

**MARK SCHEME for the May/June 2014 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 × 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"> <li>• Can sell to a wider market</li> <li>• Can be used for advertising</li> <li>• Customers can order any time</li> <li>• New markets reached</li> <li>• Direct customer contact</li> </ul>	<ul style="list-style-type: none"> <li>• Large/regular orders placed</li> <li>• Administration savings on fewer but larger order/economies of scale</li> <li>• Feedback from supermarkets on which products sell well</li> <li>• Display in supermarket promotes the cakes</li> </ul>

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

	Knowledge/Analysis/ Evaluation
Level 3	<p>At least 2 × 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 Detailed discussion of advantages of e-commerce and advantages of selling to supermarkets in other countries. <b>N.B. do not reward disadvantages</b></p>
Level 1	<p>1–3 marks 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 × 1] – award one mark for each correct ratio

Analysis [2 × 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 × 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.



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

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

	Knowledge/Analysis/ Evaluation
Level 3	<p>At least 2 × 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 Detailed discussion of advantage/disadvantage of Option A and/or B. <b>NB do not reward mirror image arguments</b></p>
Level 1	<p>1–3 marks Outline of advantage/disadvantage of Option A and/or B. <b>NB do not reward mirror image arguments</b></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"> <li>higher incomes – increased demand</li> <li>higher sales of luxury products – increased demand</li> <li>may eat other products to cakes – so demand falls</li> </ul>
Reduced supply of the raw materials used to make cakes	<ul style="list-style-type: none"> <li>less ingredients available – increased costs</li> <li>higher prices – decreased demand</li> <li>Prices same but lower profits</li> </ul>
Television programme highlighting the effects on health of eating too many cakes	<ul style="list-style-type: none"> <li>Negative publicity – lower demand</li> <li>Not many see the programme – little effect on sales</li> <li>Consumers loyal and ignore the advice</li> </ul>

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

	Knowledge/Analysis/ Evaluation
Level 3	<p>At least 2 × Level 2 + 9–10 marks for well justified conclusion as which change has the greatest effect on profit compared to the other changes. <b>NB must be explicit reference to the effect on profit.</b></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 Detailed discussion of the changes and how they affect profits.</p>
Level 1	<p>1–3 marks 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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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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**1 (a) What is meant by a ‘marketing budget’? [2]**

Good knowledge: [2] e.g. a financial plan or forecast for the marketing of a product for a specified period of time

Some knowledge: [1] e.g. a financial plan or sum of money put aside for marketing

**(b) Identify two methods of primary market research that Anouk could use. [2]**

Application [2 × 1] 1 mark per method

Methods could include: Questionnaires/survey, interviews, observations, focus group

**Do not accept** marketing agency or field research as these are not appropriate for a small business.

**(c) Identify and explain two possible advantages for Anouk of hiring equipment. [4]**

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

Application [2 × 1] – award 1 mark for each relevant different explanation

**Relevant points might include:**

- No need to spend a lot of money to buy equipment [k] might be too expensive for a sole trader [app]
- Easier to update or change equipment as required [k] if she designs a new piece of jewellery she does not have to buy more equipment [app]
- Able to afford the best equipment [k] to help her to make her jewellery more efficiently [app]
- If the machine is broken Anouk does not have to pay owner cost of repair [k] as a small business owner she does not have much money [app]
- Machinery is only rented when needed [k] so saving space at home [app].

**Note: Do not accept** cheaper or saves costs as these are too vague.

**(d) Identify and explain two disadvantages to Anouk to having a business partner. [6]**

Knowledge [2 × 1] – award 1 mark for each disadvantage identified

Application [2 × 1] – award 1 mark if relevant reference made to Anouk

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

**Note:** For each reason maximum 3 marks [1k + 1app + 1an].

**Relevant points might include:**

- Have to share profits [k] so she might earn less [an] than if she were a sole trader [app]
- Share workload: [k] Anouk enjoys doing both designing and selling [app] sharing could lead to conflict [an]
- Unlimited liability [k] just like a sole trader [app] Anouk’s personal assets are still at risk [an]
- Slower decision making [k] as she has to discuss decisions such the marketing budget [app] which could mean she misses sales [an]
- They might have different objectives [k] the partner might not want to just sell at markets [app] this could lead to disagreements [an]
- Partnership agreements cost time and money [k].

