

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

**MARK SCHEME for the May/June 2015 series**

**0450 BUSINESS STUDIES**

**0450/12**

Paper 1 (Short Answer/Structured Response),  
maximum raw mark 80

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1 (a) What is meant by ‘quality assurance’? [2]

Clear Understanding [2] – checking for quality standards [1] throughout the production process / every stage [1]

Some Understanding [1] – e.g. checking work done

**Do not** accept ‘checking at end / checking end product’ in this instance as this defines quality control

(b) Identify two ways in which break even analysis might be helpful to PJK. [2]

Application [2 × 1] – award 1 mark for each relevant way

Points could include:

- Planning / forecasting / decision making / help set prices
- Help work out level of profit **at different levels of output**
- Show margin of safety
- Shows how much needed to produce to cover costs / avoid loss / breakeven point
- Help apply for finance

**Do not** accept points such as shows costs / sales / profit on their own as too vague

(c) Using the information in Table 1, draw a break even chart for PJK. [4]

- Accurately plotted TR (revenue) line [1]: start at 0, at 4000 units should be at \$400 000
- Accurately plotted TC line [2] in total for start at \$200 000 [1] \$400 000 at 4000 units [1]
- Labelling: TR and TC [1] only if layout is correct. TR must start at zero and lines must cross

**Notes:**

- Accurately drawn **unlabelled** break-even chart [3]
- For 4 marks TR [revenue] and TC must be clearly labelled
- Max 1 mark for inaccurately plotted break-even chart with TR and TC correctly labelled

(d) Identify and explain two advantages to PJK of using skilled workers. [6]

Knowledge [2 × 1] – award 1 mark for identification of each relevant advantage [max 2]

Application [2 × 1] – award 1 mark if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Work quicker / more efficient / more productive [k] so lower average costs [an]
- More output [k] so able to meet any increase in customer demand [an] for watches [app]
- Higher quality / fewer mistakes [k] so less wasted materials [app] so can buy less inventory [an]
- Brand image / good reputation [k] as it’s a luxury product [app] so people trust / buy [an]
- Less training needed [k] so saves cost [an]
- Less supervision needed [k] so managers have time to do other jobs [an]
- More flexible workforce [k] as able to switch between different stages of production [app]

Application marks may be awarded for appropriate use of the following: luxury product, watches, quality assurance, handmade, production process, materials / parts

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- (e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s)

Positive or negative points allowed or alternative ways to improve profitability [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether new technology is the best way to improve profitability. Candidate's final decision can be either for or against the statement

Relevant points might include:

- Reduce labour costs [k] so lower costs [an]
- Less wastages or errors [k] so have to order less parts [app]
- Additional costs e.g. redundancy or training costs [k] initially reduce profitability [an]
- Impact on employee morale [k]
- Better quality / accuracy [k] for this luxury product [app] so customers might pay higher price [an] leading to bigger gap between costs and revenue [an]
- High initial costs of equipment [k]
- Speed up production [k] so leading to lower average costs [an]
- Might take away their USP [k] of being handmade [app] so reduce demand [an]
- Or Introduce more efficient working practices e.g. redesign factory layout [k]
- Or use cheaper materials [k] so lower variable costs [an] but could mean lower quality of watches [app]
- Or sell more through increased advertising [k] but could be expensive / may not work [an]

Application marks may be awarded for appropriate use of the following: luxury product / watches, skilled workers, quality assurance, handmade, production process, materials / parts

- 2 (a) What is meant by a 'multinational company?' [2]

Clear Understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation

Some Understanding [1] – e.g. has businesses everywhere / works or operates in more than one country

**Do not** accept 'sells in more than one country' as could equally apply to exporter

**Do not** accept examples

- (b) What is meant by a 'brand'?' [2]

Clear Understanding [2]: (unique) name, feature or design / logo or image of a product or business [1] that distinguishes it from other products or businesses [1]

Some Understanding [1]: e.g. something which makes a product 'stand out' [1]

**Do not** accept examples

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**(c) Identify and explain two reasons why effective communication might be important for Alkin. [4]**

