

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2014 series

0450 BUSINESS STUDIES

0450/11

Paper 11 (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 October/November 2015 series

0450 BUSINESS STUDIES

0450/21

Paper 2 (Case Study), maximum raw mark 80

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- 1 (a) Identify and explain one advantage and one disadvantage to CC of being a public limited company. [8]

Knowledge (2 × 1) – award one mark for each advantage/disadvantage identified

Analysis (2 × 1) – award one mark for an explanation of each advantage/disadvantage

Application (2 × 2) – award two application marks for each advantage/disadvantage

Award one mark for each advantage/disadvantage (maximum of two), such as:

Advantages:

- Raise large amounts of capital through share issue
- No limit to the number of shares sold
- Shares can be sold to the public
- Shares can be sold on the stock exchange
- Limited liability
- Company has separate legal identify for shareholders
- Continuity of company if shareholder dies

Disadvantages:

- Accounts are published
- Risk of takeover
- Divorce between ownership and control
- Loss of control as increased number of shareholders

Award a maximum of three additional marks for **each** advantage/disadvantage – **2 of which must be applied to this context.**

Indicative response:

Shares can be sold on the stock exchange (k) and this means that CC can raise large amounts of capital to finance the building of new factories in other countries (ap). CC will not have to pay interest on this source of finance and so costs of producing camping equipment are lower (ap) as only dividends may be paid when profits are gained (an).

Possible application marks: recognition that the plc is large; business wants to expand; manufactures camping equipment; customers have tents or caravans; merging with a competitor; three factories; capital intensive method of production; camping cooker; prices just below competitors prices; CC share price; takeover; equipment listed from Appendix 1.

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

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- (b) CC needs to communicate a new health and safety regulation to its factory workers. Consider the advantages and disadvantages of each of the following three ways CC could use. Recommend the most effective way to use. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Posters on factory noticeboards	Easily seen by factory workers Cheap to produce Placed in relevant position Remains visible for long period of time	Not seen by other employees May not be noticed Easily removed/damaged Not know whether or not poster has been read
CC website	Seen by a large number of people – all employees Visual images enhances the message Cost to set up (can be argued as a disadvantage)	Only seen if employee accesses the website May not have access to Internet
Text (mobile phone) message to factory workers	Directly reaches worker Send it to multiple people at once	May not be noticed Phone switched off May not own a phone Can be expensive to send out text messages Too easily deleted Communication delays/network errors

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 effective method of communication to use. 7–8 marks for some limited judgement shown in recommendation as to the most effective method of communication to use.
Level 2	4–6 marks Detailed discussion of advantages and/or disadvantages of each communication method.
Level 1	1–3 marks Outline of advantages and/or disadvantages of each communication method.

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- Level 1 1 mark for each L1 statement (max of 3 marks) e.g. Posters seen by target workers as they will be in the factory and pass by the noticeboard.
- 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. Posters seen by target workers as they will be in the factory and pass by the noticeboard. This is a cost effective method to use as the posters will be cheap to produce. However, it will only be seen by factory workers who pass by those particular noticeboards and there may be many workers who are not working near or walk past these noticeboards and will not see the poster. (4 marks for L2 answer).
- 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 effective method to use.

Award up to 2 additional marks for relevant application.

Possible application marks: in country X; manufactures camping equipment; three factories; 100 skilled workers in each factory; many machines in factory; not allowed trade union membership; public limited company; equipment listed from Appendix 1.
There may be other examples in context which have not been included here.

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- 2 (a) CC's Marketing manager wants to carry out market research. Identify and explain two factors which could influence the accuracy of the market research data. [8]

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

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

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

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

- Ensuring the information is up-to-date
- Ensuring a suitable size of sample is selected
- Ensuring a suitable sample method is used/aimed at target market
- Ensure the questions on a questionnaire are well phrased
- Check who carried out the research
- Check where the research was carried out
- Check if there was any bias/dishonesty
- Method of market research used

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of how it can be ensured that the information is accurate.

Indicative response:

To ensure the information is up-to-date [k] because if the market research had been carried out a few years earlier then customer camping habits may have changed [an]. The Marketing manager needs to ensure that the information has been carried out recently so it reflects current camping habits (ap) and then CC will know whether the current customers are happy with its camping equipment (ap).