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- (e) Anouk could use either leaflets or local newspaper advertising as methods of promoting her jewellery. Recommend which method you think Anouk should use. Justify your answer. [6]

Knowledge [2] – award up to 2 marks for identification of relevant points (e.g. advantages or disadvantages of either method)

Application [1] – award 1 mark if relevant reference made to Anouk’s business

Analysis [1] – award 1 mark for relevant development of point(s)

Evaluation [2] – justified decision made as to which of the two methods would be most appropriate for Anouk to use.

**Points include:**

Advertising in local papers:

- Low cost [k] so she will be able to afford this [an] in her \$50 budget [app]
- Would widen her target audience [k] as many people read newspapers [an]
- Not everyone reads newspapers [k] so her target audience might not be aware of her business [an]
- Repeat adverts can be expensive [k]. Using up the marketing budget [app].

Leaflets:

- Easy to distribute to lots of people [k] could widen her possible audience [an] to help increase her sales revenue above \$3000 [app]
- Can be kept for reference [k] for when people want to buy rings or bracelets as presents [app]
- Can be colourful [k] which will attract people’s attention [an]
- People might see them as junk [k] so throw them away [an].

**Note:** For 6 marks there must be a justified decision as to why it is the best option.

- 2 (a) Identify two examples of tertiary sector business activity in your country, other than a recruitment agency. [2]

Knowledge [2 × 1] 1 mark per example

Examples might include: Hairdressers, transport **or** distribution company; banking, retailers, doctors. Accept any reasonable answer but only **one** example of a retailer.

**Do not accept** names of businesses on their own **or** answers such as selling

- (b) Identify two reasons why good customer service is important for Keypeople. [2]

Application [2 × 1] - award 1 mark per reason

Reasons might include: customer feels valued / good public relations / creates higher level of customer satisfaction / leads to repeat business (brand loyalty) / can lead to word of mouth recommendations/ motivation of workers/brand image.

- (c) Identify and explain two reasons why employment contracts are used by businesses. [4]

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

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

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**Points might include:**

- It's a legal requirement [k] so failure to use them could lead to fines / legal action [an]
- Avoids misunderstanding if there is a dispute [k] business can check what workers are expected to do [an]
- Employers and employees know the terms and conditions of the employment [k].

**Note:** Details of content within a contract can be awarded only once as knowledge (e.g. wages/hours/holidays).

**(d) Identify and explain two stages in the recruitment process of the manager's job for the manufacturing business. [6]**

Knowledge [2 × 1] – award 1 mark for each stage identified

Application [2 × 1] – award 1 mark if relevant reference made to Key people

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

For each reason maximum 3 marks [1k + 1app + 1an].

Stages are: job analysis; job description; person (job) specification; advertising the vacancy; shortlisting; interviewing, induction (training).

**Possible examples include:**

- Job description [k] will outline the tasks and responsibilities of the job [an]
- Person specification [k] will list the qualities and experiences for a senior manager [app] to attract the right people [an]
- Right place to advertise [k] specialist magazines/newspaper[app] to reach a wide range of people [an].

**Note:** Do not accept training alone – too vague.

**(e) Do you think Rachel should expand Keypeople? Justify your answer. [6]**

Knowledge [2] – award up to 2 marks for identification of relevant points

Application [1] – award 1 mark if relevant reference made to key people

Analysis [1] – award 1 mark for relevant development of point(s)

Evaluation [2] – justified decision made as to whether Rachel should expand key people

**Points might include:**

- Access to finance [k] as it is only a small business [app] so banks might not be willing to lend [an]
- Size of market [k] there might not be enough businesses who want to use the services [an] of a recruitment agency [app]
- Negative effect on business reputation [k] as customer service might worsen [app] as employees might not be able to cope with the increased workload [an]
- Need to hire additional employees [k] which would increase the business costs [an] as currently only have 2 employees [app]
- Expansion will reach more people [k] as it may move into new towns[app] and potentially increase sales [an].

**3 (a) Identify two fixed costs that HPT might have. [2]**

Application [2 × 1] 1 mark per fixed cost

Fixed costs could include: rent, rates, interest payments, electricity, gas, water, salaries.

