

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

JUNE 2003

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 0450/01

BUSINESS STUDIES



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- 1 (a) (i)** Ownership by one person; unlimited liability: unincorporated business. One mark per feature. Plus one mark for explanation of each.
- (ii)** Be own boss; independence; make money. One mark per acceptable answer.
- (b)** Growth leads to increased potential for more profit; necessary to grow in order to sustain position in the market. Routes to 3 marks are - one reason developed; or more reasons with less development.
- (c)** Commercial approach might lead to higher prices and reduction in activities that cannot easily generate a return. Up to two marks for identification and further two marks for explanation.
- (d) (i)** 33.6 million. One mark for method, one mark for correct calculation.
- (ii)** Reduction in primary activities and the emergence of tertiary as the main source of employment (de-industrialisation process).
- Reflection of relative competitiveness; mature economy. One mark per point or development of one reason gains two.
- 2 (a)** Various factors could account for this - price cuts to boost sales; increased marketing expenditure; increased costs not passed on, etc. One mark for point plus development mark (2 x 2).
- (b)** Might be due to factors like debtors or too high a stock level. One mark per point made plus additional mark for development. Up to 2 marks max for answer that explains cash flow problems but fails to identify causes.
- (c)** Fixed asset: factory/machinery
Current asset: stock (or similar)
One mark each.
- (d)** Bank loans have to be repaid and carry with them interest charges. Thus they represent a future burden. They also have cash flow implications if the business is highly geared. 4-3 marks for good understanding of key features. Two marks for some understanding. One mark for basic understanding.
- (e)**
- | | | |
|---------|--|-----------|
| Level 3 | Answer considers concept of success; identifies criteria for measurement; links criteria to final accounts. | 6-5 marks |
| Level 2 | Answer shows awareness of concept of success but either fails to establish how it can be measured or fails to relate answer to accounts. | 4-3 marks |
| Level 1 | Answer shows limited awareness of how the success of a business can be identified or measured. However some meaningful attempt is made. | 2-1 marks |

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Content

Success might be assessed in terms of achievement of objectives, e.g. sales targets, profits, etc. Rate of return of capital. Improvement in performance compared to previous years.

3 (a) (i) Two features can be identified from Fig. 1. Initially wages are independent of output (1 mark); beyond a given level of output wages are positively related to output (1 mark). Crucial level seems to be some kind of target.

(ii) If money is thought to be a key motivating factor then the success of this system will all depend on the level when the performance linked pay starts to operate. If it is set at a level that can be reached easily then there will be a strong motivational incentive to perform well so that access to higher earnings is achieved. If the target is not reachable then the system will not have any financial incentive built into it. Much also depends on how great the extra earnings are in relation to the guaranteed basic wage.

Level 3 Answer shows awareness of motivational issues and links understanding well to the information so that a conclusion is reached. 6-5 marks

Level 2 Answer shows awareness of motivational issues but link to information is limited or no conclusions reached. 4-3 marks

Level 1 Answer shows some awareness of motivational issues. 2-1 marks

(b) Reasons for problems with recruitment might be - poor reputation as an employer; conditions and terms of employment are seen as unsatisfactory; methods of advertising vacancies are ineffective. Other reasons judged on merits. 1 mark per reason and further mark for explanation (2 x 2).

(c) (i) In house training (on the job). External courses. Plus marks for explanation of what each entail. 1 mark for type of training and further mark for explanation (2 x 2).

(ii) Greater skills and proficiency; increased efficiency; more flexible and adaptable. Must link points back to company to show how they gain.

4-3 marks - points identified and benefits to company shown.

2 -1 marks - one point made or points not linked to company.

4 (a) (i) 4-3 marks for chart showing main features of an organisational chart, e.g. hierarchical/areas of responsibility, etc.

2 marks for basic attempt showing only a few features.

1 mark for chart that shows some resemblance to an organisational chart.

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- (ii) Number of subordinates directly accountable to superior (1 mark),
example from chart (1 mark).

As above for mark allocation for chain of command.