Knowledge [2 × 1] – award 1 mark for each relevant reason

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Avoid diseconomies of scale [k] as communication can be difficult in a multinational [app]
- Everyone understands objectives [k] so no conflict in joint venture [app]
- avoid language issues / misunderstandings [k] particularly when start selling in country Z [app]
- Different cultures / management styles [k] so able to work with the local business [app]
- Better / faster decision making [k] so able to quickly react to changing tastes / flavours [app]
- Able to exchange ideas [k]
- Better relations with suppliers [k]
- Inform customers about its products [k] so that customers are interested in their food [app]

Note: Points can relate to either existing business or planned joint venture

**Do not** accept 'improves motivation' unless explains the impact on this business

Application marks may be awarded for appropriate use of the following: joint venture, country Z or countries, multinational company, breakfast cereals or food, expansion

**(d) Identify and explain two advantages to Alkin of using a joint venture to expand into country Z. [6]**

Knowledge [2 × 1] – identification of relevant advantage [max 2]

Application [2 × 1] – award 1 mark for each relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Access to new markets [k] increasing brand awareness [an] of its range of cereals [app]
- Access to local expertise / ideas [k] e.g. cultural knowledge as tastes differ [app] so better able to meet customer requirements / ensure sales [an]
- Wider range of contacts / better access to resources [k] so might be able to obtain cheaper ingredients [app]
- Increased capital / share costs [k] so less risk [an]
- Increased capacity [k] so can meet expected growth in demand [app] without affecting supply for other markets [an]
- Way to avoid government restrictions [k] so able to maximise potential sales [an]
- Less competition [k] as working with local business [app] so one less rival [an]
- Economies of scale [k]
- Build reputation [k]

Application marks may be awarded for appropriate use of the following: multinational company, breakfast cereals or food, fast-growing market, local business

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- (e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer [6]

Knowledge [1] award 1 mark for identification of relevant issue(s)

**Must relate to consumers**

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether the Government in country Z is right to be concerned about the effect of multinational companies such as Alkin **on consumers**

Candidate's final decision can be either for or against the statement

Relevant points might include:

- Access to international brands [k] so more consumer choice [an] so better able to find cereal that suits their individual needs [app]
- Increased competition [k] as local businesses have to respond [an] so lower prices [an]
- Fewer choices [k] so smaller producers forced out of business [an] so prices may increase [an]
- Minimum standard [k] as goods same all over the world [an]
- help meet customers demand [k] in fast growing market [app] as able to supply more [an]

Application marks may be awarded for appropriate use of the following: food, cereals, brands, fast growing market

- 3 (a) Identify two ways that a business could 'build good customer relationships'. [2]

Knowledge [2 × 1] award 1 mark per way

Points might include:

- Offer good / personal service e.g. be friendly with customers
- Find out what customers want / offer the right product
- Ask for feedback
- Extra services e.g. delivery, credit terms, after sales, longer opening hours
- Resolve complaints quickly / refunds
- Communicate with customers regularly e.g. newsletters or mailshots
- Reward customer loyalty e.g. loyalty cards, special offers, discounts, vouchers, BOGOF, events

Accept any reasonable answer

- (b) What is meant by 'secondary market research'? [2]

Clear Understanding [2] –

e.g. Information about the market / customer needs or competition [1]

that is already available / collected by other agencies [1]

Some Understanding [1] – e.g. Simple idea such as information already collected [1] / or

what market research is e.g. information about the market or finding out what

people want [1]

**Do not** accept examples

Desk research [0]

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- (c) Identify and explain two methods of promotion (other than promotional pricing) that Mabel might use. [4]

Knowledge [2 × 1] – identification of suitable method [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business (e.g. show how or why it might be used)

Points might include:

- Free gifts / samples [k] give customers small bottles of shampoo to try [app]
- Demonstrations [k] let people watch whilst she shows possible styles on people's hair [app]
- Loyalty cards [k] e.g. customers get a free haircut if they visit a set number of times [app]
- Advertising (allow only once) [k] e.g. local paper / radio / television / leaflets to let potential customers know about her new business [app]
- Sponsorship / public relations [k]
- Competitions [k] customers will book appointments to have a chance of winning prizes [app]

Application marks may be awarded for appropriate use of the following: appointments, shampoo, haircuts, new business

- (d) Identify and explain two possible disadvantages to Mabel of buying her inventory from a wholesaler. [6]

