
BUSINESS STUDIES**0450/11**

Paper 1 Short Answer/Structured Response

October/November 2018

MARK SCHEME

Maximum Mark: 80

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

PUBLISHED**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

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Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
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GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

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GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks	Notes
1(a)	<p>What is meant by ‘niche market’?</p> <p>Clear understanding [2] – e.g. highly specialised [1] sub part of a large market [1] Some understanding [1] – e.g. small part of a market OR specialist market OR part of the market with specific needs and characteristics</p>	2	For 2 marks must have both elements
1(b)	<p>Identify <u>two</u> advantages to SOLS (other than lower prices) of using a website to sell its products.</p> <p>Application [2 × 1] award 1 mark per point Relevant points might include:</p> <ul style="list-style-type: none"> • Wider target market / more people to sell to / accessible worldwide • Lower fixed cost • 24 hour access • Reinforce image • Provide information • Way to obtain / ask for feedback 	2	The advantage must relate specifically to the business (SOLS) not to the customer.
1(c)	<p>Explain, with reference to SOLS, the difference between quality assurance and quality control.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant method [max 2] Application [2 × 1] – award 1 mark for each explanation in context</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Quality assurance involves checking throughout the process [k] such as making sure leather used is suitable [app] • Quality control happens at end [k] after shoes have been made [app] • Quality assurance means everyone is involved in checking [k] such as each worker producing different styles [app] • Quality assurance is process orientated [k] whereas quality control is product orientated [k] 	4	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • shoes or related words such as leather OR pairs OR luxury • 5 styles • sold directly to customers OR website OR no shops • \$100 less (per pair) • niche market • job production • batch production • men

Question	Answer	Marks	Notes
1(d)	<p>Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to SOLS of using cost plus pricing..</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant advantage / disadvantage Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> • Know that the costs will be covered [k] and they can make a profit per item [an] even though they can sell items for less than competitors [app] • Simple / easy to calculate [k] so saves time when setting prices [an] for shoes [app] • Know their profit margin / profit per item [k] • Different mark ups could be added [k] for the 5 styles [app] <p>Disadvantage:</p> <ul style="list-style-type: none"> • Does not consider what competitors do [k] so price set might be uncompetitive [an] for each style [app] • Does not take account of changes in demand OR spending patterns [k] so could lead to fewer sales being made [an] • Little incentive to control costs [k] • Prices could be higher than competitors [k] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • shoes or related words such as pairs OR leather OR luxury • 5 styles • sold directly to customers OR website OR no shops • \$100 less (per pair) • quality assurance • job production • batch production • niche market • competitors / competitive market <p>Profit can only be credited if it is clear that this is profit per item / margin.</p> <p>Do not reward alone as [k] prices are too high, as this is not specific to cost-plus pricing.</p>

Question	Answer	Marks	Notes
1(e)	<p>Do you think SOLS should change its method of production? Justify your answer.</p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for a relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether SOLS should change its method of production</p> <p>Relevant points might include:</p> <p>Job production:</p> <ul style="list-style-type: none"> • Meet exact customer demands / unique / higher quality [k] so able to charge higher price [an] in a niche market [app] • More varied work leads to higher motivation [k] leading to few workers leaving / less absenteeism [an] • Change could damage reputation [k] for its luxury product [app] which could lower its sales [an] <p>Batch production:</p> <ul style="list-style-type: none"> • Flexible or easy to switch production [k] between the 5 styles [app] so able to react quickly to changes in customer demand [an] • Some economies of scale [k] leading to lower average costs [an] • Can be demotivating for employees (as work likely to be more repetitive) [k] so may not pay as much attention to quality assurance [app] increasing amount or cost of wastage [an] • Able to produce more [k] which is important as demand has increased [app] so maybe able to meet additional demand [an] • Cost of new equipment OR training [k] 	6	<p>Application marks maybe awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • Shoes or related words such as pair or leather or luxury • 5 styles • Sold directly to customers/ website/no shops • \$100 less per pair • Job or batch production • Niche market

