Cambridge IGCSE® (9–1)

BUSINESS STUDIES   **0986/01**

Paper 1 Short Answer and Data Response   **For examination from 2020**

MARK SCHEME

Maximum Mark: 80

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Specimen

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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).
GENERIC MARKING PRINCIPLE 3: 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 • marks are not deducted for errors • marks are not deducted for omissions • answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.
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: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
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
1(a)	**Define 'private sector'.** Award 2 marks for full definition. Award 1 mark for the partial definition. Businesses owned by/part of the national economy (1) individuals/not under direct state control. (1)	**2**
1(b)	**Define 'redundancy'.** Award 2 marks for full definition. Award 1 mark for the partial definition. Job position no longer needed (1) worker loses job. (1)	**2**
1(c)	**Outline how the appreciation of country B's exchange rate might affect UDig.** Award 1 mark for each relevant point. Award 1 mark for each relevant reference to this business. Answers might include: • Imported products cheaper/have lower prices (1) making UDig less competitive (1) so local businesses might go elsewhere for the 30% (1) leading to lower sales for its coal. (1) • Not as competitive (1) so UDig may have to cut costs (1) by closing mines (1) and making people redundant. (1) • Not as competitive (1) so may have to reduce its profit margin (1) by lowering the cost of coal (1) so not as much money to reinvest in the business. (1) Other appropriate responses should also be credited.	**4**
1(d)	**Explain <u>two</u> factors UDig should consider when deciding which mines to close.** Award 1 mark for identification of each relevant factor (maximum of 2). Award 1 mark for each relevant reference made to this business (maximum of 2). Award 1 mark for each relevant explanation (maximum of 2). Relevant points might include: • Level of output (1) where UDig extract the least amount of coal (1) could be closed as it will make less sales revenue. (1) • Number of employees (1) as 1800 jobs threatened (1) if close sites with fewer employees the business may be able to save some of the jobs. (1) • Ease of access (1) of the eight locations (1) as sites difficult to reach could help lower transport costs. (1) • Pollution levels (1) as new legal controls have been introduced (1) so high polluting sites might be forced to close anyway. (1) Other appropriate responses should also be credited.	**6**

Question	Answer	Marks
1(e)	**Do you think government should help private sector businesses? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to whether government should help private sector businesses. Answers might include: • Protect jobs (1) which help government meets an economic objective. (1) • Protect vital industry (1) otherwise local businesses will need to find alternative supply. (1) • Private sector business problems may only be temporary (1) so money could be better spent elsewhere. (1) • Government support reduces incentives for private sector businesses to be successful. (1) This could result in businesses being less efficient (1) and government wasting money. (1) However, some start up private businesses might fail without government support at the beginning. (1) Justification might include: • Therefore governments should offer limited help but not at the expense of more important objectives. (2) Other appropriate responses should also be credited.	6

Question	Answer	Marks
2(a)	**Define 'revenue'.** Award 2 marks for full definition. Award 1 mark for the partial definition. Price × Quantity sold. (2) Income of the business (1) from the sale of goods or services. (1)	2
2(b)	**Calculate the values of <u>X</u> and <u>Y</u>.** Award 1 mark per correct calculation: **X** 300 000 or 300 **Y** 135 000 or 135	2
2(c)	**Outline <u>two</u> ways Izaak could increase added value.** Award 1 mark for each relevant way. Award 1 mark for each relevant reference to this business. Ways to increase added value are: • Increase price (1) greater margin per meal served. (1) • Reduce costs of materials (1) so buy cheaper fish. (1) Other appropriate responses should also be credited.	4

Question	Answer	Marks
2(d)	**Explain <u>two</u> problems that low quality might cause Izaak's business.** Award 1 mark for identification of relevant problem (maximum of 2). Award 1 mark for relevant reference made to this business (maximum of 2). Award 1 mark for each relevant explanation (maximum of 2). Relevant points might include: • Loss of existing customers/loyalty (1) as food does not taste right (1) leading to lower revenue. (1) • Cost of replacement (1) which increases his cost of sales (1) but he is trying to improve profits. (1) • Cost of fines (1) as poor quality fish (1) may break laws. (1) • Damage to reputation/image (1) of restaurant (1) so customers may go elsewhere. (1) Other appropriate responses should also be credited.	6
2(e)	**Do you think the profitability of Izaak's fish restaurant has improved since last year? Justify your answer using appropriate ratios.** Award up to 2 marks for identification of relevant issues or changes. Award up to 2 marks for analysis of relevant ratios. Award up to 2 marks for justified decision as to whether the profitability has improved or not. Answers might include: • Gross profit margin improved (1) from 40% to 50% (1) showing better control of variable costs. However, profit margin down (1) from 10% to 5% (1) shows less control of expenses. Justification might include: • The business has been less successful at making profit from its sales which means overall profitability has fallen rather than improved. (2) Relevant calculations are: Profit Margin: 10% in 2015, 5% in 2016 Gross Profit Margin: 40% in 2015, 50% in 2016 Other appropriate responses should also be credited.	6