Possible application marks: in country X; manufactures camping equipment; customers have tents or caravans; country Z; camping shops; camping cooker; prices just below competitors prices; equipment listed from Appendix 1; Appendix 2 information such as price of cooker = \$40 or variable cost per cooker = £20.
There may be other examples in context which have not been included here.

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- (b) CC's bestselling product is a good quality camping cooker which is similar to those produced by competitors. Explain how each of the following three elements of the marketing mix could be used to market CC's camping cooker. Justify why each element is important to the success of this product. [12]

Relevant points might include:

Price	Competitive pricing as they have several competitors Need to make sure costs are covered – cost plus pricing Psychological pricing – e.g. \$39.99 Penetration pricing – to enter new market
Promotion	Posters on campsite noticeboards Discount vouchers in specialist camping magazines Advertise on holiday company websites Examples of promotional offers e.g. buy camping cooker and get another item free
Place	CC equipment is sold through camping shops Could be sold direct to customers through the website Sell through other outlets as well as camping shops Open new stores near camping sites/activity centres

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

	Knowledge/Analysis/Evaluation
Level 2	4–10 marks Detailed discussion of each of the elements of the marketing mix. Developed reasoning for the course of action suggested Justification of why the description of the element of the marketing mix will lead to successful sales of the camping cooker.
Level 1	1–3 marks Outline the elements of the marketing mix.

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- Level 1 1 mark for each L1 statement (max of 3 marks) e.g. Competitive pricing
- Level 2 one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 10 marks) e.g. Competitive pricing needs to be used with the marketing of the camping cooker as there are many competitors and so CC cannot have very different prices to the other cookers. (4 marks for L2 answer).

Award up to 2 additional marks for relevant application.

NB – do not reward Cooker as an application mark as it is mentioned in the question.

Possible application marks: in country X; loyal customers, need to maintain our competitiveness; manufactures camping equipment; customers have tents or caravans; selling into country Z; camping shops; prices just below competitors prices; equipment listed from Appendix 1; Appendix 2 information such as price of cooker = \$40 or variable cost per cooker = £20.
There may be other examples in context which have not been included here.

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3 (a) Identify and explain two benefits to CC workers of joining a trade union. [8]

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

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

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

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

- Gives strength in numbers/collective bargaining so more likely to achieve demands
- Provides services such as insurance
- Improved pay
- Improved working conditions/health and safety
- Representation in grievances
- Represents the views of the workers
- Advice can be given if the worker has problems
- Legal support if the worker has problems
- Access to training/education
- Social activities/clubs
- Unions membership benefits e.g. discounts

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

Indicative response:

Being a member of a trade union gives strength in numbers so workers are more likely to achieve their demands [k] rather than if one worker tries to achieve the demands on their own (an). At the moment CC does not allow a worker to be a member of a trade union (ap). Production workers are only paid low wages and they may want to be members of a trade union in order to gain a pay rise (ap).

Possible application marks: paid lower wages than wages paid to workers in similar businesses; part-time workers; use machinery in the factory; in country X; manufactures camping equipment; merging with a competitor; three factories; 100 skilled workers in each factory; capital intensive method of production; not allowed trade union membership; country Z; camping cooker; public limited company; takeover; equipment listed from Appendix 1.
There may be other examples in context which have not been included here.

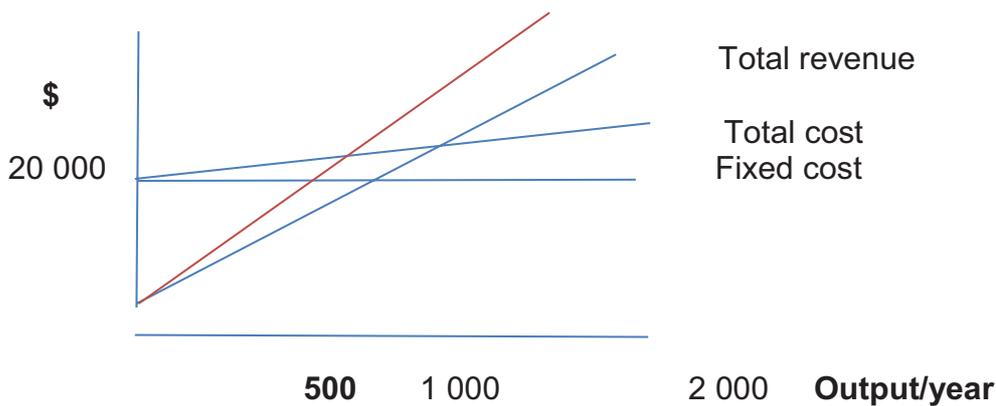
- (b) Show what happens to the break-even point for each of the following options by drawing on each chart. Consider these two options for increasing the profitability of the camping cooker. Recommend which option the directors should choose. Justify your answer. [12]