Question	Answer	Marks	Notes
2(a)	<p>What is meant by ‘business objectives’?</p> <p>Clear understanding [2] e.g. a statement of a specific target that a business works towards</p> <p>Some understanding [1] e.g. target or goal</p>	2	Do not award examples as this does not explain the term
2(b)	<p>Calculate X and Y.</p> <p>Application [2 × 1] award 1 mark per answer</p> <p>X = 115 000 or 115 Y = 40 000 or 40</p>	2	
2(c)	<p>Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to AllPlay of importing its products.</p> <p>Knowledge [2 × 1] – award 1 mark for a relevant advantage and disadvantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Access to a wider range of products [k] which he needs for the new shop [app] • Lower priced products [k] so might be able to increase his revenue [app] <p>Disadvantages:</p> <ul style="list-style-type: none"> • Import quotas [k] reducing the number of toys [app] • Exchange rate movements [k] might mean cost of sales rises above \$63 000 [app] • Tariffs / Import Tax [k] increasing the costs of sales [app] • Different legal OR quality standards [k] • Can’t be sure of quality [k] • Transport may take longer [k] 	4	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • toys or related words • correct use of data from table 1 • widen his product range • shop • all inventory imported • met his objectives • expand

Question	Answer	Marks	Notes
2(d)	<p>Identify and explain <u>two</u> ways in which the bank might use AllPlay's financial documents.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • To decide whether to give the loan [k] of \$20 000 [app] because they can see if they can repay it [an] • To identify assets for security [k] such as the existing shop [app] to reduce the risk of non-payment [an] • Calculate liquidity / cash flow [k] so they know the business can pay its short-term debts [an] of \$63 000 [app] • To offer advice [k] on whether a bank loan [app] is the best source of finance [an] • To compare financial documents over time [k] such as their income statement [app] to help them to improve [an] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • toys or related words, • correct use of data from table 1 • \$20 000 • widen his product range • shop • all inventory imported • met his objectives • made profit in 2017 and 2018 • income statement • loan

Question	Answer	Marks	Notes
2(e)	<p>Do you think a bank loan is the best source of finance for Vince to choose? Justify your answer.</p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for a relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether a bank loan is the best source of capital for Vince. Either viewpoint is acceptable.</p> <p>Relevant points might include:</p> <p>Loan:</p> <ul style="list-style-type: none"> • Can repay over a long period [k] • Interest payable [k] on the \$20 000 [app] so will add to costs [an] • Time to convince bank [k] as need to produce financial documents [app] <p>Other options could include</p> <ul style="list-style-type: none"> • Retained profits [k] – no need to repay [an] which reduces its expenses [an] • Lease [k] – but will not be an asset it can sell [an] • Obtain funds from a partner [k] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • toys or related words • correct use of data from table 1 • \$20 000 • widen his product range • shop • all inventory imported • met his objectives • made profit in 2017 and 2018 • income statement <p>Loan cannot be awarded as application as this is in the question</p>

Question	Answer	Marks	Notes
3(a)	<p>What is meant by ‘brand name’?</p> <p>Clear understanding [2]: unique name of a product / business [1] that distinguishes it from other businesses or products[1].</p> <p>Some understanding [1]: e.g. makes a product ‘stand out’</p>	2	

Question	Answer	Marks	Notes
3(b)	<p>Identify <u>two</u> reasons why a business might fail.</p> <p>Knowledge [2 × 1] award 1 mark per reason</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Lack of demand / recession • Poor management skills / poor planning • Change in tastes • Financial problems e.g. lack of cashflow • Change in legal controls • Action of competitor • Change in economic situation e.g. rise in interest rates, taxes 	2	
3(c)	<p>Identify and explain <u>two</u> ways in which having a well-motivated workforce can help Filittum achieve success.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Workers are willing to offer good service [k] in the restaurant [app] • Workers willing to share ideas [k] to help the expansion plans [app] • Less likely to leave [k] the franchise [app] • Less absenteeism [k] of chefs [app] • Improved reputation [k] in the 28 locations [app] • Increase productivity / efficiency / fewer errors [k] 	4	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • restaurant or related words such as vegetables, menu, chef • 10, 28, 16 • 12 of their own restaurants • expansion plans • franchise • on the job training • brand name

Question	Answer	Marks	Notes
3(d)	<p>Identify and explain <u>two</u> advantages to Filltun of using on-the-job training.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant advantage [max 2] Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Specific to the business needs [k] in the 28 outlets [app] so service standards are easier to maintain [an] • Managers can control the skills taught [k] • Lower cost than off the job [k] lowering expenses [an] at a time when business is looking to open 10 more restaurants [app] • Employees still working while training [k] so able to serve more food [app] and output does not stop [an] • Workers are learning on the equipment that they actually use [k] • Managers can assess workers abilities [k] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • restaurant or related words such as vegetables, menu, chef • 10, 28, 16 • 12 of their own restaurants • expansion plans • franchise

