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**BUSINESS STUDIES**

**0450/11**

Paper 1 Short Answer / Structured Response

**May/June 2017**

MARK SCHEME

Maximum Mark: 80

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**Published**

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This document consists of **16** printed pages.

Question	Answer	Marks	Guidance
1(a)	<p><b>What is meant by a joint venture?</b></p> <p>Clear understanding [2]: when two or more businesses agree to start a (new) project together so share risks OR capital OR profits OR resources.</p> <p>Some understanding [1]: two business agree to <u>work</u> together (on a project).</p>	<b>2</b>	<b>Do not accept</b> answers which describe a takeover or merger.
1(b)	<p><b>Identify two advantages to QCH of having objectives</b></p> <p>Application [2 × 1]: award 1 mark per advantage</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Have an aim OR target to work towards</li> <li>• Provide a sense of direction OR know what you have to do</li> <li>• Measure of success (to judge performance)</li> <li>• Help budgeting OR planning OR decision making</li> <li>• Motivate</li> </ul>	<b>2</b>	

Question	Answer	Marks	Guidance
1(c)	<p><b>Identify and explain two reasons why QCH might want to enter new markets.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each reason identified</p> <p>Application [2 × 1]: award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Spread risk [k] of selling cars [app]</li> <li>• Economies of scale [k] buying factory stock [app]</li> <li>• Increase sales OR market share OR target market [k] as it is a fast growing economy [app]</li> <li>• Home market saturated [k]</li> <li>• Greater recognition OR brand awareness [k]</li> <li>• Access to cheaper labour OR resources [k]</li> <li>• Fewer trade restrictions [k]</li> </ul>	<b>4</b>	<p>Application marks may be awarded for appropriate use of the following: cars, luxury, factory, profits of \$700m, joint venture, multinational, customer needs, their objective, fast growing economy.</p>

Question	Answer	Marks	Guidance
1(d)	<p><b>Identify and explain two factors that QCH should consider when deciding the location of the new factory.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each relevant factor.</p> <p>Application [2 × 1]: award 1 mark if relevant reference made to QCH.</p> <p>Analysis [2 × 1]: award 1 mark for each relevant explanation.</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Demand / customers [k] in the new market [app] so generate revenue [an]</li> <li>• Amount of rent [k] if expensive fixed costs increase [an] using up its \$800m budget [app]</li> <li>• Lower cost of labour OR availability of labour OR access to suitable employees [k] which would decrease variable costs [an]</li> <li>• Lower raw materials cost OR availability of materials [k] so can get materials when needed [app]</li> <li>• Access to transport networks OR access to water OR power [k] or production will stop [an]</li> <li>• Access to subsidies or grants [k] which would reduce costs [an]</li> <li>• Possible external economies of scale [k] if they locate near to other factories [an]</li> <li>• Enough space [k] as need a large area [an]</li> <li>• Environmental considerations [k] therefore must be away from housing [an]</li> <li>• Legal considerations [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: Cars or related words, new market, parts, \$800m, joint venture, profit of \$700m, fast growing economy, multinational.</p> <p><b>Do not award</b> application for factory as stated in the question.</p> <p>Awareness of where competitors are located is a factor for knowledge but analysis <b>must</b> relate to production not retailing.</p>

Question	Answer	Marks	Guidance
1(e)	<p><b>The Finance Director thinks QCH’s expansion into country C could be good for other businesses there. Do you agree? Justify your answer.</b></p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2]: award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2]: justified decision made as to whether QCH's expansion into country C will be good for other businesses in country C. Either viewpoint is possible.</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Increased competition [k] can lead to lower prices [an] which could mean some car makers [app] go out of business [an]</li> <li>• Suppliers (local) may gain orders [k] leading to increased revenue [an]</li> <li>• Lose skilled employees [k] as attracted to work for the multinational [app] so become less competitive [an]</li> <li>• Gain new ideas [k]</li> <li>• Increased sales (for local businesses) [k] as more people are employed [an]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: Multinational, cars, luxury, use of numbers, factory, equipment, joint venture, meet customer needs, start producing, fast growing economy, \$800m, \$700m.</p> <p>The focus of the answer must be on other businesses <b>not</b> country C or QCH.</p> <p style="text-align: right;"><b>[Total: 20]</b></p>

Question	Answer	Marks	Guidance
2(a)	<p><b>What is meant by ‘trade receivables’?</b></p> <p>Clear understanding [2]: amount of money owed by customers for (goods bought on credit terms)</p> <p>Some understanding [1]: money owed</p>	2	<b>Do not award</b> money owed by the business.
2(b)	<p><b>Calculate the following values: X, Y.</b></p> <p>Application [2×1]: award 1 mark for each correct answer</p> <ul style="list-style-type: none"><li>• X=30</li><li>• Y=50</li></ul>	2	

