marks for some limited judgement shown in recommendation as to the best way to increase sales.</p>
Level 2	<p>4–6 marks</p> <p>Detailed discussion of advantages of e-commerce and advantages of selling to supermarkets in other countries.</p> <p>N.B. do not reward disadvantages</p>
Level 1	<p>1–3 marks</p> <p>Outline the advantages of e-commerce and advantages of selling to supermarkets in other countries.</p>

Level 1

1 mark for each L1 statement (max of 3 marks), e.g. David can sell to a wider market.

Level 2

One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. David can sell to a wider market. This will allow the company to increase production and expand the business. If the cost of cake ingredients fall as output increases then this will help David to increase profits further. (4 marks for L2 answer + 1 application mark for mentioning cake ingredients.)

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Level 3

For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best way. Overall there will be higher costs involved in expanding the business by selling cakes online especially as the company sell food items. It will be difficult to maintain the quality of the cakes when they are posted out to customers. (L3) So although they can sell to a wider market they should take this option because of the difficulties of maintaining the quality of the cakes. (L3) It is much easier to deliver large quantities of cakes to supermarkets abroad as delivery will be in specialised containers to keep the cakes fresh (L3) and administration costs will be kept low by fewer but larger orders to process. (L3)

Award up to 2 additional marks for relevant application.

Possible application marks: cake manufacturing; perishable products; food; constantly develops a new range of cakes; Figures from Appendix 2; new markets abroad; small food shops; automated production line; efficiency increases by 10% for option A; investment of \$8m; 10 production employees for option B.

There may be other examples in context which have not been included here.

3 (a) The company Balance Sheet helps David assess the performance of the business.

(i) Calculate the current ratio and acid test ratio for 2014. [4]

(ii) Compare your two ratio results with those of 2013 (see Appendix 2) [4]

Knowledge $[2 \times 1]$ – award one mark for each correct ratio

Analysis $[2 \times 1]$ – award one mark for each correct calculation

(i) Current ratio $1000/600 = 1.66/ 1.67$ (1K + 1Ap)

Accept $1300/600 = 2.16/ 2.17$ if working shown

Acid test ratio $700/600 = 1.16/ 1.17$ (1K + 1Ap)

Accept $1000/600 = 1.6/ 1.67$ if working shown

2 marks for each correct answer; 1 mark if correct method/formula but incorrect answer

(ii) Application + Analysis $[2 \times 2]$ – award one application mark for the comparison between the figures and one analysis mark for each explanation of the calculation result from (i)

Indicative response:

The current ratio is lower [ap] because the current liabilities have increased [an].

The acid test ratio is higher (ap) because the amount of inventories has fallen so less working capital is being tied up in inventories [an].

NB do not reward ‘better’ or ‘worse’ for the comparison of the figures but an explanation of why the figure is better or worse can be credited.

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(b) David wants to increase efficiency in his factory. Consider Option A and Option B and then recommend which one he should choose. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Option A (training existing production employees)	<ul style="list-style-type: none"> • Cheaper • No redundancies • Increased output meets increased sales • Workers feel valued/increased job satisfaction 	<ul style="list-style-type: none"> • Increase in efficiency only by 10% • Large wage costs • Loss of output from experienced workers when carrying out training • Large number of workers to retrain
Option B (automated production line)	<ul style="list-style-type: none"> • Labour efficiency will increase • Low wage costs • New markets 	<ul style="list-style-type: none"> • High capital cost • Off-the-job training required • Cost of redundancy payments • Worker morale/motivation issues

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	<p>At least $2 \times$ Level 2 + 9–10 marks for well justified recommendation as to the best option to choose to increase efficiency compared to the other option.</p> <p>7–8 marks for some limited judgement shown in recommendation as to the best option to choose to increase efficiency.</p>
Level 2	<p>4–6 marks</p> <p>Detailed discussion of advantage/disadvantage of Option A and/or B.</p> <p>NB do not reward mirror image arguments</p>
Level 1	<p>1–3 marks</p> <p>Outline of advantage/disadvantage of Option A and/or B.</p> <p>NB do not reward mirror image arguments</p>

Level 1

1 mark for each L1 statement (max of 3 marks), e.g. only needs to train existing workers and so it is cheaper.

Level 2

one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. only needs to train existing workers and so it is cheaper. Also by using on-the-job training methods then training costs will not be high. However, output only increases by 10% and so not much additional output of cakes will be gained. (4 marks for L2 answer + 1 application mark for mentioning output of cakes.)