Question	Answer	Marks	Notes
3(e)	<p>Do you think selling more franchises is the best way for Filltum to expand? Justify your answer.</p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1] Application [1] – award 1 mark for a relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether selling more franchises in the best way for Filltum to expand</p> <p>Relevant points might include:</p> <p>Franchises:</p> <ul style="list-style-type: none"> • Do not need to raise as much capital to expand [k] as franchisee will pay a fee to buy the franchise [an] • Will receive a share of each franchise’s profits [k] providing an extra source of revenue [an] • Faster way to expand [k] so able to maintain its fast rate of growth [app] • Mistakes by one franchisee may create a bad image for whole business [k] damaging reputation [an] and reducing sales revenue [an] • Will be expected to offer support and advice [k] to these and other 16 franchises [app] which can increase costs [an] • Can share risks with franchisee [k] when many businesses are failing [app] • Brand / Customer awareness increases [k] <p>Expand themselves:</p> <ul style="list-style-type: none"> • Able to keep control [k] • Keep all the profits made [k] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • restaurant or related words such as vegetables, menu, chef • 10, 28, 16 • 12 of their own restaurants • expansion plans • fast rate of growth • brand name • when many businesses are failing

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4(a)	<p>What is meant by ‘multinational company’?</p> <p>Clear understanding [2]: those with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation Some understanding [1] e.g. has businesses everywhere OR worldwide</p>	2	Do not award answers such as sells in many countries as this could also apply to an exporter
4(b)	<p>Identify <u>two</u> advantages to AHP of being a multinational company.</p> <p>Application [2 × 1]: award 1 mark per advantage Relevant points might include:</p> <ul style="list-style-type: none"> • Access to raw materials • Obtain cheaper raw materials • Lower labour costs • Reduce transport costs • Spread risk • Remain competitive • Avoid barrier to trade • Access to more markets / more sales opportunities • Access government grants / support • Lower taxes in some countries • Improve brand image 	2	

Question	Answer	Marks	Notes
4(c)	<p>Identify and explain <u>two</u> ways in which AHP might have an impact on the environment.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2] Application [2 × 1] – award 1 mark for each explanation in context</p> <p>Reasons might include:</p> <ul style="list-style-type: none"> • Pollution [k] caused by disposal of mobile phones [app] • Loss of green spaces [k] from relocating its factory [app] • Traffic congestion [k] caused by transporting materials an extra 4000 km [app] • Depletion of natural resources [k] 	4	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • mobile phones • 80% sales (in Europe) • comply with legal controls • relocate its factories • multinational company • country X • transporting extra 4000 km • raw materials
4(d)	<p>Identify and explain <u>two</u> ways in which an increase in interest rates might affect AHP</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include:</p> <ul style="list-style-type: none"> • Cost of borrowing increases [k] so less incentive to buy building land [an] for new factory [app] • Consumers reduce spending [k] as cannot afford luxury/non-essential items [an] such as phones [app] • Increased cost (of current loan/overdraft) [k] so profits do not increase [an] • Higher interest rates attract more savings [k] • May have to increase prices [k] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • mobile phones • 80% sales (in Europe) • environmental concerns • (relocate its) factories • multinational • country X • transporting extra 4000 km • raw materials

Question	Answer	Marks	Notes
4(e)	<p>Do you think AHP should relocate its factories to a low-cost country in Asia? Justify your answer.</p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s) Application [1] – award 1 mark for a relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether AHP should relocate to a low cost country in Asia</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Further to reach its market [k] as 80% of sales in Europe [app] so may not be able to react quickly to changes in demand [an] • Availability of suitable land [k] as will need a large area which will increase the cost [an] • Availability of suitable labour [k] to make the phones [app] • Distance to raw materials [k] which is an extra 4000 km [app] which could lead to delays in production [an] • Negative reaction of local community [k] as there are environmental concerns [app] • Legal controls may restrict or encourage where it can locate [k] 	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • mobile phones • 80% sales (in Europe) • environmental concerns • (relocate its) factories • comply with legal controls • interest rates set to rise • multinational • country X • transporting raw materials extra 4000 km • raw materials <p>Factories cannot be awarded as application in this question.</p>



BUSINESS STUDIES

0450/21

Paper 2 Case Study

October/November 2018

MARK SCHEME

Maximum Mark: 80

Published

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This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **14** printed pages.