Question	Answer	Marks	Guidance
2(c)	<p><b>Identify and explain one advantage and one disadvantage to Josh of using text (SMS) messages as a method of internal communication.</b></p> <p>Knowledge [2×1] : award 1 mark for each advantage / disadvantage identified</p> <p>Application [2×1] : award 1 mark for each explanation in context</p> <p>Points might include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> <li>• Quick to send [k] which helps as always busy [app]</li> <li>• Can send at any time [k] so can finish cleaning before having to respond [app]</li> <li>• Can be sent simultaneously [k] to all 6 employees [app]</li> <li>• Can be read when receiver has time [k]</li> <li>• Able to refer back to it later [k] so can check details of the cleaning job [app]</li> </ul> <p>Disadvantage:</p> <ul style="list-style-type: none"> <li>• Only contain limited information OR might not understand [k] so cleaners may not have all details [app]</li> <li>• Might not receive the message OR no power on the phone OR may not have a signal [k] leading to poor service [app]</li> </ul>	4	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, businesses, busy (always sending texts), full time, 6 employees, phone, additional work.</p> <p><b>Do not award</b> cheap or expensive in isolation unless explained.</p> <p><b>Do not award</b> ‘does not own a phone’ as messages would not be sent to employees without a phone.</p>

Question	Answer	Marks	Guidance
2(d)	<p><b>Identify one advantage and one disadvantage to Josh of using off-the-job-training.</b></p> <p>Knowledge [2 × 1] : award one mark for each relevant advantage / disadvantage identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> <li>• Other workers not affected [k] so able to do more cleaning jobs [app] to keep up with demand [an]</li> <li>• Worker has access to skilled trainers [k] so know what needs to do to provide a quality service [app] helping maintain reputation [an]</li> <li>• Workers do not learn bad habits [k]</li> <li>• Workers focus 100% on training [k]</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>• Expensive OR high cost [k] which increases costs for the business [an] to train all 6 workers [app]</li> <li>• Not necessarily tailored to individual company [k] so might not cover the equipment Josh uses [app]</li> <li>• Workers are training rather than cleaning [k + app] and so less output is produced [an]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, full-time, added value, 6.</p> <p><b>Do not award</b> points that apply to both on or off the job training.</p> <p>The focus of the answer must be the effect on Josh not the workers.</p>

Question	Answer	Marks	Guidance
2(e)	<p><b>Do you think a bank loan is the best source of finance for Josh to use for the new equipment? Justify your answer.</b></p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] : award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether a bank loan is the best source of finance for Josh to use for the new equipment</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Increased liabilities OR must be repaid [k] by \$60 000 [app]</li> <li>• Loan would give him time to repay [k]</li> <li>• Has cash available [k] of \$30 000 [app] so he would not need to borrow the full amount [an]</li> <li>• Doesn't have enough cash available [k] to pay the \$60 000 [app]</li> <li>• Cost of repayments OR interest [k]</li> <li>• Leasing is a method Josh can use [k] so the latest equipment is always available [app]</li> <li>• Banks may not be willing to lend the money [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, \$60 000, correct use of table 1, added value, <b>latest equipment</b>, Josh has a small business.</p> <p>Candidates may analyse other suitable sources of finance.</p> <p><b>Do not award</b> overdraft as it is not a suitable source of finance to purchase fixed assets.</p> <p style="text-align: right;"><b>[Total: 20]</b></p>

Question	Answer	Marks	Guidance
3(a)	<p><b>Identify two ethical issues for a business.</b></p> <p>Knowledge [2 × 1]: award one mark for each issue</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Paying a fair price to suppliers</li> <li>• Paying a fair wage to workers</li> <li>• Not price fixing</li> <li>• Charging a fair price to customers</li> <li>• Not employing child labour</li> <li>• Source environmentally friendly products</li> <li>• Not harming the environment</li> </ul>	<b>2</b>	
3(b)	<p><b>What is meant by a focus group?</b></p> <p>Clear understanding [2] e.g. customers OR people who have similar characteristics to the target market who give their opinions on a product / service</p> <p>Some understanding [1] that this is a form of market research e.g. provide comments OR opinions about the product</p>	<b>2</b>	<p>For 2 marks it must be clear who makes up the focus group.</p> <p><b>Do not award</b> answers which simply explain what a group is OR references to secondary market research.</p>

Question	Answer	Marks	Guidance
3(c)	<p><b>Identify and explain two advantages to WSS of selling its franchise</b></p> <p>Knowledge [2 × 1] : award 1 mark for each advantage identified</p> <p>Application [2 × 1] : award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Cheaper way to expand [k] the 10 franchisees pay some costs [app]</li> <li>• Each franchisee pays money [k] so may be able to open more shops in future [app]</li> <li>• Can expand more quickly [k]</li> <li>• Widen brand awareness [k] as logo is seen in more places [app]</li> <li>• Franchisees responsible for day to day management [k] WSS has time to focus on extending its product range [app]</li> <li>• Retain control of the image [k] so it can ensure the business remains ethical [app]</li> </ul>	<b>4</b>	<p>Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 30, shops.</p>