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Level 3

For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best option to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: cake manufacturing; food; off-the-job training; on-the-job training; perishable products; constantly develops a new range of cakes; e-commerce; Figures from Appendix 2; new markets abroad; large supermarkets; small food shops; 100 production workers/10 remaining production workers; 90 redundancies; may need to make some workers redundant; automated production line; efficiency increases by 10% for option A; investment of \$8m.

There may be other examples in context which have not been included here.

4 (a) Identify and explain four factors DD should consider when packaging cakes if they are exported. [8]

Analysis [4 × 1] – award one mark for each factor (maximum of 4)

Application [4 × 1] – award one mark for an explanation in context of each factor (maximum of 4)

Award one mark for each relevant factor (maximum of four), such as:

- protect the product
- easy to transport the product
- contains correct information about the product for that country
- promotes the brand image for the product
- is culturally sensitive
- appropriate language
- recyclable packaging
- cost of packaging

Award a maximum of one additional mark for **each** explanation of the factor in context.

Indicative response:

Contains the correct information about the cakes for that country it is being exported to [ap] because without the correct information the company could be charged with misleading information. [an]

Possible application marks: transporting over long distances; constantly develops a new range of cakes; food; labelling; ingredients; contamination; sell-by date; easily damaged/fragile; perishable; e-commerce; Figures from Appendix 2; new markets abroad; large supermarkets; small food shops.

There may be other examples in context which have not been included here.

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(b) External factors can affect the profitability of a company. For each of the following changes consider how it might affect DD's profit. Which change is likely to have the greatest effect on DD's profit? Justify your answer. [12]

Relevant points might include:

Increasing GDP in country x	<ul style="list-style-type: none"> • higher incomes – increased demand • higher sales of luxury products – increased demand • may eat other products to cakes – so demand falls
Reduced supply of the raw materials used to make cakes	<ul style="list-style-type: none"> • less ingredients available – increased costs • higher prices – decreased demand • Prices same but lower profits
Television programme highlighting the effects on health of eating too many cakes	<ul style="list-style-type: none"> • Negative publicity – lower demand • Not many see the programme – little effect on sales • Consumers loyal and ignore the advice

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	<p>At least $2 \times$ Level 2 + 9–10 marks for well justified conclusion as which change has the greatest effect on profit compared to the other changes. NB must be explicit reference to the effect on profit.</p> <p>7–8 marks for some limited judgement shown in conclusion as to which change has the greatest effect on profit.</p>
Level 2	<p>4–6 marks</p> <p>Detailed discussion of the changes and how they affect profits.</p>
Level 1	<p>1–3 marks</p> <p>Outline of the changes and how they affect profits.</p>

Level 1

1 mark for each L1 statement (max of 3 marks), e.g. Increasing GDP means more people have jobs and incomes are higher.

Level 2

One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks), e.g. increasing GDP means more people have jobs and incomes are higher. Higher incomes means more luxury products are bought and therefore people may buy more cakes to treat their family leading to increased demand for DD's cakes. (4 marks for L2 answer + 1 application mark for mentioning more cakes being bought.)

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Level 3

For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which change has the greatest effect on profits e.g. higher GDP will probably have the greatest effect on profits as it will lead to higher demand for the cakes.(L3) The television programme may have little effect as it depends on how many people watched it and how many people believed what they were being told. (L3) The rising cost of ingredients could be passed on to the customer and therefore there will be little effect on profits. (L3) It depends on how bad the harvest is and how big an increase there is in the costs of the ingredients. So overall increasing GDP is likely to have the greatest effect on profits. (L3)

Award up to 2 additional marks for relevant application.

Possible application marks: constantly develops a new range of cakes; ingredients; food; increased production workers; \$8m investment; perishable products; luxury products; e-commerce; Figures from Appendix 2; new markets abroad; large supermarkets; small food shops.

There may be other examples in context which have not been included here.

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This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer.

Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

1 (a) What is meant by ‘dividends’? [2]

Good knowledge [2] e.g. Payment to shareholders [1] from profits of a company [+1] Return to shareholders for investing in the company [2]

Some knowledge [1] e.g. Payment to shareholders

(b) Calculate the selling price of one house. [2]

Correct answer [2] Method [1]

$$\text{Price} = \text{cost} + \text{mark up} [1] (\$30\,000 \times 40\%) + 30\,000 [1] = \$42\,000 [2]$$

Note: \$ not required

Do not credit \$12 000 (the calculation of mark up) as it does not answer the question set

(c) Identify and explain two disadvantages to a business of being a public limited company. [4]

Knowledge [2 × 1] – identification of disadvantage [1 mark per disadvantage]

Analysis [2 × 1] – explain how it is a disadvantage to a business

Disadvantages could include:

- **have to disclose accounts [k]** so less able to keep financial details secret from rivals [an]
- **many legal requirements/regulations [k]** which is expensive and time consuming [an]
- **selling shares expensive [k]** because shares need to be listed on the stock market
- **shares are freely traded [k]** so there is a greater risk of takeover/danger that original owners might lose control [an]

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(d) Identify and explain three methods that Kew Construction could use to improve its level of sales. [6]

Knowledge/ application [3 × 1] – identification of relevant method

Analysis [3 × 1] – explain how method might work to improve sales

Methods could include:

- lower price [k] so more people can afford to buy [an]
- enter new markets [k] to attract new customers [an]
- improve quality of product, e.g. train workers [k] to encourage interest [an]
- widen range of sizes [k] offer smaller structures to attract different customers [an]
- promotions, e.g. free carpets/curtains [k] therefore more people would be willing to buy
- advertise [k] to raise awareness [an]
- demonstrations at trade fairs [k] so potential customers can see the products and able to ask questions [an]
- choose locations where demand is high [k]

Note: Do not accept any answer that could not be related to construction, e.g. packaging

(e) What do you think are the most important factors for the Human Resources Director to consider when selecting which workers to make redundant? Justify your answer. [6]

Knowledge [2 × 1] – identification of factor(s)

Analysis/application [2] – explain why the factor should be considered

Evaluation [2] – justified decision made as to which are the most important factors

Factors could include:

- what is the job
- level of experience
- workers' capabilities and skills
- disciplinary record
- length of service
- cost/salary
- amount of redundancy payments required
- productivity of workers

Look at what jobs are not needed anymore [k] and could be replaced by more efficient machinery [an]. They need to see which workers are most productive [k] so that jobs can be reduced without lowering productivity [an]. The main thing therefore has to be the overall cost [ev] as they do not want to lose the most profitable workers [ev].

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2 (a) What is meant by ‘market share’?

[2]

Clear understanding [2] Percentage of the total market sales [1] held by one brand or business [+1]

Some understanding [1] e.g. share of all sales made

(b) Identify two ways (other than gender) that Gayle’s Soaps could segment its market. [2]

Application [2 x 1]: 1 mark per way

Answers might include: age, lifestyle, geographical, income/social class, use – health or beauty

(c) Identify and explain two advantages of market segmentation for Gayle’s Soaps. [4]

Knowledge/application [2 × 1] – identification of relevant advantage

Analysis [2 × 1] – award one mark for each relevant explanation (i.e. showing how or why it might be an advantage for GS)

Points might include:

- able to tailor any of the 4 Ps to specific needs of customer group [k] which should help sales [an]
- identify gaps in the market [k] – so able to meet needs of new potential customers [an]
- use segmentation to sell more products [k] by targeting different brands to different segments [an]
- research is made simpler [k] because you know who you need to ask [an]

(d) Identify and explain three problems that a business might have when trying to enter a new market. [6]

Knowledge [3 × 1] – identification of problem

Analysis [3 × 1] – explain how or why it might cause problems for the business

Points might include:

- lack of knowledge of the market [k] so produce a product that is not wanted [an]
- issues of entering a foreign market e.g. language barriers/exchange rates [k]
- competitors’ reaction [k] could lead to price war [an]
- government laws [k] might restrict what they can sell [an]
- customer loyalty [k] might not switch to a new company’s products [an]
- cost of developing new products [k] leading to high price needing to be charged [an]/ cash flow issues [an]
- lack of suppliers [k] so unable to find enough materials [an]
- identification of suitable places to sell from [k] different products might sold in different places [an]

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(e) Do you think that if Gayle's Soaps decides to increase prices then this will lead to higher profits? Justify your answer. [6]

Knowledge [2] – knowledge of price/identification of issues

Application/analysis [2] – for development of points to explain how or why the profits are affected

Evaluation [2] – justified decision made as to whether increased prices will lead to higher profits

Points might include:

- demand might fall [k] because of price elasticity [an]
- brand loyalty [k] may mean people willing to pay [an] customers seem relatively loyal as market share constant [ap]
- depends on the amount of price rise [k]
- level of competition [k] higher prices could see customers switch to lower priced rivals [an]
- impact depends upon their monopoly power/market share

If the soap was of high quality [k] and the target customers were high income women [k] then increasing the price would attract them [an] and make them think the soap is of high quality [an]. So in this case increasing the price will increase the profits [ev] because the higher price will match the image [ev]

Do not credit answers which discuss factors affecting profits in general with no link to prices

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3 (a) What is meant by ‘product orientated’?

