



Cambridge IGCSE™ (9–1)

BUSINESS STUDIES

0986/21

Paper 2 Case Study

May/June 2020

MARK SCHEME

Maximum Mark: 80

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

This document consists of **14** printed pages.

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)	<p>Explain <u>four</u> characteristics that make Simon a successful entrepreneur.</p> <p>Award 1 mark for each relevant characteristic (maximum of four):</p> <p>Relevant characteristics might include:</p> <ul style="list-style-type: none"> • Self-confident – decision to leave full-time job 6 months ago • Creative – created new drinks to attract additional customers • Independent – willing to go with own ideas to produce new types of drinks • Hard worker – prepared to do all the work himself by making all the drinks at his home and selling them at a market stall • Risk taker – gave up a well-paid job and risked losing personal assets • Effective communicator – persuades others to buy his new drinks when he is selling them on a market stall • Optimistic – think positively about new business and wants to rapidly expand it • Innovative – creating a healthy alternative to mass produced drinks <p>Award a maximum of one additional mark for each application of the characteristic to the context.</p> <p>Indicative response:</p> <p>Simon is a risk taker (1) as he risked giving up his well-paid job to start his own business (app).</p>	8

Question	Answer	Marks															
1(b)	<p>Explain the <u>three</u> main methods of production FJ could use to produce its products in the factory. Which method should FJ use? Justify your answer.</p> <table border="1" data-bbox="320 383 1308 1715"> <thead> <tr> <th data-bbox="320 383 437 448">Level</th> <th data-bbox="437 383 1195 448">Description</th> <th data-bbox="1195 383 1308 448">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 448 437 846">3</td> <td data-bbox="437 448 1195 846"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing three methods in detail, in context and with well-justified recommendation including why the alternative methods were rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1195 448 1308 846">9–12</td> </tr> <tr> <td data-bbox="320 846 437 1247">2</td> <td data-bbox="437 846 1195 1247"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing of two or more methods in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1195 846 1308 1247">5–8</td> </tr> <tr> <td data-bbox="320 1247 437 1648">1</td> <td data-bbox="437 1247 1195 1648"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining three methods in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1195 1247 1308 1648">1–4</td> </tr> <tr> <td data-bbox="320 1648 437 1715">0</td> <td data-bbox="437 1648 1195 1715">No creditable response.</td> <td data-bbox="1195 1648 1308 1715">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing three methods in detail, in context and with well-justified recommendation including why the alternative methods were rejected should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing of two or more methods in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining three methods in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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1(b)	Relevant points might include:			
		<p style="text-align: center;">Advantages</p> <ul style="list-style-type: none"> • Suitable for one-off drinks • Needs exact requirements of customers • Higher price charged for product 	<p style="text-align: center;">Disadvantages</p> <ul style="list-style-type: none"> • Skilled labour may be required – higher wages – higher costs • Costs higher as labour intensive and specially ordered fruits used • Production takes longer than other two methods 	
	<p style="text-align: center;">Batch</p>	<ul style="list-style-type: none"> • Flexible way of working – can easily change to produce different drinks • Still some variety for workers in their jobs • More variety of products produced – consumers will have more choice 	<ul style="list-style-type: none"> • Can be expensive if semi-finished drinks need moving around the factory • Machines have to be reset between batches <ul style="list-style-type: none"> – delay in production – lower productivity • Warehouse space needed for fruits and finished batches of drinks – cost of space 	
	<p style="text-align: center;">Flow</p>	<ul style="list-style-type: none"> • High output of standardised drinks • Cost to make each drink is low • Easier for capital intensive production methods to be used • May use lower skilled workers as machines can be used in the production line • May benefit from economies of scale as may buy the 2 types of fruit ingredients in bulk 	<ul style="list-style-type: none"> • Can be boring for workers – less motivated • Storage costs may be high unless use JIT • Capital costs of setting up production line are high • If one machine breaks down, then the whole production line may have to be halted with no fruit drinks produced 	