Question	Answer	Marks	Guidance
3(d)	<p><b>Identify and explain one advantage and one disadvantage to WSS of changing its brand image.</b></p> <p>Knowledge [2 × 1] : award one mark for each relevant advantage/ disadvantage identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <p>Advantages</p> <ul style="list-style-type: none"> <li>• Reflect new product range [k] as now offering cakes and curries [app] can help attract a wider target market / range of people [an]</li> <li>• Image might be out of date [k] as soup bowl is simple design [app] so need to change it to remain competitive [an]</li> <li>• Customers like something new [k] therefore they are more likely to try [an] the curries [app]</li> <li>• Attract new customers [k]</li> </ul> <p>Disadvantage</p> <ul style="list-style-type: none"> <li>• Damage customer loyalty [k] as existing customers do not like the new logo created [an]</li> <li>• Customers might not recognise the new logo OR be confused [k] so might miss the shop [app] therefore reducing sales [an]</li> <li>• Time / cost (to change the logo) [k] as may need to ask focus group for their opinion [app] increasing expenses [an]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 40 shops, franchise, focus group.</p> <p>The focus of the answer must be the effect on WSS.</p>

Question	Answer	Marks	Guidance
3(e)	<p><b>Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.</b></p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] :award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether WSS should use sponsorship or newspaper advertising as the main method of promotion</p> <p>Points might include:</p> <p>Sponsorship</p> <ul style="list-style-type: none"> <li>• Can target the intended market [k] attracting more customers [an] for the cakes [app]</li> <li>• The business will be linked to the event sponsored [k]</li> <li>• Actions of the sponsored person or group could damage WSS's reputation [k] reducing sales [an]</li> </ul> <p>Newspaper advertising</p> <ul style="list-style-type: none"> <li>• Can be seen by a lot of people [k]</li> <li>• Falling readership of newspapers [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: Use of numbers, soup or references to food or ingredients, change logo, expand product range, ethical, brand image.</p> <p>The focus of the answer must be on WSS as the sponsor.</p> <p><b>Do not award</b> sponsorship or newspaper is cheaper as this is not known.</p> <p style="text-align: right;"><b>[Total: 20]</b></p>

Question	Answer	Marks	Guidance
4(a)	<p><b>What is meant by ‘chain of command’?</b></p> <p>Clear understanding [2]: structure within an organisation through which orders are passed from senior management to the lower levels</p> <p>Some understanding [1]: ‘shows who gives orders’</p>	2	For 2 marks must have idea of ‘orders OR instructions OR authority’ and ‘who between’.
4(b)	<p><b>Identify two Government economic objectives.</b></p> <p>Knowledge [2 × 1]: award 1 mark per objective</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> <li>• Lower unemployment</li> <li>• Economic growth OR increase GDP OR improve standards of living</li> <li>• Low inflation</li> <li>• Improve balance of payments</li> </ul>	2	
4(c)	<p><b>Identify and explain two benefits to GKK of increasing efficiency.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each benefit identified</p> <p>Application [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Increase output OR quicker production [k] of plastic bottles [app]</li> <li>• Lower average costs [k] so can keep prices low [app]</li> <li>• Fewer workers needed [k]</li> <li>• Better able to compete [k] in this competitive market [app]</li> <li>• Less waste [k] need for less raw materials [app]</li> <li>• Fewer errors [k]</li> </ul>	4	Application marks may be awarded for appropriate use of the following: Plastic bottles, raw materials, environment OR pollution, competitive market, prices are important.

Question	Answer	Marks	Guidance
4(d)	<p><b>Identify and explain two ways in which new legal controls to protect the environment might affect GKK.</b></p> <p>Knowledge [2 × 1] : award one mark for each relevant way identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Change OR stop using certain materials [k] moving away from plastic [app] changing production [an]</li> <li>• Increase cost [k] because they may have to pay more fines [an]</li> <li>• May need to change supplier [k] so stop using the low cost country [app] increasing variable costs [an]</li> <li>• Reduced demand [k] as customers look for alternative ways to package food [app] so lose revenue [an]</li> <li>• May have to change location [k] as not allowed to operate in certain places [an]</li> </ul>	<b>6</b>	<p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, low cost country, low prices.</p>

Question	Answer	Marks	Guidance
4(e)	<p><b>Explain one lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.</b></p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s) [max 1]</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] : award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether GKK should introduce this technique</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Just in Time inventory control [k] which would help reduce storage costs [an]</li> <li>• Kaizen /continuous improvement [k] by using delegation [app]</li> <li>• Cell production [k]</li> </ul>	<b>6</b>	<p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, delegation, low cost country, low prices, competitive market, short chain of command, wide structure.</p> <p style="text-align: right;"><b>[Total: 20]</b></p>