[2]

Clear understanding [2] Business that focuses on making the product right [1] and then tries to find customers to buy it [+1]

Some understanding [1] e.g. no market research done [1]

Firm concentrates upon quality or design of the product [1]

(b) Identify two possible economies of scale the business might benefit from if it expands.

[2]

1 mark per economy

Examples include: purchasing, financial, technical, risk bearing, marketing, managerial

Note: accept practical examples such as buying in bulk.

(c) Identify and explain two possible problems for Sharma Machine of holding a lot of stock.

[4]

Knowledge [2 × 1] – identification of problem [1 mark per problem]

Application/analysis [2 × 1] – explain how or why it might be a problem for SM

Points might include:

- cash flow/liquidity problems [k] as money held as stock [an]
- additional storage costs [k] as need more space [an]
- additional security costs [k] as valuable parts [ap]
- risk of obsolescence/wastage [k] because of new versions [an]
- risk of damage [k] as need to be stored which could increase costs [an]

Note: Do not accept any answer that could not be related to this type of business, e.g. sell by dates

(d) Identify and explain three methods that Ishant could use to increase productivity. [6]

Knowledge [3 × 1]: identification of method [1 mark per method]

Application/analysis [3 × 1]: explanation of how method could help improve productivity

Points could include:

- **replace workers with machines** [k] – no need to rest/no drop in quality due to tiredness [an]
- **introduce more up to date technology** [k] as less likely to break down [an]
- **improve stock control/JIT** [k] order only materials required so less time wasted [an]
- **improve quality control** [k] so less rework required/workers take more care [an]
- **improve employee motivation** (accept a practical example such as increased pay) [k] so workers work faster to increase number produced [an]
- **train staff** [k] to be more efficient – so less mistakes/wasted resources [an]
- **use TQM** [k] so workers are more responsible for work [an]
- **changing the way work is organised** e.g. **Kaizen, lean production, cell production**

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(e) How important is the right location for the new factory in helping Sharma Machine to remain competitive? Justify your answer. [6]

Knowledge [2] – identification of points

Analysis/application [2] – explain how it would help Sharma be competitive

Evaluation [2] – justified decision as to how important the right location is help SM remain competitive

Points could include:

- close to suppliers [k] – so less costs of transport [an]
- close to market [k] – so able to deliver goods more quickly [an]
- access to suitably qualified workers [k] – to ensure have best possible workers [an]
- where are rival companies [k] – external economies [an]
- laws [k] – can they set up [an]
- cost of site/access to utilities [k] – rent is fixed cost/need to install power etc. will add to costs – all could lead to lower margin or need to set higher price [an]

Candidates may discuss a range of factors affecting competitiveness. This is creditable only if linked to why location is not important.

They should locate in a place which has low rent [k] and easy access to transport links [k]. This will keep costs of production low [an] therefore SM will be able to keep its prices low [an] and attract more sales. However, location by itself does not mean the business will always be competitive [ev]. Buying from cheap suppliers may be a better way of keeping costs low [ev].

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4 (a) What is meant by ‘appreciation of our country’s currency’? [2]

Good knowledge/understanding [2]: Rise of exchange rate [2] or the value of the currency rises/ [1] so it buys more of another currency than before [1]

Some understanding [1] e.g. currency buys more imports

Do not accept a definition of exchange rate as this is not answering the question

(b) Calculate the current ratio in 2012. [2]

Application [2] e.g. correct answer – 0.666 [2] Also accept 0.66, 0.67, 2:3 or 1:1.5 [2]

Correct method – Current assets / current liabilities or 50/75 [1]

(c) Identify and explain two problems that an increase in taxes could cause for Luxury Destinations. [4]

Knowledge [2 × 1] – identification of problem [1 mark per problem]