Option 1 – Increase the price of the camping cooker to \$60

$$B/E = \$20\,000 / (\$60 - \$20) \text{ (L1)} = 500 \text{ (L2)}$$

Revenue increases to \$120 000 – difference of \$40 000 (L1)

B/E at a lower output – increase profit – But – will sales be maintained with higher price?

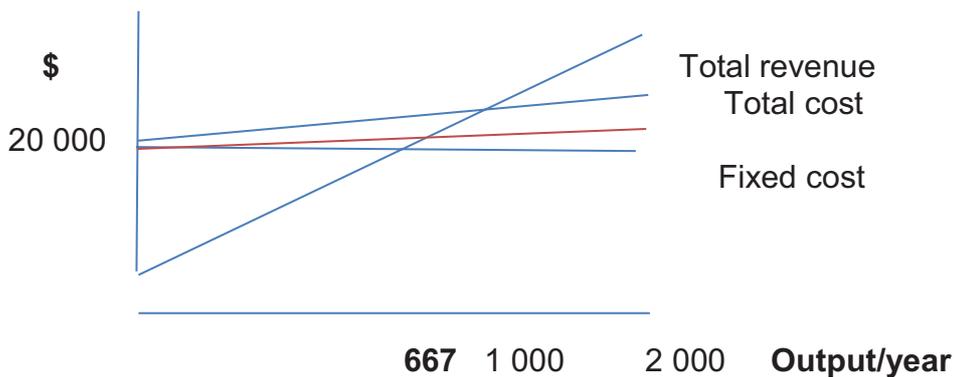


Option 2 – Decrease the variable cost of the camping cooker to \$10

$$B/E = \$20\,000 / (\$40 - \$10) \text{ (L1)} = 667 \text{ (accept 666) (L2)}$$

Variable cost decreases to \$20 000 – difference of \$20 000 (L1)

B/E at a lower output – takes longer to gain higher profit – But – cheaper materials may reduce quality



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

	Knowledge/Analysis/Evaluation
Level 3	Correct break-even calculations of output for both options + 9–10 marks for well justified recommendation as to the best option to choose. 7–8 marks for some limited judgement shown in recommendation as to the best option to choose.
Level 2	4–6 marks Break-even level of output correctly calculated. Comments on what happens to the break-even output/profitability. Recommendation but no correct break-even output calculated.
Level 1	1–3 marks States about the options and what will happen to the break-even output/profitability.

Level 1 1 mark for each L1 statement – increased price may lead to increased profit. (max of 3 marks)

Level 2 one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation. (max 6 marks) Break-even output of option 1 is 500. (L2)

Level 3 For L3 to be awarded there needs to be both break-even outputs correctly calculated and then a recommendation which justifies which is the best option to choose.

Award up to 2 marks for application – one mark for each correct line on the graphs (label not required)

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- 4 (a) Identify and explain one advantage and one disadvantage to CC of employing skilled workers in the factories. [8]

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

Analysis [2 × 1] – award one mark for a relevant explanation for each advantage/disadvantage

Application [2 × 2] – award two application marks for each advantage/disadvantage

Award one mark for each relevant advantage/disadvantage (maximum of two), such as:

Advantage	Increased productivity/More efficient Less training required/Reduced training costs Reduces supervision Can train other workers High quality products Fewer errors/Less waste
Disadvantage	Higher wages paid Increased wage costs May be more difficult to recruit Skilled workers may be specialised in just one area/less flexible

Award a maximum of three additional marks for **each** advantage/disadvantage – **2 of which must be applied to this context.**

Indicative response:

Employing skilled workers will increase labour productivity (k) and this means there will be a greater number of camping cookers produced (ap) and at a lower unit cost (an). This may lead to higher profits and higher dividends paid to shareholders (ap).

