

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 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 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"> • 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 ‘average cost’? [2]

Clear understanding [2] e.g. Total cost divided by the total number of units produced
 Some understanding [1] e.g. cost to make one product/cost per unit

(b) Calculate the output per employee per week in 2014. [2]

Good application [2] e.g. 520
 Some application [1] e.g. total output/number of employees or 260 000/500
 Note: ignore \$ sign

(c) Identify and explain two possible advantages to TWH of using batch production. [4]

Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 2]
 Application [2 × 1] – award 1 mark for each relevant explanation in context of TWH

Relevant points might include:

- some variety in workers’ jobs [k] leading to better motivation [app]
- allows more variety of products to be made [k] so can respond to changes in demand for different toys [app]
- if machinery breaks down other work can continue [k] so could improve efficiency [app]
- flexible way of working [k]
- economies of scale/bulk buying [k] so lower average costs [app]
- More output than job production [k]

Application marks may be awarded for appropriate use of the following: relevant use of numbers, toys, motivation, average cost, efficiency, new technology

Do not accept cheaper, faster, more output (if just this is stated)

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- (d) Identify and explain two ways that TWH could improve the motivation of its employees. [6]

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

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

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

Relevant points might include:

- Job rotation [k] swapping between making different toys [app] they are not bored doing the same thing [an]
- training [k] on the new technology [app] so employees feel valued [an]
- better communication with management [k] so workers feel that they are important to the business [an] so efficiency improves [app]
- improve pay [k] they pay \$6 [app] as pay \$.50 less per hour [an] **OR** bonuses/piece rate [k] so make more toys [app] to get paid above their usual wage [an]
- improved working conditions/environment [k]

Note: other options acceptable e.g. fringe benefits (allow only once), job enrichment, promotion

Do not accept work harder alone as analysis because a reason for this must be given

Application marks may be awarded for appropriate use of the following: relevant use of numbers, toys, average costs, efficiency, new technology.

- (e) TWH can either use retained profit or a long term loan to finance the purchase of new technology. Which option do you recommend TWH should use? Justify your answer. [6]

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

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

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

Evaluation [2] – justified decision as to which source of finance is best option to use

For 6 marks must explain why chosen source is the better option for this business

Points might include:

Retained profits–

- no need to repay/readily available [k] which can help keep average costs low [app] so no time wasted in trying to secure the finance [an]
- may not have sufficient funds available [k] so might still need a bank loan [an]
- no funds available for other uses [k]

Long term loan –

- can plan repayments over time/know repayments [k]
- interest costs to pay [k] which would increase average costs [app] which has to be repaid whether they make a profit or not [an]
- have retained profits available in case of need [k]

Note: Candidate's final decision can be for either option.

Application marks may be awarded for appropriate use of the following: relevant use of numbers, toys, lower average costs.

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2 (a) What is meant by a ‘private limited company’? [2]

Clear understanding [2] e.g. a business whose shares cannot be sold to the general public [2] Or shares only sold to family and friends [2]
 Some understanding [1] e.g. outlines general features of limited companies e.g. have limited liability/separate legal identity from owners/can sell shares/incorporated

Do not accept in private sector/no Government involvement as generic statement also applies to unlimited businesses.

(b) Identify two causes of business failure. [2]

Knowledge [2 × 1] 1 mark per cause

Points might include:

- lack of management skills
- actions of competition
- change in government laws
- poor product range/outdated products
- lack of demand/recession
- lack of/poor market research
- lack of finance/cash flow problems
- diseconomies of scale/over expansion

Note: points could refer to either new or established business. Accept any reasonable answer.

(c) Identify and explain two diseconomies of scale that Ramford might experience. [4]

Knowledge [2 × 1] – award 1 mark for each relevant diseconomy [max 2]
 Application [2 × 1] – award 1 mark for each relevant explanation in context of Ramford

Relevant points might include:

- Poor communication [k] as messages need to be sent/received from 4 factories [app]
- Low morale/motivation [k] as worried products they make might be cut [app]
- Slow decision making [k] as 80 products to consider [app]
- Lack of control [k]

Application marks may be awarded for appropriate use of the following: calculations/use of numbers, factories, 80 products, reduced profit, financial performance, wide range, private limited company.

