



From the June 2007 session, as part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

Question Paper	Mark Scheme	Principal Examiner's Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

**Who can I contact for further information on these changes?**

Please direct any questions about this to CIE's Customer Services team at: [international@cie.org.uk](mailto:international@cie.org.uk)

## MARK SCHEME for the May/June 2007 question paper

### **0450 BUSINESS STUDIES**

**0450/01**

Paper 1 (Short Answer/Structured Response),  
maximum raw mark 100

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.

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 May/June 2007 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Page 2	Mark Scheme	Syllabus
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## 1 Country X

- (a) (i) Examples might include agricultural activities/extraction of commodities such as coal.
- (ii) Examples might include reference to any service type activity such as retailing or banking.

Activities rather than businesses are acceptable e.g. coal mining or a shop.

1 mark per acceptable example in each part [2]

- (b) Mixed economy implies a balance of public and private sector organisations. Thus ownership and objectives differ.

Knowledge of terms [1–2]

Understanding shown either by examples or explanation [development] [1–2]

- (c) AGM is the means by which communications between directors and shareholders directly occur on a two way basis. Shareholders are informed as to what has happened and directors are answerable for their actions. Resolutions formally approved and accounts accepted. Discussion of strategic issues but not operational ones. The meeting also acts as the basis for election of company officers [board members but not managers].

[2–1] knowledge of functions

[2–1] analysis [explanation] of functions

- (d) (i) Companies fail for various reasons:

- lack of capital
- competition
- failure to adapt to changes in market
- customers don't like their products!
- inefficiently managed

1 mark per valid point identified [2] plus development marks [2]

Bullet point list will gain max. 2 marks. Question does not require an explanation of points so four valid points will be accepted for 4 marks i.e. 1 mark per point

- (ii) Financial help is usually given to prevent the collapse of a major or strategically significant business or activity. This might be thought of in terms of employment or significance to the economy or region. However financial help uses up scarce resources from the government finances and arguably allows inefficiency to continue. One sided answer acceptable.

Knowledge of issues [2–1]

Understanding of issues [2–1]

Reasoned assertion showing evaluative comments [2–1]

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## 2 Biograph

- (a) (i) Let  $x$  = total market sales  
 $10\% x = \$300$   
Thus  $x = \$300/0,1$  [1]  
 $x = \$3000m$  [1], [2] marks for correct answer. If arithmetic error then 1 mark for method is available. \$ sign not needed for full marks but m is needed for 2 marks.
- (ii) The reason must be that the market as a whole grew faster than sales of Biograph. In fact in 2006 total market sales must have been \$4375m. Thus market growth is \$1375m [45.8% growth] while Biograph's growth is \$50m. [16.6%]  
Analysis of data [2–1]  
Reason identified [1] Explained [1]  
If answer says market as a whole grows fast [1]. If answer progresses to say market grows faster than Biograph's growth [2]  
General answer about market share [2–1]. Specific context [4–3]. Using the data is a means of showing context.
- (iii) Various methods possible by changing other elements in the marketing mix. Example – increase the number of salesmen in the business. This would mean that more retail outlets could be contacted and more outlets selling their product. Thus sales and hopefully market share increase  
1 mark for method  
2–1 marks for explanation  
1 mark for justification. This mark is available for supportive comment as to why the method is being recommended e.g. cheap or effective.
- (b) (i) Advertising budget is a financial statement of the total advertising expenditure for next year broken down on an individual allocation basis. [2]  
Some understanding of a budget [1]
- (ii) Probably not as effective as in 2005. In 2005 for every \$ spent on marketing sales were \$12. In 2006 the figure was \$10.  
Conclusion supported by logic [2–1] e.g. yes because sales went up and hence it was effective, [but no consideration of costs].  
Discussion of cost effective alone [2–1]
- (c) Market segmentation implies break up of a market into subgroups which have common characteristics. Clear identification of segments usually makes it easier to target marketing expenditure more effectively.  
Knowledge of segmentation [2–1], top end if applied  
Application of link with sales [2–1]

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### 3 Puregloss

- (a) (i) Sales \$500m [1]
- (ii) Overheads \$110m [1] Neither \$ sign nor m required

(b) Puregloss is a private sector business. Thus profits important because

- reward for risk taking
- source of funds
- reason why private sector business exists
- necessary for long term survival
- measure of success
- positive impact on share price

Payment of costs is NOT acceptable.