Possible application marks: loyal customers, need to maintain competitiveness; other businesses may pay higher wages to attract these workers; business wants to expand; many machines used in factory; part-time workers; in country X; manufactures camping equipment; three factories; 100 skilled workers in each factory; capital-intensive method of production; not allowed trade union membership; country Z; prices just below competitors prices; public limited company; takeover; equipment listed from Appendix 1. There may be other examples in context which have not been included here.

- (b) CC wants to expand into country Z and has the choice of merging with a competitor in country Z or setting up its own factory in country Z. Consider these two options and recommend which one CC should choose. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Merging with a competitor in country Z	<ul style="list-style-type: none"> Already established in the market Know target market well Existing workforce of competitor has necessary skills No need to build own factory May be cheaper 	<ul style="list-style-type: none"> Less control over other company May be disagreements between staff in the two firms May incur redundancy costs
Setting up its own factory in country Z	<ul style="list-style-type: none"> Choose location etc. New equipment will be up to date Choose own staff Government support 	<ul style="list-style-type: none"> Little knowledge of new market May be different culture Costs of setting up may be more expensive Need to recruit new staff

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 and/or disadvantages of each option.</p>
Level 1	<p>1–3 marks Outline of advantages and/or disadvantages of each option.</p>

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- Level 1 1 mark for each L1 statement (max of 3 marks) e.g. The company is already established in the 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. The company is already established in the market therefore it will be familiar with the culture and trends in the camping market in country Z. This will save CC time and money in carrying out market research as it will not need to do this. (4 marks for L2 answer + 1 application mark for mentioning trends in the camping market in country Z).
- Level 3 For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which option CC should choose.

Award up to 2 additional marks for relevant application.

Possible application marks: existing business is already large; set up 20 years ago; in country X; manufactures camping equipment; three factories; 100 skilled workers in each factory; capital intensive method of production; not allowed trade union membership; public limited company; equipment listed from Appendix 1; Government grants available; similar range of camping equipment.
There may be other examples in context which have not been included here.

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

Clear understanding [2] e.g. a business owned and controlled by one person OR ownership lies in the hand of an individual.

Some understanding [1] e.g. a business where one person works/runs on their own.

Some understanding plus a relevant feature can gain [2] e.g. keeps all profits / unlimited liability.

Note – Features alone – max [1]

(b) Identify two methods Lu could use for paying employees (other than time rate). [2]

Application [2 × 1] one mark per method.

Points might include: piece rates, salary, performance related pay, bonuses/commission, profit sharing.

Note – Do not accept wage as this implies time rate

(c) Identify and explain two suitable sources of finance Lu could use to buy a new shop. [4]

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

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

Relevant points might include:

- Long term loan [k] (bank loan alone not acceptable) which he can pay back over a long period of time [an]
- Retained profits [k] because he will not have to repay the money back [an]
- Mortgage [k]
- Existing owners capital [k]
- Additional owners capital [k]
- Venture capitalist [k].

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(d) Identify and explain two methods of promotion that Lu could use for the new range of cakes. [6]

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

Application [2 × 1] – award 1 mark if relevant reference made to Lu's business,

Analysis [2 × 1] – award 1 mark for each relevant explanation (e.g. how it would help increase sales),

Relevant points might include:

- advertising (allow only once) e.g. leaflets/posters [k] showing pictures of their food [app] which raise awareness of business [an]
- Point of sales displays [k] as attracts attention of customers [an]
- Samples [k] as people are able to taste the products [app] and if liked more willing to buy [an]
- money off incentives (allow only once) e.g. promotional pricing or buy one get one free [k] which will encourage them to come into the shop [app] and buy the product [an]
- Attending fairs [k] such as wedding events [app] which will gain Lu new customers
- publicity / sponsorship [k] loyalty card [k] personal selling [k]
- Competitions [k] people will buy a wedding cake from Lu [app] to have a better chance of winning the prizes [an].

Note – Reference to cakes alone is not sufficient for application as this is in the question stem.

Specific examples of promotion are required so do not accept above and below the line promotion or forms of media alone e.g. newspapers, as these are not specific methods. Two distinct examples of application required for the 2 app marks.

(e) Do you think that Lu's business will be more profitable if he expands it by opening a café in a new shop? Justify your answer. [6]

Knowledge [2 × 1] award 1 mark for each relevant issue identified.

Application [1] – award 1 mark if relevant reference made to Lu's business.

