

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0450 BUSINESS STUDIES

0450/11

Paper 1 (Short Answer/Structured Response),
maximum raw mark 80

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 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"> • 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 × 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. N.B. do not reward disadvantages</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"> 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 × 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. NB do not reward mirror image arguments</p>
Level 1	<p>1–3 marks Outline of advantage/disadvantage of Option A and/or B. 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 × 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 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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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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1 (a) What is meant by 'revenue'? [2]

Clear understanding [2] Income/money made by the business [1] from the sale of goods or services [1] OR Quantity sold \times price per unit [2]

Some understanding [1] e.g. Income/money made by the business [1]

(b) What is meant by a 'variable cost'? [2]

Clear understanding [2] costs that change [1] with the level of output produced/sales made [1]

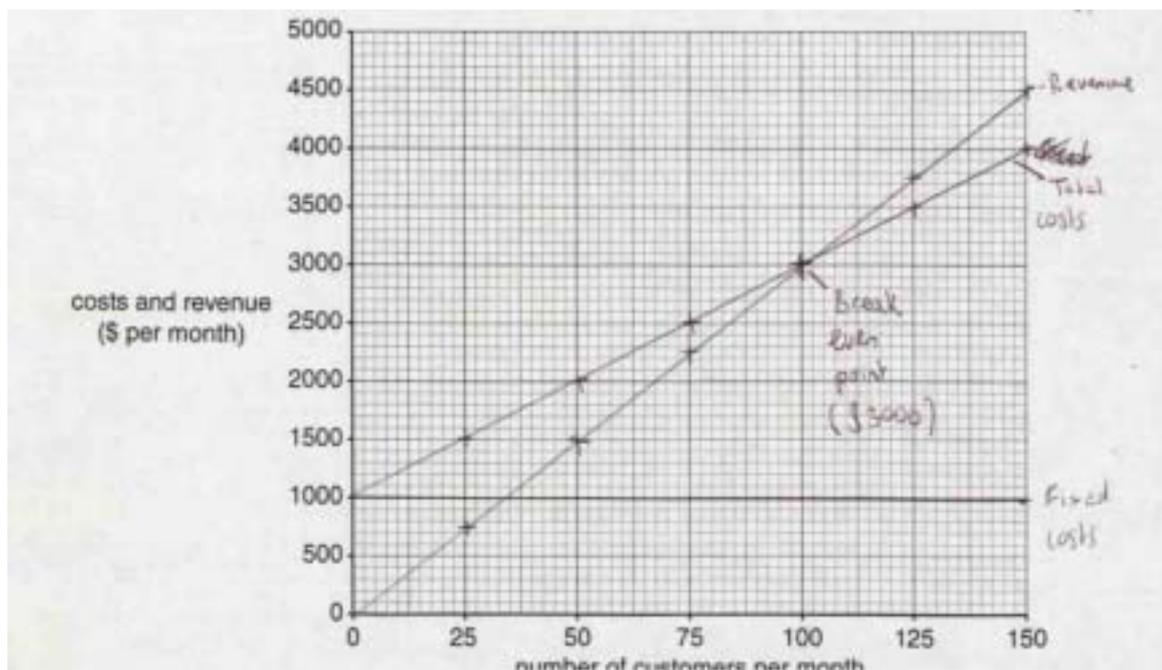
Some understanding [1] e.g. costs that change [1] or costs that vary with sales/output [1]

Do not accept examples of variable costs

Do not accept the phrase 'costs that vary' as this is re-wording the question

(c) Using the information in Table 1, draw a break even chart for Gomez's business. [4]

- Accurately plotted TR line [1]: start at 0, at 100 units is \$3000
- Accurately plotted TC line [2] in total: start at \$1000 [1] \$3000 at 100 units [1]
- Labelling: TR and TC [1] only if layout is correct. TR must start at zero and lines must cross
- Notes:
- Accurately drawn **unlabelled** break-even chart [3].
- For 4 marks TR [revenue] and TC must be clearly labelled.
- Max 1 mark for inaccurately plotted break-even chart with TR and TC correctly labelled.



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(d) Identify and explain two methods that Gomez could use to maintain customer loyalty. [6]

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

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

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

Relevant points might include:

- Communicate with customers e.g. newsletters, social media [k] so that they remember your business [an] when they next need computer repaired [app]
- Offer good quality service [k] so that customers want to return [an] rather than go to one of its many rivals [app]
- Extra services [k] e.g. delivery/credit facilities/after sales/training
- Offer rewards [discounts] **to existing customers**/loyalty card [k] such as free software [app] so consumers have an incentive to return [an]
- Train staff [k] so they are able to offer a good quality service [an]
- Ask for feedback e.g. surveys [k] to provide the repairs/service [app] that customers require [an]
- Resolve complaints quickly [k] so that customers don’t go to rivals [an] to repair their computer [app]
- Application marks may be awarded for appropriate use of the following: competitive market/many rivals, computer repairs, software, small business.