1 mark per point identified [max 2] plus 2 further marks for explanation of their importance.

(c) Profit is difference between sales recorded and costs allocated to a specific time period. This is not the same as cash movements.

Knowledge of difference [2-1]

Understanding of difference as shown by illustration or development [2-1]

For example sales might be on credit and hence no immediate cash movement. Some costs allocated such as depreciation. Reference to appropriation account gets full reward of marks. Also acceptable are references to tax and dividend payments as it is not stated whether the profit is after these.

(d) (i) 1 mark per item correctly identified  
Current assets might be stock/debtors/cash  
Fixed assets might be premises/machinery/vehicles.  
Answer can also be a practical example such as tins of paint [current asset] since the company is a paint manufacturer.

(ii) Creditors refer to businesses that Powergloss have bought supplies from but as yet have not paid for. They represent a short term liability.

2 marks for understanding of term

1 mark for simple statement like people to whom they owe money.

(iii) Financial success often measured in terms of return on assets [capital]. Profits also often seen as an indicator of success. Not possible to calculate return on capital but net profit margin can be calculated. This shows 2005  $35/400\% = 8.76\%$  2006 = 8% Thus 2006 not obviously better. So sales are up: profit is up but margins down. Thus issue as to whether 2006 is better is not conclusive. Profit rose by 14.2% while sales rose by 25%. On balance probably was a successful year but justification for this statement is key element in a good answer.

Simple interpretation like profit and sales up so successful [2-1]

Identification of ratios and formula i.e. use of figures [2-1]

Use of evidence to form a more sophisticated judgement including consideration as to what successful means. [2-1]

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#### 4 ColourYarn

(a) Management functions include

- make decisions
- set targets
- allocate resources
- monitor results
- control activities
- recruit/reward/motivate resources

1 mark per point identified [max. 2] and further development mark available per point made [max. 2]

(b) (i) Demotivated implies a negative attitude towards work performance often brought about by external forces which has caused a deterioration in attitude.

Understanding of term [3] as shown by the features of the above statement.

Some knowledge [2–1], simple idea might be do not want to work.

[1]

(ii) Recognition of methods [3–1] Discussion of methods showing evaluative judgement on their effectiveness [3–1]

Methods likely to include:

- set targets
- improve conditions
- job enlargement/enrichment
- improve prospects /promotion
- better personal relationships
- training

The evaluative mark is to be awarded for showing why a method might be expected to increase motivation. e.g. job enrichment implies building into jobs tasks that are interesting and challenging. This will improve motivation by relieving boredom and repetition in a job.

(c) A consumer might benefit from protection against things like misleading offers/inaccurate representation of goods/unethical selling practices. 1 mark for example which could be of a practical nature plus 2-1 marks for demonstration of benefits.

(d) Health and Safety laws govern the way employees are treated at work. They establish minimum standards of things like facilities/working environment/breaks etc. Without such laws employers might be tempted to cut costs and to exploit their employees especially if they are strongly profit focused.

Knowledge of what the laws cover [2–1]

Positive assertion supported with evaluative comments [2–1]

Contextual answer desirable but not specifically needed. Shop workers need protection as well as factory workers.

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**5 Abioli**

(a) Economies of scale could be:

- technical
- financial
- marketing
- managerial
- risk bearing

One mark per economy identified [max 2] plus further mark for explanation [max 2]. The economies could be explained by reference to practical things like bulk purchases or mass production.

(b) More efficient implies greater effectiveness in the use of resources probably reflected in greater output per resource input. 2 marks for high level understanding. Such as reference to any input output relationship. 1 mark for some understanding like doing things better or lower cost.

(c) (i)  $80000/40$  [1] = 2000 [2] Total hours/individual hours

(ii)  $240000/2000$  [1] = 120 [2] OFR applies. Output/labour input

(iii) The output per employee in 2006 was 108. Thus productivity fell in 2006. Reasons for this change might include the following – demotivated employees/machine breakdowns/supply chain problems. 1 mark per problem identified [max 2] plus 1 mark per valid explanation.