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Question	Answer	Marks
1(a)	<p>Identify and explain <u>two</u> advantages and <u>two</u> disadvantages of GT being a public limited company.</p> <p>Award 1 mark for each relevant advantage/disadvantage (maximum of 4), such as:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Limited liability • Incorporated business with separate legal identity • Shares can be issued to the general public • Opportunity to raise very large sums of capital • No restrictions on buying, transferring or selling of shares • High status and easier to attract suppliers <p>Disadvantages:</p> <ul style="list-style-type: none"> • Quite complicated legal formalities • Many regulations and controls including publication of accounts/accounts can be seen by competitors • Selling shares to the public is expensive • Danger the owners may lose control if too many shares are issued/risk of takeover <p>Award a maximum of 1 additional mark for each explanation. Indicative response: Limited liability [1] means the shareholders can only lose the capital they invested in the company and not their personal possessions. [1].</p>	8

Question	Answer	Marks									
1(b)	<p>Consider the advantages and disadvantages of the following two options for distributing GT products. Recommend the option GT should choose. Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="352 450 1281 1400"> <thead> <tr> <th data-bbox="352 450 600 515"></th> <th data-bbox="600 450 948 515">Advantages</th> <th data-bbox="948 450 1281 515">Disadvantages</th> </tr> </thead> <tbody> <tr> <td data-bbox="352 515 600 958">Continue selling to large shops</td> <td data-bbox="600 515 948 958"> <ul style="list-style-type: none"> • Already established channel of distribution and links with retailers • Easier to use in store promotions as already has relationship with retailer • Lower delivery costs compared to online </td> <td data-bbox="948 515 1281 958"> <ul style="list-style-type: none"> • Harder to expand sales if using the same channels and not new ones • May sell many competing goods in shops alongside GT toys </td> </tr> <tr> <td data-bbox="352 958 600 1400">Only sell its products online</td> <td data-bbox="600 958 948 1400"> <ul style="list-style-type: none"> • Sell to a wider range of customers • Customers can access all the range of products • Lower price as no retail profit margin • Possibly allows prices to be reduced to make the toys more competitive </td> <td data-bbox="948 958 1281 1400"> <ul style="list-style-type: none"> • May lose existing customers if they want to see and handle toys before buying • May not have a cost-effective delivery network available </td> </tr> </tbody> </table> <p>Level 1 (1–3 marks) 1 mark for each L1 statement (max of 3 marks) E.g. Lower price as no retail profit included.</p> <p>Level 2 (4–6 marks) Detailed discussion of the advantages and disadvantages of each option. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. Lower price as no retail profit included so this may attract more customers leading to higher sales of toys and profit for GT. However, GT may lose existing customers if they prefer to feel and see the toys to check they are suitable for their children before buying. This may reduce the sales of toys to existing customers and result in a lowering of toy sales for GT. (4 marks for L2 answer plus 1 application mark for referring to the purchase of toys for their children).</p>		Advantages	Disadvantages	Continue selling to large shops	<ul style="list-style-type: none"> • Already established channel of distribution and links with retailers • Easier to use in store promotions as already has relationship with retailer • Lower delivery costs compared to online 	<ul style="list-style-type: none"> • Harder to expand sales if using the same channels and not new ones • May sell many competing goods in shops alongside GT toys 	Only sell its products online	<ul style="list-style-type: none"> • Sell to a wider range of customers • Customers can access all the range of products • Lower price as no retail profit margin • Possibly allows prices to be reduced to make the toys more competitive 	<ul style="list-style-type: none"> • May lose existing customers if they want to see and handle toys before buying • May not have a cost-effective delivery network available 	12
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Only sell its products online	<ul style="list-style-type: none"> • Sell to a wider range of customers • Customers can access all the range of products • Lower price as no retail profit margin • Possibly allows prices to be reduced to make the toys more competitive 	<ul style="list-style-type: none"> • May lose existing customers if they want to see and handle toys before buying • May not have a cost-effective delivery network available 									