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- (d) Identify and explain two factors that Ramford should consider in deciding which products to remove from its product range. [6]

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

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

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

Relevant points might include:

- Stage in product life cycle [k] if some foods are in decline [app] few people are likely to be buying them anyway [an]
- Availability of substitutes/competition [k] if many breakfast cereals [app] so might not be cost effective to keep making it [an]
- Cost of producing each product [k] as worried about financial performance [app] might want to stop making expensive items [an]
- Current level of sales/popularity/demand [k] as profits falling [app] need to remove the least popular lines [an]
- Not suit current season [k]

Application marks may be awarded for appropriate use of the following: calculations/use of numbers, food, cereal, ice cream, factories, 80 to 10 products, reduce profit, financial performance.

- (e) Do you think the Finance Director is right to be worried about the financial performance of Ramford in 2014? Justify your answer using the data in Table 2 and appropriate ratios. [6]

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

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

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

Evaluation [2] – justified decision as to whether Ramford should be worried about its performance

Points include:

- Sales down [k] which is a 25% fall [app + an]
- (net) profit down [k] by \$10m [app]
- Profit margin increased [k] to 40% [app+ an] showing better control of fixed costs [an]
- ROCE has fallen [k] to 20% [app + an] showing a lower return on each \$ invested [an]
- Financial Director is aware of the problem [k] as they are cutting the number of products to 10 [app]

Note: using percentage calculation or ratio award application and analysis. Max 1 for application.

Application marks may be awarded for appropriate use of the following: appropriate calculations/use of numbers, diseconomies of scale, four factories, 80 to 10 products

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3 (a) What is meant by ‘mass market’? [2]

Clear understanding [2] where there are a large number of (potential) customers willing to buy product(s). Allow: a large number of sales of a product
 Some understanding [1] lots of customers/sales/buyers/people, shown by comparison to niche

(b) What is meant by ‘market share’? [2]

Clear understanding [2] e.g. percentage of the total market sales [1] held by one brand or business [+1] **OR** business sales/total market sales $\times 100$
 Some understanding [1] e.g. share of all sales made/percentage of customers a business has

(c) Identify and explain two advantages of market research to Grimshaw. [4]

Knowledge [2 \times 1] – award 1 mark per advantage.
 Application [2 \times 1] – award 1 mark for each relevant explanation (i.e. show how it is an advantage to Grimshaw)

Advantages could include:

- greater awareness of consumer needs [k] so can adapt its phone/features to match what customers want [app]
- able to forecast likely future trends [k] so can improve focus of new product development [app]
- appreciate the strength of competitors [k] so can change marketing strategy to compete
- knowledge of consumers’ views of company products/image [k] as first time entering country T [app]
- reduces risks/products launched with more confidence [k] as know what features customers want [app]
- help gain competitive advantage [k] as can set effective pricing/promotion strategy to suit country T’s customers [app]
- produce the correct amount of product [k] to avoid wastage of expensive parts [app]
- helps set price [k]

Note: knowledge points must relate to purpose of market research.

Application marks may be awarded for appropriate use of the following: mobile phones, market share increased (by 3%), mass market, factory, new model, multinational, technology, country T

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(d) Identify and explain two advantages to Grimshaw of developing new products. [6]

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

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

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

Relevant points might include:

- gain competitive advantage [k] to target other phone users [app] so increasing their sales [an]
- Keep customers [k] in a competitive market [an]
- spread risk [k] so if demand for one model falls [app] they have new ones to rely on [an]
- expanding into new markets/market segments [k] so able to increase market share [app] as targeting more customers [an]
- can charge a higher price [k]

Note: economies of scale alone is too vague unless it is appropriately explained

Application marks may be awarded for appropriate use of the following: mobile phones, market share, mass market, factory, new model, multinational, technology.