Each application to be awarded only once.

(e) Gomez thinks the best way to lower the break-even point is to raise prices. Do you agree? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]

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

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether raising prices is the best way lowering the break-even point. Candidate’s final decision can be either for or against the statement.

Relevant points might include:

- raise in price will increase revenue [k] so need to do less repairs [app]
- effect of elasticity [k] if demand price elastic, increasing prices will see a greater fall in demand [an]
- depends on actions of competitors [k] as it is a competitive market [app]
- is the business able to lower costs [k]
- lower costs [k] might mean quality of work is reduced [an] so lose customer loyalty [app]

Application marks may be awarded for appropriate use of the following: use of break-even information, competitive market, small computer shop, customer loyalty.

2 (a) Identify two stages of the recruitment process. [2]

Knowledge [2 × 1] award one mark per stage identified

Points might include: Job analysis, job description, person specification, advertising, shortlisting, interview, selection.

Note: Answer must be from the business viewpoint not the applicant.

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(b) What is meant by an ‘economic boom’? [2]

Clear Understanding [2] – **strong** rise in level of **economic** activity **OR** Period of time when GDP rising **rapidly**

Some Understanding [1] – e.g. **economy** doing well [high GDP] or rise in level of **economic activity** or GDP rising

Do not credit characteristics of economic boom as these are stated in the stem

(c) Explain how falling unemployment might affect All Active. [4]

Knowledge [2] award up to 2 marks for identification of points/knowledge of unemployment
Application [2] award up to 2 marks for relevant explanation in context of All Active

Relevant points might include:

- customers have more income [k] so can spend money on luxuries such as leisure activities [app]
- problem recruiting workers [k] as need more for each club [app]
- higher wages may be needed [k] for the new staff [app]
- more people in work [k] less time to spend at sports club [app]

Application could include: Leisure/sports clubs, new workers/expansion/more clubs, gym membership, fitness is an elastic product

(d) Identify and explain two factors that All Active should consider when deciding on the location of the new clubs. [6]

Knowledge [2 × 1] – identification of relevant sources [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to their business

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

Relevant points might include:

- customers/level of demand[k] need to be in places where people are interested in fitness [app] as they will get more customers [an];
- availability of suitable land [k] as likely to need a large space [an] to build a **sports** club [app];
- government regulations [k] which could stop them from building in some locations [an];
- competitors [k] customers might be loyal to a rival gym [app] so difficult to gain customers [an]
- suppliers [k] training equipment is heavy [app] so costs of transport will be high [an]
- Infrastructure/transport links/utilities [k]
- access to employees [k] as they will need trainers [app] to help/advise customers [an]
- cost of land/rent [k]

Application marks may be awarded for appropriate use of the following: equipment, sport/fitness, gym, trainers

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- (e) Consider the advantages and disadvantages for All Active of being converted to a public limited company? Do you think All Active should become a public limited company? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed [max 1]

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

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether All Active should become a public limited company. Candidate’s final decision can be either for or against the statement.

Relevant points might include:

Advantages:

- Access to greater sources of finance [k] so help fund expansion [an] of 5 more clubs [app]
- Greater prestige/status [k] so might be able to attract better managers/employees [an]

Disadvantages:

- More legal requirements to meet [k]
- Already have limited liability [k] as private limited company [app] so is there much benefit [eval]
- business is already successful [k] as profits have increased [app] so might have funds for expansion already [an]
- Greater Risk of takeover [k]

Application marks may be awarded for appropriate use of the following: 5 more clubs, private limited company, fitness, 20 clubs, increasing profits

- 3 (a) What is meant by a ‘partnership’? [2]

Clear understanding [2] – 2 [or more] people who agree to **own** and run a business together [2]

Some understanding [1] – e.g. 2 or more people run a business

Do not accept features

- (b) Identify two methods of primary market research that Si and Ramon might have used. [2]

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

Points could include: questionnaire/survey, interview, consumer panel, observation, focus group

Note: **Do not** accept field research/internet – too vague

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- (c) Identify and explain two possible sources of finance that they could use to obtain the equipment. [4]

Knowledge [2 × 1] – identification of relevant sources [max 2]
 Application [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Bank loan [k] so can spread cost of cameras over a period of time [app]
- Savings [k] so no need to pay interest on the \$4000 [app]
- Borrow from family and friends [k]
- Leasing [k] as there may not be enough demand [app]
- Hire purchase [k] so their new business does not have to pay a large one off cost [app]
- Government grant [k]
- Additional partner [k]

Do not accept retained profits or overdraft as this is a new business

Application marks may be awarded for appropriate use of the following: new business, \$4000, partnership, cameras or examples of relevant equipment [not equipment on its own], business plan

- (d) Identify and explain two advantages to Si and Ramon of having a business plan. [6]

Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 2]
 Application [2 × 1] – award 1 mark if relevant reference to Si and Ramon's business
 Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Support loan applications [k] as bank/lenders will want to know that the \$12 500 [app] can be repaid [an]
- Clear aims/guidance for business [k] so they know what they have to do to get there [an]
- help decision making [k] as Si believe there is customer demand for service before start [app] so will not waste time and money targeting the wrong people [an]
- helps understand the possible risks [k] as they might not have run a business before [app]
- provides an estimate of costs [k] for the photography business [app] so they will know how much they need [an]
- provides a checklist [k] as they set up [app] so that they don't forget any important task [an]

Application marks may be awarded for appropriate use of the following:
 \$12 500/\$8000/\$4000, \$500 photography business, new business, set up

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- (e) Consider two methods of promotion that would be suitable for Si and Ramon to use. Which of these two methods would be most appropriate? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant method(s) [max 1]

Application [1] – award 1 mark if relevant reference made to Si and Ramon’s business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision as to which method of promotion is best option to use

NOTE: For 6 marks must explain why chosen method is better than the other option

Relevant methods might include: advertising [can include leaflets, posters, radio, television, newspapers, direct mail, social media, websites], sponsorship, promotional pricing (short-term discounts), special offers, branding, competitions, PR.

Note: **do not** accept internet – too vague

Application marks may be awarded for appropriate use of the following: – photography, pictures, new business, \$500, partnership, weddings, birthdays, special events

- 4 (a) What is meant by ‘batch production’? [2]

Clear understanding [2]: e.g. products are made in groups/blocks [1] followed by another block/group [1]

Some understanding [1]: identifies one distinct feature of batch e.g. made in (small) groups or sets

Do not accept ‘batch’ as part of answer as stated in question.

- (b) Identify two advantages (other than cutting costs) to the company of using new technology. [2]

Application [2 × 1] award 1 mark per advantage

Points include:

- less errors/wastage/consistent quality
- less risk of injury
- higher output
- able to make new products
- speed of production/efficiency
- 24/7 operation

Note: **do not** accept less wages or less employees as these are examples of cutting costs

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(c) Identify and explain two reasons why the quality of chocolates might be important to this company. [4]

Knowledge [2 × 1] – identification of relevant reason [max 2]

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

Points could include:

- helps establish brand image/loyalty [k] as they make a luxury product [app]
- ensure sales [k] as if they don't taste right, people won't buy [app]
- maintain reputation [k] which is important as it is a competitive market [app]
- maintain standards [k]
- no need to replace faulty products [k] which will help reduce costs [app]
- Charge/maintain high prices [k]
- Add value [k]
- Must meet legal requirements [k] for food products [app]

Application marks may be awarded for appropriate use of the following: competitive market, luxury product, food products, taste.

(d) Identify and explain two problems that a fall in profits might cause for the company. [6]

Knowledge [2 × 1] – identification of relevant problem [max 2]

Application [2 × 1] – award 1 mark for each relevant reference made to the business

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

Relevant points might include:

- Lack of finance [k] to introduce new technology [app] because of less retained profits [an]
- Lenders/investors unwilling to give money [k] as seen as higher risk [an]
- Workers insecure [k] which results in poor motivation [an] as they fear job losses as the company try to cut costs [app]
- Damaged reputation [k] suppliers/customers might think the business is struggling [an] so look for alternative chocolate makers [app].
- Shareholders may sell shares [k] because the company can't pay dividends [an]

Accept points which refer to either gross profit or profit

Application marks may be awarded for appropriate use of the following: new technology, chocolate, cutting costs, increased competition.

Profit is not used to pay costs therefore **do not** accept answers which suggest they can no longer afford items.

Do not accept solutions e.g. Making workers redundant.

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- (e) Do you think that the introduction of new technology would benefit Javid’s workers? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed [max 1]

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

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether new technology would benefit Javid’s workers. Candidate’s final decision can be either for or against the statement.

Relevant points might include:

- need for re-training [k] which could create opportunities for promotion [an]
- impact on motivation (either positive or negative) [k]
- fear of change [k] as production process likely to change how they do things [an]
- fear of redundancy/job losses as machines replace jobs [k] could decrease motivation [an]
- less skills needed [k] so could mean lower wages [an] leading to lower living standards [an]
- opportunities to learn new skills [k] because they make new types of chocolate [app]
- chances for promotion [k] as new job roles created [an]
- safer conditions [k] in the manufacturing process [app] so less risk of injury [an]
- company survives [k] because they remain competitive [app] so workers keep their jobs [an]

Note: **Do not** accept points such as ‘more efficient’ unless clearly link issue to employees.

Application marks may be awarded for appropriate use of the following: chocolates, sales falling, need to cut costs, increased competition

Note: Answer must focus on the benefit or not to the **workers**