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

Evaluation [2] – justified decision made as to whether Lu's business will be more profitable if he expands it by opening a new café.

Points might include:

- Sales revenue of the business should increase [k] if more/new customers are attracted [an] who might buy cakes [app]
- Extra costs [k] such as additional rent [app] he may need more than 4 workers [app] which will increase Lu's expenses [an]
- Reaction of competition [k]
- Is there sufficient demand [k] Lu only thinks there is a demand [app].

Developed example:

Sales revenue of the business should increase [k] but expansion creates extra costs [k] such as the additional rent [app] so profits may not increase [an]. Everything depends upon the success of the venture in generating new customers [eval].

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2 (a) What is meant by ‘fixed costs?’ [2]

Clear understanding [2] e.g. costs that do not change [1] as the level of activity changes [+1]
Some understanding [1]: e.g. costs that stay the same.

Note – Must link answer to level of activity/output to gain full marks. Do not accept examples.

(b) What is meant by ‘Rakesh adds value’? [2]

Clear understanding [2] e.g. the difference between the price of the product and the cost of the resources needed to produce it OR an improvement to the product [1] that makes it worth more [1].

Some understanding [1]: e.g. makes product more valuable.

Note – increased value is a repetition of the question and should not be credited.

(c) Calculate the weekly net profit of the business. [4]

Correct answer [4]: 6000 (\$ not required. No further calculations are required)

Some understanding [can gain up to 3 marks]:

Breakdown of marks as follows:

Revenue per week $(5000 \times 6) = \$30\,000$ [1]

Costs per week:

$[2000 \times 6] + [500 \times 6] + [1000 \times 5] + \$4000 = \$24\,000$ [2] 1 mark for 3 of these 4 correct costs

OR (ii) $30\,000 [1] - 17\,500 = 12\,500 [+1]$

Profit per week $\$6000$ [1]

NOTE – OFR (own figure rule) can apply e.g. (i) $30\,000 [1] - 7500 = 22\,500 [+1]$

(d) Identify and explain two reasons why the weekly net profit may not be the same as the weekly net cash flow for Rakesh’s business. [6]

Knowledge $[2 \times 1]$ – award 1 mark for each reason identified.

Application $[2 \times 1]$ – award 1 mark if relevant reference made to data/Rakesh’s business.

Analysis $[2 \times 1]$ – award 1 mark for each relevant explanation (show why they create cash flow problems).

Points might include:

- Sales are on credit [k] although he is making a profit from the cars [app] money will not be received until later [an]
- Purchase of stock is by cash [k] as he holds a large stock of parts [app] profit is not earned until it is sold [an]
- Some costs may not be paid every week e.g. insurance or rent
- Buys the cars for cash [k] takes time to repair them [app] and so only makes profit when they are sold.

Explanation will focus on the fact that timing of flows creates an imbalance between cash in and out.

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- (e) Country Y's economy is in a recession. Do you think that this will make Rakesh's business less successful? Justify your answer. [6]

Knowledge [2 × 1] award 1 mark for each relevant issue identified.

Application [1] – award 1 mark if relevant reference made to this type of business.

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

Evaluation [2] – justified decision made as to whether Rakesh's business is likely to be less successful.

Points might include:

- Recession could mean a fall in disposable income [k]
- Higher unemployment [k] so fall in people's living standards [an] so might not be able to buy a new car [app]
- Depends on what is meant by successful [k]

Developed answer:

Recessions usually mean a fall in disposable income [k] and an increase in unemployment [k]. Both of these usually mean a fall in consumer demand [an] especially for non-essential products such as cars [app]. This is not good news for Rakesh's business [eval]. However, it is possible that there will be a switch in demand towards cheaper cars [an] and this might help his sales so he could still be successful [eval].

- 3 (a) Calculate the total market sales of soap in 2012. [2]

Correct answer [2]: 400 000 000 OR 400 m (\$ not required)

Some understanding [1] e.g. method OR $40 \div 0.1$

- (b) Identify two possible reasons why Natural Care's market share fell in 2014. [2]

Application [2 × 1] – award 1 mark per relevant reason.

Points might include:

- Demand for rival products increased faster than NC sales / market growth higher than 10%
- Increase competition in the market
- Higher price than competitors
- Lack of suitable marketing / promotion
- Decline in quality in the product.

