

## CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

### MARK SCHEME for the November 2003 question papers

#### 0450 BUSINESS STUDIES

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

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2003 question papers for most IGCSE and GCE Advanced Level syllabuses.

**Grade thresholds** taken for Syllabus 0450 (Business Studies) in the November 2003 examination.

	maximum mark available	minimum mark required for grade:			
		A	C	E	F
Component 1	100	68	47	28	22
Component 2	80	56	39	26	19
Component 4	100	63	44	30	22

The threshold (minimum mark) for B is set halfway between those for Grades A and C.  
The threshold (minimum mark) for D is set halfway between those for Grades C and E.  
The threshold (minimum mark) for G is set as many marks below the F threshold as the E threshold is above it.  
Grade A\* does not exist at the level of an individual component.

November 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 0450/01

BUSINESS STUDIES

1.(a). (i). 2 marks clear understanding. 1 mark some understanding.

Refers to the idea that owners of a company are only liable for the original amount they have invested in the company. Owner's liability in respect of company's debts is limited.

(ii). Allocation as above. Concept – Part of the profit made by a company that is distributed to the shareholders as income.

(iii). 1 mark for identification of a feature. Further 1 mark for developed explanation. Content - Issue and trading of shares is restricted. Implication is that raising of funds more difficult.

(b). 3 marks for identification of reason(s) with an attempt to explain.

2 – 1 marks for identification of reason(s) but explanation limited.

Content – Share prices usually reflect profitability of a company and future prospects. May also reflect state of market confidence generally.

(c). 1 mark for identification of method. Further 2 marks for explanation (Twice over)

Content – A.G.M. and annual statement of accounts[ company report].

Meeting to which all shareholders are entitled to attend / cast votes / raise questions / feed back. Reports are detailed financial statements which contain audited accounts  
Thus formal written communication

(d). L3. 5 – 4 marks logically developed answer which allows valid conclusions to be drawn.

L2. 3 – 2 marks. Relevant points identified but no theme or structure.

L1. 1 mark. Relevant point identified

Content. Responsible to all stakeholders – environmental factors / ethical issues / good employer concepts. Stakeholders refers to all groups that have a direct or indirect interest in a company.

2.

(a). (i). 2003 = 8.88 [ 1 mark] ; 2002 = 12.5. [ 1 mark] Change = 3.6 Fall[1 mark]  
1 mark possible for an answer that shows knowledge of profit margin but no calculation attempted. o.f.r. applies

(ii). Cut in selling price ; rise in costs not passed on. [ 1 mark per valid point]

(iii). 14.5% [1 mark method; 1 mark calculation]

(iv). 3 marks for clear idea explained

2 – 1 marks. Some idea but lacking in clarity.

Content – measure of profitability of business / measure of success of a business in terms of effective use of funds at their disposal.

(v). 1 mark for identification plus 1 mark for explanation ( twice over)  
Content – market share / change in total market size / profitability indicators for other similar companies. Success is a relative concept/ might be related to targets set by the business.

(b). (i). 2 marks for clear idea explained..

1 mark for some idea but lacking in clarity.

Content. Current assets – current liabilities. The capital needed to finance the running of a business on a recurring basis. Need to buy stock / pay wages / settle invoices etc.

(ii). 4 – 3 marks for answer that makes distinction that profit is not same as cash because of way in which profit is calculated. [ Not all sales are for cash ; depreciation; revenue and capital expenditure. Profit is surplus after allocated costs have been deducted from revenue].

2 – 1 Aware of the distinction but explanation limited. An answer that just explains cash flow alone can gain this level of mark [ or just profit]

3. (a) 1 mark for reason plus 2 further marks for explanation (twice).

Content – no feedback / unclear message / inappropriate medium. Other reasons acceptable to be judged on merits. A barrier is an obstacle that interferes with the flow of information.

(b). 4 – 3 marks for logically developed conclusions.

2 – 1 marks for valid point but no structure.

Content – motivation refers to an attitude towards work. If highly motivated this attitude is positive. Work meets various needs of an employee. Money helps satisfy some of these needs and hence is an aid to motivation. However if other needs are not met then motivation may still be low.

(c) (i). 3 marks clear understanding.

2 – 1 marks some understanding.

Content – a word picture of what a job entails. Indicates what the job involves in terms of title /content / conditions etc.

(ii). 3 marks for link between job description and recruitment process.

2 – 1 marks for knowledge of factors but link not well made.

Content – helps identify the qualities needed in the job holder to carry out the job. Hence makes selection easier because requirements are clarified.

(iii). 4 – 3 marks. Gains linked between training and the company

2 – 1 marks. Gains identified but focus lacking.

Content – gains in terms of more skilled work force / greater efficiency/speed/flexibility/ more in tune with nature and requirements of job etc.  
Cost advantages via labour productivity.