Question	Answer	Marks
1(b)	<p>Level 3 (7–10 marks)</p> <p>For L3 to be awarded there need to be at least 2 L2 marks awarded and then a recommendation which justifies which channel of distribution to choose.</p> <p>7–8 marks for some limited judgement shown in recommendation as to which channel of distribution should be chosen and/or why not the alternative channel chosen.</p> <p>9–10 marks for well justified recommendation as to which option will be the best channel of distribution to choose and why not the alternative channel.</p> <p>Award up to 2 additional marks for relevant application.</p> <p>Possible application marks: manufacturer of toys; toys sold to large toy shops throughout country Y; 200 different designs; teddy bears; toy cars; building blocks; suitable for babies/young children; toys also exported; Marketing manager wants to only sell toys online; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; sells well designed toys of high quality; education and safety of children are GT's main priorities; recent price increases have resulted in falling sales, selling online will help prevent any communication barriers.</p> <p>There may be other examples in context, which have not been included here.</p>	

Question	Answer	Marks
2(a)	<p>Identify and explain <u>two</u> roles of the Operations manager at GT.</p> <p>Knowledge [2 × 1] – award 1 mark for each role. Analysis [2 × 1] – award 1 mark for a relevant explanation for each role. Application [2 × 2] – award 2 application marks for each role.</p> <p>Award 1 mark for each role (maximum of 2), such as:</p> <ul style="list-style-type: none"> • Planning the production such as setting a target of an increase of 10% in output of toy production • Organising the tasks done by the production line workers such as deciding which worker will fit heads onto the figures and which ones will package the dolls • Coordinating different departments with the production department ensuring that for example the purchasing department orders the right quantity of components for the toy cars ready for their assembly • Commanding the supervisors on the production lines to ensure they all know what they should be doing to keep to their targets and meet deadlines • Controlling the employees on the production line to make sure they are all meeting their targets and producing toys efficiently. <p>Award a maximum of 3 additional marks for each explanation of role of the Operations manager at GT – 2 of which must be applied to this context.</p> <p>Indicative response: Planning (k) the production of toys in the GT factory. (ap) This gives a sense of direction and purpose to the operations department, as they will all have a common purpose to work towards. (an) The output of toys should therefore go more smoothly as the correct components to make the toy cars should arrive on time to be ready for assembly on the production line. (ap).</p> <p>Possible application marks: manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to sell toys online; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; sells well designed toys of high quality; safety of the child is very important; components are imported and uses JIT; need to purchase cheaper components to reduce costs; currently low levels of worker motivation; recent price increases have resulted in falling sales. There may be other examples in context, which have not been included here.</p>	8