(d) (i) Lean production refers to a process of operation that aims to reduce the quantity of resources used up in production [2]. Some understanding like using less resources [1]

(ii) The approach is designed to improve efficiency so it would be of great potential benefit. Reference to lean methods such as JIT rewardable for knowledge and application marks Knowledge and application of lean production concept [2–1]  
Understanding of link with efficiency making evaluative comments [2–1]

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Knowledge of terms [1–2]  
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[2–1] marks for knowledge of functions  
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- lack of capital
  - competition
  - failure to adapt to changes in market
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Bullet point list will gain max. 2 marks. Question does not require an explanation of points so four valid points will be accepted for 4 marks i.e.1 mark per point
- (ii) Financial help is usually given to prevent the collapse of a major or strategically significant business or activity. This might be thought of in terms of employment or significance to the economy or region. However financial help uses up scarce resources from the government finances and arguably allows inefficiency to continue. One sided answer acceptable.  
Knowledge of issues [2–1]  
Understanding of issues [2–1]  
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## 2 Superbrek

- (a) Total Sales value in 2006 = \$300m + 20% = \$ 360m [1] Crunchy Flakes = 25% of this [1]  
Sales therefore = \$90m [1] \$ sign not needed but m is for full marks.  
If candidate gives 25% of \$300m i.e. \$75m then [2]  
3 marks for correct answer.
- (b) Two extension strategies might include new packaging/new markets/new features [e.g. gifts or new taste]  
1 mark per strategy identified [max. 2] Two further marks per explanation. 1 mark for showing how the strategy operates + 1 mark for showing why it should increase sales. Context is a way of gaining the third mark but is not a requirement.
- (c) (i) Investigating the market so that features are better understood e.g. what customers like/trends/buying habits. 1 mark per feature identified or developed [2] Methods of market research acceptable for 1 mark.
- (ii) Usefulness will be reduced if it is inaccurate/irrelevant/inappropriate. Thus if wrong people are asked or the wrong information is gathered it will be of little value. Similarly it might be biased or a misrepresentation of consumer attitudes.  
Identification of reasons [2–1]  
Explanation of reasons [2–1]
- (d) Marketing covers a range of activities so that a business learns more about customers and competitors so that products that are produced are the right ones/at the right price/in the right place. Thus it is not just advertising or cost based. Good products do not simply sell themselves because they have to be promoted and customers made aware of their existence and value.  
Explains marketing [2–1]  
Demonstrates understanding of role of marketing and how it operates [2–1]  
Evaluative outcome [1]

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 Simple interpretation like profit and sales up so successful 2-1 marks  
 Identification of ratios and formula i.e. use of figures 2-1 marks  
 Use of evidence to form a more sophisticated judgement including consideration as to what successful means. 2-1 marks

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#### 4 Happy Dreams

- (a) (i) Job description includes reference to features such as job title/details of job content/indication of working conditions/tasks and functions.  
Explanation [2–1]
- (ii) Job descriptions help in the recruitment process by allowing a better match to be made between the needs of the job and the candidates abilities/experience. Thus makes it easier for the business to know what it is looking for in an individual. Also helps reduce inappropriate applications. Focus of the answer must be on help to the business in the recruitment process not help to the applicant.  
Identifies link between job description and recruitment [2–1]  
Explains link [2–1]
- (b) Training helps an employee better perform their jobs by equipping them with the skills and experience needed. It will also develop the individual so that perhaps they become better motivated. Thus benefits the business. It does however cost money/may not produce results/people can leave. Must be a balance of points to gain full marks. No reference to the cost aspect then max.4  
Identifies and explains benefits [3–1]  
Identifies and explains cost aspects [2–1]  
Generates a conclusion [1]
- (c) The outbreak could cause problems for the management. It could result in the closure of the hotel and legal action if breaches of health and safety laws occurred. They must establish the cause/ensure that guidelines have been followed. If mistakes have occurred they must put in place procedures to ensure that these errors do not happen again. Some gesture of goodwill to customers might be appropriate. The management should be seen to be responding positively.  
Knowledge and understanding of issues. What should the management do? [2–1]  
Evaluative judgement based upon understanding Why should they take action [2–1]
- (d) The style of management refers to the way managers deal with their employees. Thus an unsympathetic and autocratic style might lead to dissatisfaction amongst staff.  
Knowledge of concept of style of management, Stating styles of management [1] explaining styles of management [2–1] Could refer to problems of different styles  
Link to motivation showing how style might impact on attitudes [2–1]

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