Allow practical examples such as freezers.

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**Note: Do not accept** wages and packaging as fixed costs are identified in the data.

**(b) Calculate the following. [2]**

Application [2 × 1] award 1 mark for each correct value. \$ symbol not required but Y must be shown as a negative value

X = \$180 000; Y = (10 000)

**Note:** Answers should be in millions but accept 180 000 and (10 000) due to question layout.

**(c) Identify and explain two benefits to HPT of having a cash flow forecast. You should refer to Table 1 in your answer. [4]**

Knowledge [2 × 1] – award 1 mark for each relevant benefit identified

Application [2 × 1] – award 1 mark for each relevant explanation in context

**Relevant points might include:**

- Arrange a short term loan [k] or arrange an overdraft [k] as in each month the closing balance is negative [app]
- Can identify possible causes of cash flow problems [k] e.g. as in month 2, sales are \$20 000 lower than the other two months [app]
- Help manage cash flow better [k] as could try to reduce amount spent on packaging to less than \$20 000 per month [app]
- Supports a loan application [k] as shows that the cash flow is improving slowly [app]
- Shows how much is spent each month [k].

**Note: Do not reward** a definition of cash flow forecast as the question asks for the benefits

**(d) Identify and explain two reasons why packaging might be important for HPT. [6]**

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

Application [2 × 1] – award 1 mark for each relevant reference to HPT

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

For each reason maximum 3 marks [1k + 1app + 1an].

**Relevant points might include:**

- Protection [k] as (frozen) food could be easily damaged / perish [app]
- Inform [k] could include nutritional information on labels or how to cook the food [app]
- Promotion [k] attractive wrappings could encourage people to buy the food to taste [app]
- Style or colour of packaging could help boost brand image [k] as it could help products stand out on the shelves [app]
- Easier to store [k].

**Note: Do not accept** HPT/Frozen food alone as application.

**(e) The Finance Director is worried that new Government health & safety laws will not benefit the company and will only add to its costs. Do you agree? Justify your answer. [6]**

Knowledge [2] – award up to 2 marks for identification of relevant issue(s)

Application [1] – award 1 mark if relevant reference made to aspects of HPT's business

Analysis [1] – award 1 mark for relevant development of point(s)

Evaluation [2] – justified decision made as to whether the costs of meeting the H&S laws will be greater than the benefits for HPT. Either viewpoint is acceptable.



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**Points / additional costs could include:**

- Cost of training, new equipment, wastage of food [k]
- Costs increase expenditure[an] and add to the cash flow problems of HPT [app] / or costs negatively affect the profitability [an]
- Worker motivation might increase [k] if workers feel safe [an] they may work harder and output / quality might improve [app].
- All businesses will be affected by the new laws [k] so even if costs rise, they can still remain competitive [an]
- Following health and safety laws will mean people will have trust in the food [k] because the food will be hygienic [app] this will lead to an increase in sales [an].

**4 (a) Identify two features of a recession. [2]**

Knowledge [2 × 1] one mark per feature

Features could include: falling demand, fall in business output, rising unemployment, business losses **or** lower profit **or** closure, less money circulating, less growth

**(b) Identify two effects of a cut in interest rates on businesses like JWR. [2]**

Application [2 × 1] – award 1 mark per effect

Points could include: Lower cost of borrowing money, existing loans could become cheaper, encourage businesses to expand, increased demand.

**(c) Identify and explain two actions that pressure groups could use to influence JWR's decision. [4]**

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

Application [2 × 1] – award 1 mark for each relevant explanation of how it would affect the decision to set up a new power station

**Actions include:**

- Lobbying government [k] to try to stop JWR from locating the power station in certain locations [app]
- Organise a boycott [k] so customers do not buy electricity from JWR [app]
- Write letters to newspapers [k]
- Hold public meetings [k]
- Arrange a meeting with JWR [k]
- Protest / demonstration [k]
- Petitions [k]
- Direct action [k].

**(d) Identify and explain two external benefits as a result of opening a new power station in country U. [6]**

Knowledge [2 × 1] – award 1 mark for each relevant benefit identified

Application [2 × 1] – award 1 mark if relevant context

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

For each reason maximum 3 marks [1k + 1app + 1an].