- (b) Features such as speed; accuracy; feedback. One mark per point identified. Plus development mark for explanation of feature identified.
- (c) Plan; organise; co-ordinate; control. One mark per point (up to 2) plus explanation mark (up to 2).
- (d) Might protect employees from poor working conditions (noise, atmosphere); danger (machinery, etc.); excessive hours; low pay.
- 4-3 marks - for number of points plus good application.
- 2-1 marks - limited number of points/little application.
- 5 (a) (i)** Cost of products (cost plus); competitors' prices. 1 mark per point plus explanation marks (2 x 2).
- (ii) Any promotional technique acceptable. 1 mark plus 1 mark for justification.
- (b) (i) Advertising tries to increase sales in two ways. It increases consumer awareness of the existence of the product. It furthermore attempts to persuade the consumer by making the product more appealing.
- Level 2 Answer shows strong link between how advertising operates and the positive impact on sales. 4-3 marks
- Level 1 Answer focuses largely on advertising and fails to show why sales might increase. 2-1 marks
- (ii) Poorly directed adverts; message weak or unappealing; customer profile lacking; too low a budget to make an impact.
- Level 2 Answer identifies possible reasons with an attempt to explain. 4-3 marks
- Level 1 Answer identifies points but no explanation. 2-1 marks
- (c) (i) 2 marks for accurate drawing of an extension strategy. 1 mark for limited attempt.
- (ii) Repackaging to give the game a new image. Introduce a new version with innovative features that might widen its market appeal; rename the game and reposition it in the market. 1 mark plus further 3 marks for explanation.

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1 In all 4 questions the following approach will be used:

- Level 1 a basic statement showing simple understanding [1 mark]
 Level 2 a higher level of understanding as shown by development of a point [2 marks]
 Level 3 a high level of understanding as demonstrated by accuracy of terminology or by effective application to the case [3 marks]

Content

- (a) A sub-part of the total population whose views are representative of the whole.
- (b) Proportion of total market sales accounted for by one business.
- (c) Ratio of gross profit/sales.
- (d) Process of manufacture that involves making groups of products at the same time before moving on to the next stage.
- 2 (a)** Increase in sales = \$110m [1 mark]; % increase = 37.9% [1 mark]
- (b) (i) Calculation of value of total market (6% growth) = \$424m [2 marks]
 Attempt to predict, i.e. present market plus 6% [1 mark]
- (ii) Calculation of value of jeans market segment (12.5%) [1 mark]
 Value of jean sales = \$53m [2 marks in total]
- (iii) Target is a 5% share of jean market = \$2.65m [2 marks]
 Gross Profit margin = 30%
 Thus gross profits = \$0.795m [2 marks]

Method marks and O.F.R. apply.

- 3**
- Level 1 Identification of methods of motivation [4-1 marks]
 Level 2 Identification and explanation of a range of motivational methods appropriate to a factory (application) [8-5 marks]
 Level 3 Consideration of their effectiveness. Justification of methods identified [12-9 marks]

Content to include reference to financial methods (payment by results/ productivity bonuses) plus non-financial motivators - working environment/good communications/job rotation/team work, etc.

4 (a) *Content*

Results were useful because they identified a gap in the market/showed what particular features were valued by potential customers/showed that the market was expected to grow/showed that choice was limited/ indicated the retail outlets that young people use. Thus, they allowed Garfred to be market orientated and thus produce a product that was

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appealing, at appropriate prices, sold through distribution chains that were suitable. All these factors should allow Garfred to launch his new product range successfully.

Level 1 Identification of what the research showed [4-1 marks]
 Level 2 Ability to draw inferences from this information to show value to Garfred [8-5 marks]

- (b)**
- Level 1 Identification of elements of marketing mix (4 p's) [4-1 marks]
 Level 2 Identification and explanation of range of marketing mix points with application [7-5 marks]
 Level 3 Consideration of their appropriateness. Strategy suggested. New product launch implies need for advertising (build on brand name); distribution (where?); pricing – high (why?); product (features); promotions (what?) [10-8 marks]

- 5** Economies of scale refer to cost advantages associated with size. Unit cost falls as the size of output increases.

Content to include reference to things like mass production techniques/ bulk purchases of raw materials from suppliers/distribution economies/ marketing/financial factors/managerial factors.

Level 1 for identification of points (content) [5-1 marks]
 Level 2 for development and illustration (understanding and application) [10-6 marks]

- 6** *Content*

Investment in new machinery likely to be significant outlay for long time period. Thus source of finance should reflect this. Given that further borrowing is ruled out then options most appropriate are likely to be - injection of cash by owners/retained profits/leasing of machinery/disposal of unwanted assets/internal generation of funds by better cash flow methods.

