

November 2002

INTERNATIONAL GCSE

MARK SCHEME
MAXIMUM MARK : 80
SYLLABUS/COMPONENT : 0450/02
BUSINESS STUDIES



UNIVERSITY of CAMBRIDGE
Local Examinations Syndicate

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1. Each part three marks. Simple statement 1 mark. Development of statement 2 marks. Development placed in context of the case 3 marks.

(a) Profit margins. This expresses the profit (gross or net) as a % of sales turnover. It is a measure of the profitability of the sales generated by the company. If the margins are low it implies that mark up on costs are small.

(b). A creditor is a person or organisation to whom the business owes money. They can be regarded as a current liability. In this context they would be the suppliers of their materials.

(c). A bonus payment implies a financial reward over and above the contractual pay. It represents an additional payment as a consequence of some form of extra performance. In this context it would imply additional payment for the work force as a result of exceeding production targets.

(d). Training implies imparting extra skills to a workforce to allow them to carry out a greater range of tasks or to enable them to perform existing tasks more efficiently. In this business training might be given to new staff so that they would have the capability to carry out their job tasks.

2. Identification of reasons 3 – 1 marks.

Development of reasons showing understanding and application 6 – 4 marks.
Content. Reasons for the fall in sales are varied. They might include – increased competition / more consumer choice / emergence of rival businesses producing better or cheaper products / market saturation / over capacity in the market / fall in number of foreign visitors to her country.

3. (a). Identification of ways 2 marks. Explanation of options showing understanding and application 8 – 3 marks.

Methods of dealing with the problem might include – more aggressive marketing (advertising / promotions etc) product innovations (new styles of clothes or improved quality) look for new markets ; broaden product range.

(b). Evaluative judgement based on analysis 4 – 3 marks.

Recommendation based upon flawed interpretation 2 – 1 marks.
Content. Recommendation must be based upon analysis of the method identified and justified. Thus if candidate said they felt that best approach would be to broaden product range because this would increase the size of the potential market / reach a new segment / would reduce risk/ would involve little major change for the company,; they have produced a reasoned justification for their choice.(4 marks). If they said export but failed to consider its implications then max 2 marks. All answers to be judged on their respective merits.

4. (a).(i). Understanding of the method of calculation 1 mark. Correct use of data 3 – 2 marks. Identification of the change between the two years 4 marks.

Content In 2000 output per worker per shift = 1.5. In 2001 = 1. Thus change = 0.5 fall.

(ii). Wage cost per suit = wage bill/ output.

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In 2000 Wage bill = \$4800 per shift ; output per shift = 90. Therefore wage cost per unit = \$53.3. In 2001 = \$80.

Marks. Formulae 1 mark; calculation of wage bill in each year = 2 marks Unit cost = 1 mark

(b). Understanding of the link between wage costs and unit costs 2 – 1 mark. Impact of this on business 4 – 3 marks. Evaluative judgement regarding likely consequences of this impact 6 – 5 marks.

Content. The fall in labour productivity meant that unit wage costs rose. This increase in costs means that either selling price must rise or profit margins fall. The impact of both of these will be a reduction in profits. Particularly a problem for the business as their market is very competitive, profit margins are low and their selling point is value for money.

5. (a). Understanding of concept of cash flow problems 2 – 1 marks. Application of the concept to the case 6 – 3 marks.

Content. Cash flow problem implies an imbalance between cash in and cash out. Fall in sales implies a reduction in cash inflow. Creditors want payment and thus cash is needed. Wage costs appear constant although income down. Unlikely that problem is caused by stock build up or by debtors.

(b). Identification of two methods 2 – 1 marks. Explanation of the methods and their appropriateness 6 – 3 marks.

Content. Any answer that focuses on methods that could influence the timing and amounts of cash movements can be considered. Thus lengthen creditor time payments / reduce stock / reduce working capital/ reduce wage bill or other outgoings.

6.(a). Identification of two problems 2 – 1 marks. Explanation of the problems 6 – 3 marks.

Content. If workers leave regularly then it will create extra costs to the business – recruitment costs/ training costs. It also might mean that the new workers are not very skilled and hence their efficiency might be low. Quality of workmanship might also fall.

(b). Identification of possible strategies 4 – 1 marks. Application and evaluation in context 8 – 5 marks.

Content. Financial methods – higher wage rates/ incentive bonus schemes etc. Fringe benefits/ non financial factors like better working conditions/ any form of recognised motivation (job enrichment / enlargement).

7. Identification of possible factors to be considered 4 – 1 marks. Analysis of these factors 8 – 5 marks. Evaluation of their importance 10 – 9 marks.

Content. Financial factors – terms of the offer/ compare with profitability of the business and its future prospects. Balance sheet worth of business. Personal factors – does she want to continue to run the business / age / new role / set up a new business / family position.