(e) Do you think the Government of country T should help businesses such as Grimshaw set up in its country? Justify your answer. [6]

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

Application [1] – award 1 mark if relevant reference made to the benefit of the country

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

Evaluation [2] – justified decision as to whether the Government of country T should help businesses such as Grimshaw to set up in its country

Points might include:

- jobs created [k] as build factory there [app] so reduces unemployment [an]
- investment in infrastructure [k] to transport parts to/from factory [app] so locals benefit from new roads [an]
- new ideas [k] which could improve local business practices [an]
- taxes paid [k] which Government could use to pay for public services [an]
- more choice for consumers [k] as will have access to new model [app]
- more competition [k] so consumers could benefit from lower prices/force local businesses to close [an]
- exploitation of resources [k]
- lack of respect for local customs and cultures [k]
- flow of profits out of a country [k]

Application marks may be awarded for appropriate use of the following: mobile phones, mass market, factory, new model, can build anywhere, multinational.

Note: Candidate's final decision can be either for or against the statement.

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4 (a) What is meant by ‘made redundant’? [2]

Clear understanding [2] e.g. The worker is no longer required through no fault of their own [2]
 Some understanding [1] e.g. means that his job role has gone [1]

Note: If the answer includes dismissed, fired or sacked plus any relevant point maximum 1 mark

(b) Identify two functions of management that Tebo might have to perform. [2]

Application: [2 × 1] 1 mark per function

Points might include: organise/co-ordination, planning, control, decision making or practical examples e.g. motivation, recruitment, delegation, strategic tasks

Do not accept any task which can be completed by any employee e.g. pay bills, training

(c) Explain why managing his cash flow will be important for Tebo’s business. [4]

Knowledge [2] award up to 2 marks for identification of points/knowledge of cash flow

Application [2] award up to 2 marks for relevant explanation in context of Tebo’s business

Relevant points might include:

- Cash flow needed to pay its day to day expenses [k]
- Business could fail due to lack of cash [k] if used all his savings to buy franchise [app]
- Help reduce need for finance [k] for a **new** business [app]
- Able to predict/plan for cash flow problems [k]
- Help a business get a loan [k]

Application marks may be awarded for appropriate use of the following: car repair, no management experience, \$15 000/all his savings, new business, FIXIT franchise.

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(d) Identify and explain two factors Tebo should consider when deciding where to locate his business. [6]

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

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

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

Relevant points might include:

- Demand/customers [k] – he needs to be convenient so that he can get sales [an];
- personal preference [k] – he might want to locate near his home [an],
- cost of property/rent [k] if too high he might not be able to afford it [an] especially if used all his savings for the franchise [app];
- suitable/size of space [k] as will need access for cars [app]
- legal controls [k] as garage is likely to be noisy [app] there might be rules which restrict where he can go [an]
- competition [k]
- franchisor's views [k] if he becomes a franchise [app]
- transport links/access [k]
- availability of suitable employees [k] as need mechanics [app]
- near to supplier [k] because the car repair equipment might be heavy [app]

Note: accept franchisor as the supplier if it is made clear that they supply materials/equipment.

Application marks may be awarded for appropriate use of the following: franchisees, car repair, \$15 000/all his savings, new business, redundant, FIXIT franchise, cash flow important, workshop.

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- (e) Do you think that buy a FIXIT franchise is the best way for Tebo to start his business? Justify your answer. [6]

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

Application [1] – award 1 mark if relevant reference made to Tebo/FIXIT business

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

Evaluation [2] – justified decision as to whether buying a FIXIT franchise is the best way for Tebo to start his business

Points might include:

- Less chance of business failure [k] if he set up his own business, it would take time to build a reputation [an]
- Training provided [k] as he has no management experience [app]
- Lower advertising/training costs [k] as he has used all his savings to buy the franchise [app] so he may not be able to afford advertising/training [an]
- Supplies from central source [k] so less suppliers to deal with [an] so has more time to do repairs [app]
- Banks more likely to lend to franchisee [k] the \$15000 needed [app] as seen as lower risk [an]
- Recognition [k] FIXIT already has 36 franchisees [app]
- Lack of control [k] as FIXIT will have a say in many decisions [an]
- Problem at one franchise affects all others [k] of the 36 [app] might lower his revenue [an]
- Less profits as only received a percentage [k] so if successful, it will not maximise profits [an]
- Does Tebo want the responsibility? [k]

Application marks may be awarded for appropriate use of the following: 36 (franchisees), car repair, no management experience, \$15 000/all his savings, cash flow important.

Note: Candidate's final decision can be either for or against the statement.