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1(b)	<table border="1" style="width: 100%;"> <tr> <td style="width: 20%; vertical-align: top;">Recommendation</td> <td> <p>Justification might include:</p> <ul style="list-style-type: none"> • Batch will be the best as different types of healthy drinks will be produced but not in large enough quantities to make flow production viable until the business has grown significantly. • Flow production will allow more automated machinery to be installed in the factory which will reduce unit costs than if job or batch production is used. Lower prices for the fruit drinks may then be charged leading to higher demand. Also supply to the additional market stalls can easily be met and the business can expand quickly. </td> </tr> </table>	Recommendation	<p>Justification might include:</p> <ul style="list-style-type: none"> • Batch will be the best as different types of healthy drinks will be produced but not in large enough quantities to make flow production viable until the business has grown significantly. • Flow production will allow more automated machinery to be installed in the factory which will reduce unit costs than if job or batch production is used. Lower prices for the fruit drinks may then be charged leading to higher demand. Also supply to the additional market stalls can easily be met and the business can expand quickly. 	
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2(a)	<p>Explain <u>one</u> advantage and <u>one</u> disadvantage to Simon of using crowd-funding as a source of finance for FJ.</p> <p>Award 1 mark for each relevant advantage/disadvantage (maximum of two):</p> <p>Relevant advantages might include:</p> <ul style="list-style-type: none"> • May have no initial fees to be paid to the crowd-funding platform • Allows public reaction to the new business venture to be tested • Can be a fast way to raise substantial sums of money • May be used when other more ‘traditional’ sources are not available <p>Relevant disadvantages might include:</p> <ul style="list-style-type: none"> • Crowd-funding platforms may reject Simon’s proposal if it is not well thought through • If total amount required is not raised, then the finance promised will have to be repaid • Interest from the public will need to be generated to increase the chance of successfully raising the amount required • May allow competitors to steal the idea and reach the market first <p>Award a maximum of 3 additional marks for each explanation of the advantage and disadvantage of using crowd-funding. – one of which must be applied to this context.</p> <p>For example:</p> <p>Crowd-funding will allow large amounts of capital to be raised (1) so Simon can start producing a large output of fruit drinks quickly (app). This will allow Simon to enter the new market before competitors can copy his drinks (1) and he will not have to pay back the money, unlike a bank loan. (1)</p>	8

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2(b)	<p>Consider the following <u>three</u> methods of market research Simon used. Which do you think is the best method to use when deciding which product to produce? Justify your answer.</p> <ul style="list-style-type: none"> • Online questionnaire • Accessing government population data • Focus group <table border="1" data-bbox="320 517 1310 1984"> <thead> <tr> <th data-bbox="320 517 437 582">Level</th> <th data-bbox="437 517 1195 582">Description</th> <th data-bbox="1195 517 1310 582">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 582 437 1050">3</td> <td data-bbox="437 582 1195 1050"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods of market research.</p> <p>Well-justified conclusion.</p> <p>Candidates discussing the three methods in detail, in context and with well-justified conclusion including why the alternative methods were rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1195 582 1310 1050">9–12</td> </tr> <tr> <td data-bbox="320 1050 437 1482">2</td> <td data-bbox="437 1050 1195 1482"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing two or more methods in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1195 1050 1310 1482">5–8</td> </tr> <tr> <td data-bbox="320 1482 437 1917">1</td> <td data-bbox="437 1482 1195 1917"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods of market research with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining the three methods of market research in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1195 1482 1310 1917">1–4</td> </tr> <tr> <td data-bbox="320 1917 437 1984">0</td> <td data-bbox="437 1917 1195 1984">No creditable response.</td> <td data-bbox="1195 1917 1310 1984">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods of market research.</p> <p>Well-justified conclusion.</p> <p>Candidates discussing the three methods in detail, in context and with well-justified conclusion including why the alternative methods were rejected should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing two or more methods in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods of market research with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining the three methods of market research in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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3(a)	<p>Explain <u>four</u> ways an increase in government spending may affect a business.</p> <p>Award 1 mark for each relevant way (maximum of four ways).</p> <p>Relevant ways might include:</p> <ul style="list-style-type: none">• Government may increase purchases from other businesses – increasing demands for its products• May lead to higher inflation - increase business costs• May reduce unemployment - increase consumer spending• May lead to a need to increase taxes - reducing consumer spending <p>Award a maximum of 1 additional mark for explanation of how an increase in government spending may affect a business.</p> <p>For example:</p> <p>Government may increase purchases from other businesses (1) increasing the revenue of these businesses (1).</p>	8