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- (c) Identify and explain two advantages to Natural Care of acting in an ethical way by paying fair prices to its suppliers. [4]

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

Analysis [2 × 1] – award 1 mark for each relevant explanation showing how the factor creates an advantage.

Points might include:

- Good public image / reputation [k] so customers are more willing to pay higher prices [an]
- Management and owners feel 'happy' with the way the business operates [k]
- Business more attractive to potential employees [k] as they will want to be associated with an ethical company [an]
- Keeps suppliers happy / trusted [K] therefore less likely to lose their suppliers [an].

Note – do not reward discounts as the question is asking about fair pricing

- (d) Identify and explain two ways in which Natural Care might be affected by changing to a competitive pricing strategy. [6]

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

Application [2 × 1] – award 1 mark if relevant reference made to this business/manufacturer.

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

Points might include:

- Reduce profit margins [k] as prices might fall below cost plus price [app] so need to sell more to make same level of profit [an]
- Possible increase in sales [k] because prices could be lower[an] help increase its market share [app]
- Impact on image [k] as might need to change from ethical suppliers [app] as need to lower costs to maintain competitive [an]
- May loose suppliers [k] because they can no longer afford a fair price [app]
- More competitive [k] as price is no longer a reason not to buy their soaps [app]
- Need to find other way (other than price) to attract customers [k].

- (e) Do you think that customers of products such as soap always benefit from an increase in competition? Justify your answer. [6]

Knowledge [2 × 1] award 1 mark for each issue identified

Application [1] – award 1 mark if relevant reference made to this type of business

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

Evaluation [2] – justified decision made as to whether customers always benefit from an increase in competition.

Points to include:

- Competition increase choice [k] therefore they may gain a product that better suits their needs [an]
- Leads to lower prices [k] which means more consumers can afford to buy [an]
- Products become more consumer orientated [k] for examples they can buy soap for sensitive skin [app]
- Lead to hidden quality cuts [k] as manufacturer looks to cut costs [an] to remain price competitive [app]

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- Too much choice can be confusing [k]
- Firms will need to spend on promotion [k] therefore prices might rise for customers to cover the costs [an]
- Lower prices [k] but firms may reduce the size of the product reducing value for money [an]
- Firms reduce the size of the product [k] which means customers get less for their money
- Could reduce choice [k] as smaller firms are forced out of the market [an].

Developed answer:

Competition generally lowers prices [k] as firms try to remain price competitive [app] customers they may gain a product that better suits their needs [an] customers may not benefit if firms reduce quality. [k] The extent to which they benefit depends on how firms compete [ev] and what customers value in the product [ev].

4 (a) What is meant by an ‘autocratic style of management’? [2]

Clear understanding [2] e.g. an autocratic style implies that all decisions are made by the management [1] without consultation and discussion [+1] OR workers have no say in decision making [2].

Some understanding [1] e.g. a manager who tells others what todo.

(b) Identify two possible reasons why Genel ignores health and safety in its factory. [2]

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

Reasons might include:

- Legislation incurs costs / they don't have to spend money
- Management doesn't care about employee welfare
- Laws not enforced
- Cheaper to pay fines
- To increase production
- Workers can be easily replaced

Some countries do not have laws for health and safety.

(c) Identify and explain two ways in which Genel would benefit from a more motivated work force. [4]

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

Application [2 × 1] – award 1 mark for each relevant explanation in context (show why these points matter to this type of business).

Points might include:

- More output [k] so able to meet demand for its clothes [app]
- Workers work harder [k] which leads to an increase in productivity [app]
- Lower wage costs [k] as might not need to employ as many workers [app]
- More flexible [k] as workers will be able to respond to changing tastes [app]
- Lower levels of absenteeism [k]
- Lower training / recruitment costs [k] because of lower levels of staff turnover[app]
- Loyal staff [k] which will reduce staff turnover
- Less mistakes [k] so better quality clothes made [app]
- Improved image / better reputation [k].

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- (d) Identify and explain two ways that Genel could use to improve employee productivity in its factories. [6]

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

Application [2 × 1] – award 1 mark if relevant reference made to this business/manufacturer.

Analysis [2 × 1] – award 1 mark for each relevant explanation (show how it will help increase output per employee).