Question	Answer	Marks												
2(b)	<p>Consider the following three ways GT can reduce the average cost of products. Recommend the best way to choose. Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="341 416 1294 1641"> <thead> <tr> <th data-bbox="341 416 624 479"></th> <th data-bbox="624 416 948 479">Advantage</th> <th data-bbox="948 416 1294 479">Disadvantage</th> </tr> </thead> <tbody> <tr> <td data-bbox="341 479 624 891">Change to a cheaper supplier of raw materials:</td> <td data-bbox="624 479 948 891"> <ul style="list-style-type: none"> • Lower costs of purchasing raw materials • New supplier may be keen to keep GT happy so supply at better price </td> <td data-bbox="948 479 1294 891"> <ul style="list-style-type: none"> • May be inferior quality • May be an overseas supplier with higher transport costs • Takes time to find new suppliers • Takes time to build up new relationship with supplier </td> </tr> <tr> <td data-bbox="341 891 624 1229">Change the design of products so that they need fewer components</td> <td data-bbox="624 891 948 1229"> <ul style="list-style-type: none"> • Quicker to assemble each toy • Speeds up the production process • Possibly fewer workers needed if fewer parts to fit </td> <td data-bbox="948 891 1294 1229"> <ul style="list-style-type: none"> • May affect the performance of the toy if it moves • Toy may lose some of its quality </td> </tr> <tr> <td data-bbox="341 1229 624 1641">Change from batch production to flow production</td> <td data-bbox="624 1229 948 1641"> <ul style="list-style-type: none"> • Much larger output produced • Unit costs should fall • Expand into new markets with increased output • Lower unit costs allows lower prices and more competitive </td> <td data-bbox="948 1229 1294 1641"> <ul style="list-style-type: none"> • High cost of installing machinery • Less able to respond to changes in styles of toys • May not be able to sell the much larger quantity of each style of toy </td> </tr> </tbody> </table> <p>Level 1 (1–3 marks) 1 mark for each outline of the advantages and disadvantages of each way. (max of 3 marks) E.g. Lower cost of purchasing raw materials.</p>		Advantage	Disadvantage	Change to a cheaper supplier of raw materials:	<ul style="list-style-type: none"> • Lower costs of purchasing raw materials • New supplier may be keen to keep GT happy so supply at better price 	<ul style="list-style-type: none"> • May be inferior quality • May be an overseas supplier with higher transport costs • Takes time to find new suppliers • Takes time to build up new relationship with supplier 	Change the design of products so that they need fewer components	<ul style="list-style-type: none"> • Quicker to assemble each toy • Speeds up the production process • Possibly fewer workers needed if fewer parts to fit 	<ul style="list-style-type: none"> • May affect the performance of the toy if it moves • Toy may lose some of its quality 	Change from batch production to flow production	<ul style="list-style-type: none"> • Much larger output produced • Unit costs should fall • Expand into new markets with increased output • Lower unit costs allows lower prices and more competitive 	<ul style="list-style-type: none"> • High cost of installing machinery • Less able to respond to changes in styles of toys • May not be able to sell the much larger quantity of each style of toy 	12
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Question	Answer	Marks
2(b)	<p>Level 2 (4–6 marks) Detailed discussion of the advantages and disadvantages of each way. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. Lower cost of purchasing raw materials, which should allow GT to lower the prices of their toys. This should make their toys more competitive in other countries and should lead to higher sales. (4 marks for L2 answer + 1 application mark for mentioning toys sales).</p> <p>Level 3 (7–10 marks) For L3 to be awarded there need to be at least 2 L2 marks awarded and then a recommendation of the best way to reduce cost. 7–8 marks for some limited judgement shown in recommendation of the way to reduce average cost and/or why not the other ways. 9–10 marks for well justified recommendation of the way to reduce average cost compared to alternatives.</p> <p>Award up to 2 additional marks for relevant application. Possible application marks: manufacturer of toys; toys sold to large toy shops throughout country Y; suitable for babies/young children; toys also exported; Marketing manager wants to sell toys online; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; 200 different designs; plan to reduce components from 50 to 40; body of toy car can be made out of one piece of plastic; sells well designed toys of high quality; safety of the child is very important; components are imported and uses JIT; already low levels of worker motivation; recent price increases have resulted in falling sales. There may be other examples in context, which have not been included here.</p>	

Question	Answer	Marks
3(a)	<p>Identify and explain <u>two</u> factors GT should consider when developing products for markets in different countries.</p> <p>Knowledge [2 × 1] – award 1 mark for each factor. Analysis [2 × 1] – award 1 mark for a relevant explanation for each factor. Application [2 × 2] – award 2 application marks for each factor.</p> <p>Award 1 mark for each relevant factor (maximum of 2), such as:</p> <ul style="list-style-type: none"> • Size/nature of the market – e.g. product may need adapting to meet different trends in the toy market • Legal requirements – e.g. product design must meet safety requirements • Language – e.g. talking dolls may need adapting to speak different languages • Competition – e.g. needs to develop a product with a USP that is different to competitor's product • GDP/income levels – e.g. may need to adapt product to be lower cost which is affordable to low-income countries • Cultural differences – e.g. dolls' clothing may need to be different style or colour. <p>Award a maximum of 3 additional marks for each explanation of the factor which may have influenced how to adapt or develop the product for different countries – 2 of which must be applied to this context. Indicative response: The culture (k) in other countries may be different so GT toys(ap) will require adaptation to suit their cultural sensitivities (an) If the toys such as cars or dolls are not changed to suit the customers in other countries then they may not sell very well. (ap)</p> <p>Possible application marks: manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to sell toys online; toy cars,dolls,building blocks; toys manufactured using batch production; 200 different designs; sells well designed toys of high quality; safety of the child is very important; suitable for babies and children; components are imported and uses JIT; recent price increases have resulted in falling sales. There may be other examples in context, which have not been included here.</p>	8