Level 1 for identification of sources of funds [3-1 marks]
 Level 2 for consideration of reasons [6-4 marks]

- 7 (a)** 1 mark per point made up to 4 max. Further 2 for considering whether protection is needed. Protection against things like misleading advertisements/false price cuts/contents underweight (or fabrics not as stated)/unfair or unethical business practices. Unable to verify accuracy of information themselves. Contextual reference not specifically needed.

- (b)** May have an effect on their advertising claims. Must clearly follow the laws, e.g. goods of merchantable quality/fit for purpose, etc. (refunds)/ fabric content.

Level 1 for identification of points [3-1 marks]
 Level 2 for application showing how policies might need adjustment [6-4 marks]

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1 (a) Clear definition of piece rate –
Must include pay linked to output for 2 marks.

Clear definition of time rate –
Must include pay linked to a period of time for 2 marks.

1 additional mark for making a comparative statement.

Total = 5 marks

(b) 1 mark for stating an advantage of staff leaving.

2 additional marks for explaining why it is an advantage to the restaurant.

E.g. new staff can be employed, new ideas introduced, may have too many staff and do not need to make them redundant (2 x 3 marks).

Total = 6 marks

(c) Level 2 – answer linked to Harrow Restaurants with a clear explanation of how fringe benefits could help to motivate staff (4-6 marks).

Level 1 – description of fringe benefits - could include reference to them being non-money advantages, who they are paid to, examples of fringe benefits (1-3 marks).

Total = 6 marks

(d) Level 3 – puts arguments why money can motivate and **why it might not** motivate staff with a concluding comment (7-8 marks).

Level 2 – explains the ways they could motivate staff, for example 'non-money benefits such as free meals could make staff feel valued as a member of the organisation and hence would increase their motivation to work harder' (4).
'Paying workers for each customer served will make them want to serve more customers so that they can earn more money, hence motivation to work harder is increased' (4-6 marks).

Level 1 – basic answer which states yes or no with little justification or examples stated with no explanation (1-3 marks).

Total = 8 marks

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- 2 (a) (i)** 2 marks for explaining on-the-job training and 2 marks for explaining off-the-job training.

OR

4 marks for outlining the differences, such as:

- on-the-job/off-the-job
- carried out at the place of work/away from the work place
- other workers show the employee what to do/expert shows the person
- shows them what to do/can use lecture or some other methods
- dearer because the employee is not working whilst being trained/ can be cheaper if carried out in the evening after work.

Total = 4 marks

- (ii)** 1 mark for stating off-the-job training. Up to 3 additional marks for explaining why it would be suitable for a chef.

NB. can credit on-the-job training if justified.

Total = 4 marks

- (b) (i)** Up to 10 marks for explaining, in detail, how a stated method of primary research might be carried out.

- questionnaires
- interviews
- consumer panels
- experiment

(10 marks x 1 OR 5 marks x 2 OR 2 marks x 5)

Total = 10 marks

- (ii)** Up to 3 marks for explaining how they can ensure the information is accurate:

- need to make sure that it is not out of date
- does not contain a bias

(1 mark x 3 OR 3 marks x 1)

Total = 3 marks

- (c)** Up to 2 marks for outlining a method of recruitment.
E.g. use a recruitment agency, advertise in newspapers (2 x 2 marks)

Total = 4 marks

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Report

6 marks for report format

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

4 marks for the introduction outlining the problem (High labour turnover, low staff morale, customer dissatisfaction, poor service).

12 marks for discussing the advantages and disadvantages of alternative ways of paying and motivating employees (payment systems – e.g. piece rate, time rate, bonus fringe benefits – free uniforms, free meals, free transport, free meal vouchers).

12 marks for discussing the advantages and disadvantages of alternative ways of recruiting:

- (i) waiters/waitresses (e.g. advertising in the local newspaper, staff notice board)
- (ii) a new chef (e.g. national newspapers, recruitment agencies, specialist magazines).

10 marks for the conclusion
 1-4 marks for simple answer
 5-7 marks for weighing up the pros and cons of the alternative courses of action
 8-10 marks for a full well explained answer justified using Business Studies terminology.

6 marks for the recommendations
 1-2 marks if simple response, e.g. 'they should advertise in the local newspapers to recruit new staff'
 3-6 marks if they have developed their answer into a clear strategy the business should take
 Do not reward a list of strategies - up to 2 marks maximum if no explanation is given.

Total = 50 marks

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

	maximum mark available	minimum mark required for grade:			
		A	C	E	F
Component 1	100	72	52	36	27
Component 2	80	54	36	23	17
Component 4	100	60	42	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.