Points might include:

- Switch to piece rate [k] rather than pay low wages [app] as workers might produce more in order to gain more money [an]
- Increase pay [k] which improves motivation [app] so workers produce more per hour [an]
- Better working conditions to improve morale [k] as they are currently poor [app]
- New and better machinery
- Training [k] improves motivation [app]
- Reduce working hours
- Implement health and safety laws [k] which are currently ignored [app]
- Change management style [k] to democratic rather than autocratic [app] so that workers feel involved and more willing to work [an].

- (e) Do you think Governments should introduce laws to protect employees' interests in businesses such as Genel? Justify your answer. [6]

Knowledge [2 × 1] award 1 mark for each relevant issue identified.

Application [1] – award 1 mark if relevant reference made to this type of business.

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

Evaluation [2] – justified decision made as to whether the Government should introduce laws to protect employees' interests.

Points to include:

- Laws are needed to ensure safety [k] which the company does not follow employee protection [app] so there is no guarantee that Genel would abide by the laws [eval]
- Discourage businesses from setting up in a country [k] because it would increase costs [an]
- Higher business costs [k] could see workers lose their jobs [an]
- Could help retain workers leading to lower recruitment costs?

Note – the candidate may address the question from the viewpoint of either the employee, business or the Government.

Developed answer:

Laws are needed to ensure safety [k] and a fair wage for workers[k] which this company does not follow[app] because it increases their costs[an] therefore introducing laws may have no effect [ev] unless they are monitored [ev].

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5 (a) What is meant by a ‘multinational company’? [2]

Clear Understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service in another country outside its normal area of operation.

Some Understanding [1] – e.g. has businesses everywhere / works in more than one country / operates in more than one country.

Note – do not accept examples.

(b) (i) Identify the span of control of the Managing Director of the Asia division. [1]

Application [1]: 2 (factory managers) OR factory A manager and factory B manager.

(ii) How many levels are there in the chain of command? [1]

Application [1]: 4 (levels).

(c) Identify and explain two possible reasons why Zalpha has poor internal communications. [4]

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

Application [2 × 1] – award 1 mark for each relevant explanation in context (show why they might create poor communication for Zalpha).

Reasons might include:

- Tall hierarchy / long chain of command/ distance from top to bottom of organisation [k] as there are at least 4 levels [app]
- Choosing the wrong method of communication [k] for a business is split across 3 continents [app] / for such a large number of people [app]
- Barriers to effective communication exist e.g. language issues [k] for different countries / multinational [app].

(d) Identify and explain two advantages to Zalpha of using centralised decision making. [6]

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

Application [2 × 1] – award 1 mark if relevant reference made to this business/manufacturer.

Analysis [2 × 1] – award 1 mark for each relevant explanation (showing how the point create an advantage).

Advantages might include:

- Speed of decision making increased [k] because not many people are involved [an]
- Save money/lower cost [k]
- Decrease level of conflict [k]
- Power retained by senior management / control maintained [k] between the board and 3 directors [app]
- Easier to ensure consistency / reduce inconsistency [k] across all divisions [app]
- Economies of scale more achievable [k] as head office are able to order parts [app] in bulk to get larger discounts [an]

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- Easier to co-ordinate and control budgets [k]
- Greater use of specialisation possible [k].

(e) Do you think that multinational companies such as Zalpha benefit the countries in which they operate? Justify your answer. [6]

Knowledge [2 × 1] award 1 mark for each relevant issue identified.

Application [1] – award 1 mark if relevant reference made to this type of business.

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

Evaluation [2] – justified decision made as to whether Multinationals benefit the countries in which they operate.

Points might include:

- Create jobs / provides income [k] because Zalpha employs a large number of people [app] so improving living standards [an]
- Technical knowhow increased [k] Zalpha makes agricultural machinery [app] and improves production [an]
- Possible orders for local suppliers [k] to provide parts for machines [app] therefore increasing local incomes [an]
- Competition [k] for local businesses [k] who manufacturer goods [app] leading to lower prices [an]
- Improve international reputation of country [k]
- Inward investment / infrastructure development [k]
- More goods available [k]
- Companies pay taxes [k] therefore increasing income for the government [an]
- Profits are often repatriated [k] limiting the countries growth [an]
- Resources are depleted [k] so there is less available for other businesses [an] manufacturing in the country needs raw materials [app]
- Local businesses close [k] due to increased competition [app]
- Exploitation can occur [k].