Question	Answer		Marks
3(b)	Referring to Appendix 2, consider the suitability of the <u>three</u> applicants for the position of manager. Which applicant should Simon select? Justify your answer.		12
Level	Description	Marks	
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more applicants. Well-justified recommendation. Candidates discussing all three applicants in detail, in context and with well-justified recommendation including why the alternative applicants were rejected should be rewarded with the top marks in the band.	9–12	
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one applicant. Judgement with some justification/some evaluation of choice made. Candidates discussing two or more applicants in detail and applying it to the case should be rewarded with the top marks in the band.	5–8	
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the applicants with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining all three applicants in context should be rewarded with the top marks in the band.	1–4	
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Recommendation	<p>Justification might include:</p> <ul style="list-style-type: none"> Joe is probably youngest and cheapest (at \$6 per hour) of the three applicants to employ but has the least experience and Simon needs someone reliable to make the stall successful. Zabeen most experience but not on a food or drinks stall. Also has no formal qualifications and is the most expensive of the three applicants to employ. As FJ is a new business it will need to keep costs down. Jim has hygiene certificate and so lower costs than Zabeen as training not required. Has more experience than Joe of working in a food and drinks establishment. He is ambitious so will try hard and more likely to help make the market stall successful. 									

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4(a)	<p>Explain <u>two</u> reasons why profit is important to FJ.</p> <p>Award 1 mark for each relevant reason (maximum of 2).</p> <p>Relevant reasons might include:</p> <ul style="list-style-type: none">• Return on investment• Source of retained profit for investment• Attracts business partners• Enables Simon to pay a bonus to employees <p>Award a maximum of 3 additional marks for each explanation of why profit is important to FJ – one of which must be applied to this context.</p> <p>For example:</p> <p>As a return on his investment (1) as Simon gave up his job and risked his own money in starting FJ (app). If no profit is made, then Simon could have put his money elsewhere and gained a return on it (1) and he may decide to close down FJ and start up another business. (1)</p>	8

Question	Answer	Marks															
4(b)	<p>Consider the <u>two</u> products outlined in Appendix 3. Which product should FJ produce? Justify your answer using relevant calculations.</p> <table border="1" data-bbox="331 347 1297 1747"> <thead> <tr> <th data-bbox="331 347 443 412">Level</th> <th data-bbox="443 347 1187 412">Description</th> <th data-bbox="1187 347 1297 412">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="331 412 443 846">3</td> <td data-bbox="443 412 1187 846"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of both products.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing both products in detail, in context and with well-justified recommendation including why the alternative product was rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1187 412 1297 846">9–12</td> </tr> <tr> <td data-bbox="331 846 443 1281">2</td> <td data-bbox="443 846 1187 1281"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one product.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing both products in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1187 846 1297 1281">5–8</td> </tr> <tr> <td data-bbox="331 1281 443 1682">1</td> <td data-bbox="443 1281 1187 1682"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss each product with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining both products in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1187 1281 1297 1682">1–4</td> </tr> <tr> <td data-bbox="331 1682 443 1747">0</td> <td data-bbox="443 1682 1187 1747">No creditable response.</td> <td data-bbox="1187 1682 1297 1747">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of both products.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing both products in detail, in context and with well-justified recommendation including why the alternative product was rejected should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one product.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing both products in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss each product with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining both products in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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