**Points might include:**

- Job creation [k] as JWR will need to employ local workers at the power station [app] so provide a wage / income for many local employees [an]
- Increased orders for suppliers [k] as JWR will need to purchase materials [app] so increasing their sales [an]

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- Provide essential resources for community [k] as people will have access to energy [app] so improving their standard of living [an]
- Improved road infrastructure [k] as JWR will need to ensure there is good access to the power station [app] which could help reduce congestion for local people [an]
- Tax revenue [k].

**(e) Do you think that the government of country U should try to attract multinational businesses? Justify your answer. [6]**

Knowledge [2] – award up to 2 marks for identification of relevant issue(s).

Analysis [2] – award 1 mark for relevant development of point(s)

Evaluation [2] – justified decision made as to whether the government of country U should try to attract businesses like JWR. Either viewpoint is acceptable.

**Relevant points might include:**

- Increased employment [k] which can help improve living standards [an]
- Improved international reputation[k] could encourage other businesses to set up in country [an] helping economic growth [an]
- Depletion of local resources **or** damage environment [k] could increase pollution levels [an]
- Can switch profits between countries to avoid taxes [k] so country might not receive much additional tax revenue [an]
- MNCs are given incentives [k] money which could have been spent supporting local business [an]
- Can force local businesses to close [k] as they cannot compete with such large and powerful businesses [an].

**5 (a) Identify two stakeholder groups, other than employees. [2]**

Knowledge [2 × 1] – award one mark per stakeholder

Stakeholders could include: customers, suppliers, Government, owners **or** shareholders, lenders, community.

**Note: Do not accept** competitors, managers, directors.

**(b) Identify two functions of management that each shop manager will have to perform. [2]**

Application [2 × 1] award one mark per function

Functions could include: planning rotas, organise or delegate tasks to various employees, coordinating sections, giving commands to department managers, controlling shop budgets or monitoring targets.

**Note: Do not accept** functions of management which can only be applied to production. Leadership is too vague.

**(c) Identify and explain two features of Callow’s organisational structure. [4]**

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

Application [2 × 1] – award 1 mark for each relevant explanation

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**Features might include:**

- Tall hierarchy [k] / long chain of command [k] as there are seven levels in the organisation [app]
- Functional departments [k] but also a regional division of responsibility for operations [k] as split into north south east and west [app]
- Comment on various spans of control e.g. managing director has a short span [k] of 4 employees / supervisors have a wide span of 8 sales assistants [app].

**Note: Do not award** wide/narrow span of control alone as this does not apply to the whole chart, an employee must be specified.

**(d) Identify and explain two possible methods that Callow could use to improve the motivation of its employees. [6]**

Knowledge [2 × 1] – award 1 mark for each relevant method identified

Application [2 × 1] – award 1 mark if relevant reference made to Callow’s business

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

For each reason maximum 3 marks [1k + 1app + 1an].

**Methods might include:**

- Bonuses / commission [k] for sales assistants [app] as this would encourage them to sell more to earn extra money [an]
- Fringe benefits[k] e.g. the regional directors / managers could receive a company car[app] they will feel important / position recognised [an]
- Payment methods e.g. increase wage rate or salary (only allow once)
- Job rotation [k] sales assistants could move to different departments [app] so they are not bored [an]
- Training/CPD[k].

**(e) Do you think it is a good idea for Callow to use off the job training for all its shop employees? Justify your answer. [6]**

Knowledge [2] – award up to 2 marks for identification of relevant issue(s)

Application [1] – award 1 mark if relevant reference made to Callow’s business

Analysis [1] – award 1 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether it is a good idea for Callow to use off the job training for all its shop employees. Either viewpoint is acceptable.

**Relevant points might include:**

- Training costs will increase [k] as they will need to pay for employees training[k] as well as people to cover them in the department [app] this could negatively impact on profits [an]
- Might not have the right people to do training [k] as a good department manager does not necessarily make a good trainer [app] so could teach assistants the wrong skills [an]
- Could gain new ideas or skills [k] which could mean that the Callow can become more competitive [an] against other retailers. [app]
- On the job could distract good employees from their work [k] so sales could be lost [an] as they might not be able to give their full attention to customers [app].

**Note: Do not accept** development or evaluation which focuses on whether training is a good idea for workers.