Application/analysis [2 × 1] – explanation to show how problem might affect LD

Points might include:

- **demand/sales may fall [k]**
- **suppliers may increase their prices [k]** and therefore costs for the company could rise [an]
- **company may have to pay more tax [k]** and therefore may decide to put their prices up [an]
- **consumers have less money to spend [k]** therefore demand for holidays fall [an]
- **lower profits [k]** meaning lower returns for owners/less money to invest [an]

(d) Identify and explain three benefits for Luxury Destinations of training its employees. [6]

Knowledge [3 × 1] – identification of benefit [1 mark per benefit]

Application/analysis [3 × 1] – explanation to show how it might help LD

Points might include:

- better skills [k] – so more efficient workers
- workers know what they are doing [k] so likely to make fewer mistakes [an]
- more flexible [k] so business able to cover absence of other workers [an]
- able to offer better customer service [k] – so attract more customers [an]
- workers feel more valued [k] so improve the customer service offered [an]
- improved public image of the company [k] so likely to attract more workers/customers [an]

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(e) Do you think the Finance Director is right to be pleased with the financial position of the business? Justify your answer. [6]

Knowledge [2] – identification of performance/issues [2 max]

Application/Analysis [2] – explanation to show how or why this is an issue for LD. Interpretation of relevant ratio or manipulation of figures/data to explain what it shows

Evaluation [2] – justified decision made as whether LD should be pleased about the financial position

Points might include:

- expenses have decreased [k] by \$5000 [an]
- working capital has decreased [k] by \$25 000 [an]
- net profit increased [k] therefore expenses must have fallen [an]
- gross profit increased [k]
- liquidity has fallen [k] by 0.33% [an]
- increase in fixed assets [k] which might increase output [an]
- current ratio for 2011: 60/60, for 2012: 50/75 [k] therefore they may struggle to pay their short term debts [an]

The current ratio has decreased [k]. This means they are more at risk of bankruptcy [an]. However, their net profit has doubled [k] which means the company has improved by cutting their overheads [an]. Although the current ratio is bad they have plenty of fixed assets to cover their debts [ev] and efficiency has increased therefore the finance director should be pleased [ev].

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5 (a) What is meant by the ‘private sector’?

[2]

Good knowledge [2]: When business activities are **owned** by individuals [2]

Some knowledge [1] e.g. run by individuals OR not controlled directly by government OR aim to make a profit OR controlled by person/group of people

(b) Identify two ways that a business could increase added value.

[2]

Knowledge [2 x 1] 1 mark per way

Ways could include: turning raw materials into finished goods/branding/packaging/adding extra features to products/USP/improved design

(c) Identify and explain two advantages of a short chain of command for Amira.

[4]

Knowledge [2 × 1] – identification of advantage [1 mark per advantage]

Application [2 × 1] – explanation to show why it might be an advantage for Amira

Advantages might include:

- communication is quicker [k] – so less chance of messages being distorted or lost as messages have fewer levels to pass through [an]
- decision making is quicker [k] therefore efficiency is improved
- wider span of control [k] – so more choice of who to delegate to [an]
- worker’s motivation could increase [k] so productivity/commitment rises [an]

(d) Identify and explain three qualities that Amira might look for in a manager.

[6]

Knowledge [3 × 1] – identification of quality [1 mark per quality]

Application/analysis [3 × 1] – explain why it is a necessary quality for someone in Amira’s business

Qualities might include:

- effective communication skills [k] – they will have to manage 12 people [app]
- approachable [k] – as need to deal with a small team of workers [app]
- experienced [k] – so will need to respond to workers’ specific questions [app]
- knowledgeable/patience [k]
- well organised [k]

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(e) Do you think that the management style of the new manager might cause problems? Justify your answer. [6]

Knowledge [2] – identification of points

Application/analysis [2] – explanation to show how or why this is an issue

Evaluation [2] – justified decision made as whether management style used might cause problems

Points might include:

- autocratic [k] by being controlling the manager might demotivate staff [an]
- laissez-faire [k] workers might not have the guidance they need [an]
- workers might dislike the management style [k] therefore could leave the company [an]
- manager may have a different style to Amira's [k] which could create conflict within the business [an]

An autocratic leadership style [k] would definitely not suit them [ev] as employees may feel demotivated [an]. However as employees are highly motivated [k] they could adapt to any leadership style [an] and therefore the management style is not important [ev].