Question	Answer	Marks
3(a)	**Define 'social enterprise'.** Award 2 marks for full definition. Award 1 mark for the partial definition. Business with social objectives (1) and not just aiming to make a profit. (1)	2

Question	Answer	Marks
3(b)	**Identify <u>two</u> functions of management.** Award 1 mark per function: • coordinate • control • organise • planning • command. Other appropriate responses should also be credited.	**2**
3(c)	**Identify <u>four</u> external stakeholder groups.** Award 1 mark per stakeholder group: • Government • Suppliers • Local community • Customers • Lenders/banks • Pressure groups. Other appropriate responses should also be credited.	**4**
3(d)	**Explain <u>two</u> possible reasons why it might be difficult for ReBag to get a bank loan.** Award 1 mark for identification of each relevant reason (maximum of 2). Award 1 mark for each relevant reference made to this business (maximum of 2). Award 1 mark for each relevant explanation (maximum of 2). Relevant points might include: • Low revenue (1) only $700 (1) so can they afford to repay. (1) • No security/no buildings to secure the loan on (1) as people work from home (1) so increased risk for lenders. (1) • Limited experience (1) only operated for 3 years (1) so no guarantee that business will last. (1) • Already has existing debt (1) used micro-finance (1) so the bank might not be willing to lend any more. (1) Other appropriate responses should also be credited.	**6**

Question	Answer	Marks
3(e)	**Explain <u>two</u> possible methods of internal communication that a small business could use to inform workers about a possible expansion. Justify which method should be chosen.** Award up to 2 marks for identification of relevant methods. Award up to 2 marks for relevant explanation of method(s). Award 2 marks for justified decision as to which is the most appropriate method. Relevant points might include: **Meeting (1)** • So able to see reactions to ideas/comments. (1) • Will increase costs for travel. (1) • Will take people away from work. (1) **Email (1)/Internal social media (1)** • Allows people to read information in own time/have copy for future reference. (1) • Must have access to internet so may have to pay cost of computer for staff. (1) **Justification might include:** • Emails because meeting difficult to arrange if people are based in different places so not everyone might be able to attend. (2) • Meetings because in a small business people might not have access to internet so are not able to respond. (2) Other appropriate responses should also be credited.	6

Question	Answer	Marks
4(a)	**Define 'mass market'.** Award 2 marks for full definition. Award 1 mark for the partial definition. Selling the **same** product (1) to the whole market. (1)	2
4(b)	**Calculate the percentage (%) of people who buy beauty products online. Show your working.** • method, e.g. (700/2000) × 100 (1) • 35% (1) If correct answer given with no working shown, award 2 marks.	2

Question	Answer	Marks
4(c)	**Identify <u>four</u> methods of primary market research that a business could use.** Award 1 mark per method. **Four** from: • focus groups/consumer panels • (postal) questionnaires • online survey • interviews • observations.	**4**
4(d)	**Explain <u>two</u> advantages to GBU of using shops as a channel of distribution.** Award 1 mark for each relevant advantage (maximum of 2). Award 1 mark for each relevant reference made to this business (maximum of 2). Award 1 mark for each relevant explanation (maximum of 2). Relevant points might include: • Contact with customers, giving advice on beauty products such as type of shampoo to use (1) helps to build customer loyalty (1) so maintain market share/current customers. (1) • Attract people passing a shop (1) if people run out of shampoo (1) they will want to buy it straightaway. (1) • Sales might increase (1) as 1100/2000 people still buy beauty products from shops (1) as people want to see before they buy. (1) Other appropriate responses should also be credited.	**6**

Question	Answer	Marks
4(e)	**Do you think maintaining customer loyalty should be more important to a business than attracting new customers? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of point(s). Award up to 2 marks for justified decision as to whether it is more important to maintain customer loyalty than to attract new customers. Relevant points might include: **Customer loyalty:** • Spread word/free advertising (1) as existing customers might recommend product to others. (1) • Keep reputation (1) leading to a competitive advantage. (1) • Able to match products to existing customer needs (1) so they know what to produce. (1) **New customers:** • Widen target market (1) leading to higher revenue. (1) • Customer tastes change (1) so may be cheaper to find new customers rather than develop existing products. (1) **Justification might include:** • Customer loyalty because attracting new customers is more expensive than keeping existing customers. However, attracting new customers is a good way of increasing market share. (2) Other appropriate responses should also be credited.	**6**

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