4. (a) (i). 1 mark for acceptable example i.e. a cost that is generally regarded as being independent of output.

(ii). 4 – 3 marks for reasons explained

2 – 1 mark for reason or no explanation

Content – labour cost fall because of increased specialisation and / or automation of processes. Material cost fall due to bulk purchase resulting in fall in unit cost (economy of scale).

(iii). \$74.55 (2 marks) ; \$42.6 (1 mark) + 75% = \$74.6

(iv). 4 – 3 marks for a discussion of issues leading to a conclusion.

2 – 1 marks for identification of valid points but lacking in structure or direction.

Content – The method fails to consider market conditions of either demand or competitor's prices. Thus unlikely to be always the best method to use. Up to 2 marks for identification of its advantages e.g. simple to apply.

(b). 1 mark for identification plus 2 further marks for explanation [ twice ].

Content – advertising / special offers / mail shots / exhibitions / point of sale.

(c). 1 mark for factor plus 2 for justification. Content – access to market / use of intermediaries.etc.

5. (a) (i). 4 – 3 marks Two factors identified and explained

2 – 1 marks. 1 factor identified or no explanation.

Content -lower production costs / cheap labour / less laws etc./ material cheaper

(ii). 4 – 3 marks. Two problems identified and explained

2 – 1 marks. 1 problem identified or no explanation.

Content – higher delivery costs / late delivery / unreliability difficult to correct / exchange rate movements / quality differences between countries etc.

(b). 4 - 3 marks logical argument supported with reasons

2 – 1 marks point(s) made but logic not secure.

Content – Adverts might be misleading or dishonest and hence consumers need protection from being misled or misinformed; high prices imply excessive profits and hence business is exploiting its market position.

(c). (i) 2 marks clear understanding

1 marks some understanding.

Content – refers to a situation where an employee is surplus to requirements / job disappears and hence no longer needed.

(ii). 6 – 4 marks identifies and explains three or more advantages.

3 – 1 marks identifies two or less points / or explanation lacking as to why they constitute an advantage. In effect 1 mark per advantage identified plus further development mark

Content – helps employee against unfair treatment; unsatisfactory working conditions; ensures that their legal rights are protected etc.

November 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 80

SYLLABUS/COMPONENT: 0450/02

BUSINESS STUDIES

## Mark Scheme

0450 / 2 Nov. 2003.

1. Each of these questions to be awarded marks as follows –

1 mark simple statement

2 marks for development

3 marks for explanation in context.

Content

(a). An overdraft implies having an arrangement with a bank to withdraw funds in excess of the cash in an account. The facility allows flexibility in the financing of business activity and is appropriate as a means of financing working capital. In this case the business was seeking to expand and hence it had increased working capital needs.

(b). Variable costs are those costs that are linked to production levels. Thus they change as production changes. Usually they refer to things like direct labour or materials / components.

(c). Market need implies that consumers have a requirement for a particular good or service. In this case the issue is all about whether there is a market demand for this new more advanced washing machine [ with probably a higher price].

(d). Secondary data refers to market information that has already been collected. It probably relates to the size of the market or to things like market shares and information regarding competitor's products.

2.(a). 6 – 4 marks for developed answer based upon logic and case evidence.

3 – 1 marks for knowledge answer .

Content – identification of market orientation concept ( up to 3 marks). Application – ideas come before market thus not market orientation

(b). Up to 3 marks for identification of advantages with a further 3 marks for disadvantages.

Content. Method would help identify things like - what customers look for in a product; how much would they pay/ where they buy electrical products from / what they think of existing products etc. However information might not be very useful if people are not truthful or insufficient people are interviewed. The method might also be costly and time consuming.

(ii). 4 – 3 marks for identification of a number of points plus discussion .

2 - 1 marks for identification of points but significance not considered.

Content - Households in certain areas / not people in street/ random or stratified .  
Recognition that the customer base must be representative if results are to be useful.

3.(a). (i). \$120 (2 marks) 1 for method

(ii). \$70 (2 marks) 1 for method

(b). Marks as follows – 1 mark for each of the following – axis labelled ; scale correct; sales revenue; overheads total costs; general accuracy.

(ii) 2000 per month . [2 marks] ofr 1 mark



4. (a) 8 - 6 marks Understanding of use in decision making

5 - 3 marks Knowledge of use but value to bank manager not made explicit.

2 - 1 marks. Understanding of a cash flow statement.

Content - able to see likely cash imbalances / evidence of business plan / basis for viability judgement.

5. 6 - 4 marks Knowledge and Application.

3 - 1 marks Knowledge.

Content. - fixed assets to include premises / machinery. Long term need thus source should reflect this. Thus likely sources are owners funds [ own capital / new partner / retained profit] or long term loan.