Question	Answer	Marks						
3(b)	<p>Consider how the following three communication issues affect GT. Which one of these issues is likely to cause the biggest problem for GT? Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="320 450 1270 1283"> <tbody> <tr> <td data-bbox="320 450 587 692">Different languages are spoken in GT's markets in other countries:</td> <td data-bbox="587 450 1270 692"> <ul style="list-style-type: none"> • Harder to understand what is being said or questions asked • Recruit managers with language skills • May increase costs of employing an interpreter • Customers may have difficulty reading labels/instructions </td> </tr> <tr> <td data-bbox="320 692 587 1005">GT is starting to use several new suppliers:</td> <td data-bbox="587 692 1270 1005"> <ul style="list-style-type: none"> • No relationship established • May not know who to contact if there are queries • Different suppliers to communicate with which takes time to know who to contact and some errors may be made • Culture may be different if suppliers are in other countries meaning communication may be misunderstood </td> </tr> <tr> <td data-bbox="320 1005 587 1283">GT's main communication method with its production workers is a weekly meeting:</td> <td data-bbox="587 1005 1270 1283"> <ul style="list-style-type: none"> • No written record so message may be forgotten • Meeting only once a week and there may be issues arising before the next meeting that needs attention • Workers may be absent and miss the meeting and therefore not receive the information </td> </tr> </tbody> </table> <p>Level 1 (1–3 marks) 1 mark for each limited discussion of communication issues/problem(s) not identified. (max of 3 marks) E.g. No relationship has been established yet.</p> <p>Level 2 (4–6 marks) Detailed discussion of communication issues/problem(s) identified. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (Max 6 marks). E.g. No relationship has been established yet, as the suppliers are new, so GT may not know who to contact is there is a problem. It is important for orders to be received and sent out quickly as GT uses JIT and this requires the components to be delivered just when required or production of particular toys may stop. (4 marks for L2 answer plus 1 application mark for answering in the context of the business using JIT for the production of toys)</p>	Different languages are spoken in GT's markets in other countries:	<ul style="list-style-type: none"> • Harder to understand what is being said or questions asked • Recruit managers with language skills • May increase costs of employing an interpreter • Customers may have difficulty reading labels/instructions 	GT is starting to use several new suppliers:	<ul style="list-style-type: none"> • No relationship established • May not know who to contact if there are queries • Different suppliers to communicate with which takes time to know who to contact and some errors may be made • Culture may be different if suppliers are in other countries meaning communication may be misunderstood 	GT's main communication method with its production workers is a weekly meeting:	<ul style="list-style-type: none"> • No written record so message may be forgotten • Meeting only once a week and there may be issues arising before the next meeting that needs attention • Workers may be absent and miss the meeting and therefore not receive the information 	12
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3(b)	<p>Level 3 (7–10 marks)</p> <p>For L3 to be awarded there need to be at least 2 L2 marks awarded and then a conclusion of which is the biggest communication issue.</p> <p>7–8 marks for some limited judgement shown in conclusion of which is the biggest communication issue and/or why the other communication issues were less of a problem.</p> <p>9–10 marks for well justified conclusion of which is the biggest communication issue and why the other issues are less of a problem.</p> <p>Award up to 2 additional marks for relevant application.</p> <p>Possible application marks: plc set up 50 years ago; manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to sell toys online not through retailers; toys manufactured using batch production; design and packaging of toys need to be adapted for each different export market; sells well designed toys of high quality; safety of the child is very important; components are imported and uses JIT.</p> <p>There may be other examples in context, which have not been included here.</p>	

Question	Answer	Marks
4(a)	<p>Identify and explain <u>one</u> effect on GT and one effect on GT's employees of workers being members of a trade union.</p> <p>Knowledge [2 × 1] – award 1 mark for each effect. Analysis [2 × 1] – award 1 mark for a relevant explanation for each effect. Application [2 × 2] – award 2 application marks for each effect.</p> <p>Award 1 mark for an effect on GT and one mark for an effect on GT's employees (maximum of 2), such as:</p> <p>Effect on GT</p> <ul style="list-style-type: none"> • Easier to negotiate with just one organisation representing all employees at GT • May have to face increased wage costs if union successfully negotiates a pay rise • Improve communication between managers and workers • Improve relations between managers and workers • May be affected by industrial action <p>Effect on GT's employees</p> <ul style="list-style-type: none"> • May be able to negotiate a wage increase • May be able to improve working conditions • Collective bargaining (strength in numbers) increases likelihood of success for worker demands • Worker views are put forward to management • Can seek advice about issues of pay, dismissal, workers' rights • More aware of employee rights. <p>Award a maximum of 3 additional marks for each explanation of the effect for GT and GT employees – 2 of which must be applied to this context.</p> <p>Indicative response: Easier to negotiate, (k) as there is only one organisation representing employees, instead of needing to negotiate with each employee separately. (an) GT has a large factory with many employees (ap) so using the operations manager to negotiate with the trade union will be quicker and easier for the company. (ap)</p> <p>Possible application marks: plc set up 50 years ago; manufacturer of toys; sells well designed toys of high quality; employees only recently allowed to join a trade union; low levels of worker motivation; currently negotiating a new wage agreement for production workers. There may be other examples in context, which have not been included here.</p>	8

