

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME FOR the November 2002 question papers

0450 BUSINESS STUDIES

0450/01	Paper 1, maximum raw mark 100
0450/02	Paper 2, maximum raw mark 80
0450/04	Paper 4, maximum raw mark 100

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

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November 2002

INTERNATIONAL GCSE

MARK SCHEME
MAXIMUM MARK : 100
SYLLABUS/COMPONENT : 0450/01
BUSINESS STUDIES

1.(a) One mark per acceptable example.

(b). Two marks for identification of advantages plus two marks for explanation.
Content – potential access to more capital; specialisation of functions; wider range of expertise. To gain additional marks answer needs to focus on explanation of the gain.

(c). Two marks for clear explanation. One mark for simple appreciation.
Content – refers to the situation where the owner of a business is only liable for the original amount of capital invested in the business. They are not liable for any debts incurred by the business.

(d). (i). Mark for each purpose identified plus development mark available. (max three marks).
Content – means of communication (two way); seek approval for changes or policies; re election of directors.

(ii). Identification of what the accounts show 2 – 1 marks. Analysis of the implications of what is shown 5 – 3 marks.
Content – Financial performance of the business as shown by rate of return on capital; profitability of business (profit / sales ratio); financial balance and liquidity as shown by capital structure and liquidity ratios.

(e). Identification of the importance of profits 2 – 1 marks. Demonstration of their importance . i.e. why they matter. 4 – 3 marks.
Content – reward for risk taking; necessary return to encourage shareholders to retain their investment and to attract new investors; source of funds for future growth.; fundamental objective of private sector business.

2. (a). Understanding of the concept of market segmentation 2 – 1 marks. Indication of the ways of segmenting a market 4 – 3 marks.
Content – Segment is a sub section of a total; constructed on the basis of age / gender / income group / location. In this case type of sport played. The essence of a segment is that it comprises a group of consumers with similar characteristics.

(b). (i). Clear definition 2 marks. Some understanding 1 mark.
Content – method of informing and persuading prospective consumers.

(ii). Understanding of the concept of cost effective 1 mark. Link to advertising 3 – 2 marks.
Content – may not be cost effective because fails to generate much by way of extra customers ; targeted incorrectly; message unclear or unappealing.

(c). Identification of possible areas to advertise 2 – 1 marks. Justification of choice 4 – 3 marks.

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Content – Answer needs to be in context of business customers to gain high band marks . Might include reference to airports / railway stations; business publications like trade associations magazines; mail shots to companies; internet.

(d). Simple analysis of the quote 2 – 1 mark. Developed logic that arrives at a reasoned outcome 4 – 3 marks.

Content – businesses compete on many fronts e.g. quality / service / after sales / delivery / innovation / price. Thus price only one factor in the equation albeit an important one.

(e). One mark per function identified.

Content – promote / protect / inform .

3.(a). One mark per acceptable example.

Content – stock / debtors / cash.

(b). Simple understanding of both concepts 2 – 1 marks. Emphasis upon the points of difference between the two 4 – 3 marks.

Revenue = income received as a result of sales generated. Profit refers to surplus remaining after all allocated costs have been deducted from revenue.

(c). Identification of ratios 2 – 1 marks. Use of ratios 4 – 3 marks. Conclusions based on ratio analysis 6 – 5 marks.

Ratios likely to be used are profit / capital(A = 20%; B = 25%). Profit / sales (A = 10%; B = 8.3%) Probable conclusion is B as rate of return is the key indicator.

(d). One mark for concept of an economy of scale. 3 – 2 marks for example that shows understanding of the concept.

Content – economy of scale refers to a financial advantage associated with an increase in the size of a business resulting in a fall in unit cost. Probable example will be discount for bulk orders.

(e). Appreciation that this involves making a loss 2 – 1 mark. Awareness of the circumstances where this might prove the best strategy 4 – 3 marks.

Content – loss leader situation / short term tactic / positive contribution.

4. (a). Mark per valid reason plus development points.

Content – higher profits / company policy to reward work force / higher labour productivity / location and going wage rates.

(b). Simple answer based upon limited understanding 2 – 1 mark. Higher level appreciation based upon appreciation of the implications of a strategy 4 – 3 marks.

Content – issues to be considered might be short run impact on costs and hence profits (thus cost savings); problems of recruitment / retention/ motivation. Thus in longer term higher costs might be incurred.

(c). (i) One mark per example.

Content to include things like – employee discounts / pensions / health insurance / social club memberships etc.

(ii). One mark per reason plus development point.

Content – to reward and motivate ; appreciation of loyalty; reflects employers perception of the way staff should be treated.

(d).(i). Answer is 4 people. One mark.

(ii). Identification of possible advantages 3 – 1 mark. Same applies to disadvantages .

Content. Ads strong potential hold on employees; knows what is going on; control centralised. Disads – inability to support, manage and control effectively.

5. (a). (i). Understanding of the concepts of social benefits and costs 4 – 1 marks.

Application to context 8 – 5 marks.

Content – answers must be context to score at top end. These are externalities borne (or received) by third parties as result of road scheme. Benefits – direct / indirect employment; positive impact on area as accessibility improves(customers for shops / attracts in new firms). Costs – largely environmental e.g. pollution(noise / traffic jams / air pollution.) Destruction of green belt etc.

(ii). High level explanation 2 marks. Simple statement 1 mark.

Content – a company operating in more than one country.

(iii). Identification of disadvantages one mark per point plus development points.

Content. Management abroad hence might be remote or not in tune or sympathy with local feelings etc.. Profits from the venture may go out of the country.

(b). Identification of problems 2 – 1 marks. Explanation of problems 6 – 3 marks.

Content – problems of gaining access (tariffs and quotas); problems of selling – dealer and distributor networks; problems of lack of awareness by consumers; higher costs associated with distance.