Application would imply some reference to the fact that the source must be appropriate either given need or present financial position.

6. 10 - 7 marks for answer that shows understanding of issues relating to recruitment and produces a strategy for Omar i.e. should do this because type answer.

6 - 3 marks for an answer that identifies options but fails to come to a conclusion.

2 - 1 marks for limited awareness of recruitment issues.

Content - reference to a manpower plan; new staff needed thus vacancies need to be advertised/ pay and conditions have to be appropriate/ local employment conditions crucial/ selection process- skills and or experience required. Training etc. of some existing staff might be possible.

7. (a). 4 - 1 marks for ads . Same for disads.. 1 mark per valid point made plus development mark

Content to refer to things like certain sales / guaranteed income / ease of planning / no marketing . Disads - vulnerable/ risk / what if terms are renegotiated/ poor payers ?

(b). 8 -5 marks for conclusion based on logical analysis of points made .

4 - 1 marks for points made in an unstructured fashion. Little attempt made to argue a case.

Content - danger of business over stretching itself / consolidation of new growth proposals needed first / cash constraints etc. / danger of overtrading. All these factors suggest that this idea is not developed at present. However would represent diversification / growth / profits etc. Thus top level answer makes some attempt to weigh up these conflicting factors.

**November 2003**

**INTERNATIONAL GCSE**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 0450/04**

**BUSINESS STUDIES**

**Mark scheme**

Q1 (a) (i) 2 marks for stating cost plus profit. 1 mark if a vague attempt is made.  
(Contribution cost, competitive pricing, or penetration pricing  
acceptable alternatives) Total = 2 marks

(ii) 1 mark for stating a pricing strategy, e.g. Promotional, Skimming,  
Creaming, Psychological. (Strategy must be different to the one  
named in (i) )  
Up to 2 additional marks for explaining the strategy.  
(2 x 3 marks) Total = 6 marks

(b) (i) 1 mark for giving a suitable example of where the high quality drink  
might be sold e.g. expensive shop.  
Up to 3 marks for explaining why it would be sold in  
expensive shops, such as, this is where customers with high incomes  
shop and are more likely to buy the fruit drink. Total = 4 marks

(ii) Level 1 - Up to 3 marks for listing advantages of selling through a  
wholesaler.  
Level 2 - 4-6 marks if the advantage(s) is explained.  
E.g. - storage space is saved  
- advice is given  
- buy in large quantities  
- transport costs are saved Total = 6 marks

(c) 1 mark for each example of promotion methods  
For example posters, TV advertising, leaflets, radio.  
(4 x 1 mark) Total = 4 marks

(d) 1 mark for each reason why packaging is important.  
Up to 2 additional marks for explaining their reason.  
E.g. protect the product, promotion, easy to transport, easy to serve.  
(2 x 3 marks) Total = 6 marks

- Q2 (a) 1 mark for each example of a secondary source.  
E.g. government statistics, company report and accounts, market research reports, Internet.  
(2 x 1 mark) Total = 2 marks
- (b) (i) 2 marks for 3- 4 suitable questions  
1 mark if only 1-2 suitable questions  
  
4 marks for explaining why each question is asked Total = 6 marks
- (ii) 5 marks for describing how the questionnaire would be carried out.  
(E.g. select a sample to be asked, send out postal questionnaire..) Total = 5 marks
- (c) 1 mark for a title  
2 marks for labelling the graph  
2 marks for accuracy Total = 5 marks
- (d) Level 1 - 1-2 marks for stating relevant issues  
Level 2 - 3- 4 marks for discussing the importance of assessing the competition before launching the new drink. E.g. prices of competitors, where they sell their products. Total = 4 marks

**Q3 Report**

6 marks for report format - Title

- Terms of Reference/To: From:
- Date
- Introduction
- Method/Procedure
- Results/Findings
- Conclusion
- Recommendations

6 marks

for the introduction outlining the problem.  
(Sales lower than expected, quality product sold at low price and in plain packaging. Low price but sold in expensive outlets. Advertised nationally but is only available in local market)

22 marks

for discussing the advantages and disadvantages of alternative ways of changing each of the elements that go to make up the marketing mix of the fruit drink. (Changes to Product, Price, Place, Promotion and Packaging should be considered separately)

10 marks

for the conclusion  
1 - 4 marks for simple answer.  
5 - 10 marks for weighing up the pro's and con's of the alternative courses of action. Links between the different elements of the marketing mix should be made clear.

6 marks

for the recommendations  
1 - 2 marks if simple response "They should sell the new drink to all parts of the country"  
3 - 6 marks if they have developed their answer into a clear strategy the company should take to overcome the marketing mix problem. It must be clear why this strategy will solve the problem.  
Do not reward a list of strategies - up to 2 marks maximum if no explanation is given.

**Total = 50 Marks**