Question	Answer	Marks								
4(b)	<p>Refer to Appendix 3. Consider how the information in Appendix 3 will help the following three users of accounts. Which user will find the information most helpful when taking decisions? Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="352 450 1283 1077"> <thead> <tr> <th data-bbox="352 450 580 515"></th> <th data-bbox="580 450 1283 515">Benefits</th> </tr> </thead> <tbody> <tr> <td data-bbox="352 515 580 680">Shareholders of GT:</td> <td data-bbox="580 515 1283 680"> <ul style="list-style-type: none"> • To decide whether to reinvest profit • To judge the success of the business/judge how much dividend they might receive • Whether they should buy or sell shares </td> </tr> <tr> <td data-bbox="352 680 580 981">Managers of GT:</td> <td data-bbox="580 680 1283 981"> <ul style="list-style-type: none"> • To judge their performance • To justify asking for a bonus/pay rise • Take decisions on how to improve profit for the future as profit margin lower than competitors • How to improve liquidity as their liquidity is lower than competitors or feel secure as their liquidity is better than competitors if consider acid test of 1 as suitable </td> </tr> <tr> <td data-bbox="352 981 580 1077">Competitors of GT:</td> <td data-bbox="580 981 1283 1077"> <ul style="list-style-type: none"> • To judge if GT is more successful than them • To decide whether to take over GT </td> </tr> </tbody> </table> <p>Level 1 (1–3 marks) 1 mark for each outline of how the financial information is useful to a user. (max of 3 marks) E.g. The shareholders of GT might use the information to decide whether to sell their shares</p> <p>Level 2 (4–6 marks) Detailed discussion of how the financial information is useful to a user. 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) E.g. The shareholders of GT might use the information to decide whether to sell their shares as the profit margin is 10% lower than the profit margin of competitors. This might mean the actual profit is lower and therefore the dividends paid to shareholders will be lower. If this happens then the share price might also fall therefore reducing the value of their shareholding. (4 marks for L2 answer plus 1 mark for application for use of the information from Appendix 3). Relevant financial calculations using data from App 3 can be rewarded with L2 marks GT – gross profit = \$15m(L2) net profit = \$2m(L2) gross profit margin = 75%(L2) Main competitor – gross profit = \$22m(L2) net profit = \$5m(L2) gross profit margin = 88% (L2)</p>		Benefits	Shareholders of GT:	<ul style="list-style-type: none"> • To decide whether to reinvest profit • To judge the success of the business/judge how much dividend they might receive • Whether they should buy or sell shares 	Managers of GT:	<ul style="list-style-type: none"> • To judge their performance • To justify asking for a bonus/pay rise • Take decisions on how to improve profit for the future as profit margin lower than competitors • How to improve liquidity as their liquidity is lower than competitors or feel secure as their liquidity is better than competitors if consider acid test of 1 as suitable 	Competitors of GT:	<ul style="list-style-type: none"> • To judge if GT is more successful than them • To decide whether to take over GT 	12
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4(b)	<p>Level 3 (7–10 marks)</p> <p>For L3 to be awarded there need to be at least 2 L2 marks awarded and then a justified conclusion as to which user will find the information most useful when making decisions.</p> <p>7–8 marks for some limited judgement shown in conclusion as to which user will find the information useful when making decisions and/or why the other information will be less useful.</p> <p>9–10 marks for well justified conclusion as to which user will find the information useful and why the other two will find it less useful when making decisions.</p> <p>Award up to 2 additional marks for relevant application.</p> <p>Possible application marks: plc set up 50 years ago; manufacturer of toys; toys sold to large toy shops throughout country Y; toys also exported; Marketing manager wants to only sell toys online; toys manufactured using batch production; need to purchase cheaper components to reduce costs; recent price increases have resulted in falling sales.</p> <p>Any relevant reference to the data in Appendix 3.</p> <p>There may be other examples in context, which have not been included here.</p>	