Knowledge [2 × 1] – identification of relevant disadvantage

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation (i.e. why it is an disadvantage to a business)

Relevant points might include:

- May not stock all / latest products [k] so can't get all the hair products wanted [app] so wastes time looking elsewhere [an]
- More expensive [k] which could push up her costs [an]
- Take longer to receive stock [k] as many stages in distribution process [an] so large rival businesses might offer latest hair products first [app]
- Has to buy more than she wants / can't just buy one [k] could be more than she can afford [an] so less money to spend promotion / her new business [app]
- No direct contact with manufacturer [k] so cannot tell them what needed [an] so cannot build customer relations with her customers [app]

**Do not** accept high storage costs as not relevant to this business

**Do not** accept 'has to buy in bulk / large amounts' as the role of the wholesaler is to break bulk

Application marks may be awarded for appropriate use of the following: appointments, shampoo, haircuts, new business, (trying to build) customer relations

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- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s)

Positive or negative points allowed [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether location or price is more important than the prices she charges to the success of Mabel's business.

Note: Must consider both price and location to access evaluation marks

Relevant points might include:

- Near target market [k] e.g. women / men would help ensure sales [an]
- If customer service is key feature [app] then price might not be important [k] as consumers might pay more for a better service [an]
- High price could discourage customers [k] who would go to competitors [an]
- Low prices could suggest low quality [k]
- Right location could affect the level of competition [k]
- Location / prices could influence image [k]
- Cost of rent might be too high [k] leading to increased costs / higher prices [an] so fewer customers can afford to go there to get haircut [app]

Application marks may be awarded for appropriate use of the following: good customer service, hairdressing, salon, new business, secondary market research

- 4 (a) Identify two possible reasons why A2Z might want to expand. [2]

Knowledge / Application [2 × 1] – award 1 mark for each relevant reason

Points could include:

- Increase sales OR revenue OR market share or dominate market or target new markets
- Increase profit
- Spread risk / attract more investment
- Improve reputation / status / brand image
- Gain economies of scale

- (b) Identify two factors that A2Z needs to consider when choosing a source of finance to buy more planes. [2]

Application [2 × 1] – award 1 mark for each relevant factor

Points could include:

- Amount needed
- Current level of debt / gearing
- Amount of retained profits / cash
- Time (how long need finance for)
- interest rates
- Whether can offer security for loans
- Ability to repay / able to afford

Do not accept purpose as this is stated in the question

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(c) Identify and explain two advantages to A2Z of producing a job description. [4]

Knowledge [2 × 1] – award 1 mark for each advantage [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Provides a clear idea of what job involves [k] so they can select the best pilots [app]
- Saves time / money / makes selection easier [k] as won't get applications from people who cannot fly planes [app]
- As a basis for drawing up a contract [k] so sure that all duties will be carried out on-board [app]
- Helps decide basis for pay [k]
- Help create person specification [k]
- Helps create appropriate job advert [k]
- Helps resolve disputes [k] between managers and pilots [app]

**Do not** accept advantages to employees. Candidates must not refer to person specification

Application marks may be awarded for appropriate use of the following: flights, on-board, planes or aircraft, airline, pilots

(d) Identify and explain two suitable ways that A2Z could use to advertise the new jobs. [6]

Knowledge [2 × 1] – award 1 mark for identification of each relevant way [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Specialist magazines [k] as looking for qualified people [app] so likely to read magazines targeted at them [an]
- Internet **job** sites / **own** website [k] as most people use internet to look for jobs these days [an]
- National TV / newspaper / radio advertisements [k] as might not be many pilots locally [app] so can attract suitable people [an]
- Job centre / Recruitment agencies [k] can help produce a shortlist of possible candidates [an]
- **Specialist training** / flight schools [k] where people have learnt to fly [app]

Application marks may be awarded for appropriate use of the following: fly, pilots, airlines, highly qualified / highly skilled, passengers

**Do not accept** answers such internet, website, schools or posters on own as too vague



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- (e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed or alternative methods (points can be for business or employee) [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether financial rewards are the best way for **A2Z** to motivate its pilots. Candidate's final decision can be either for or against the statement.

Note: evaluation must be from the **viewpoint of the business** not the employee

Relevant points might include:

- High wages help retain workers [k]
- Can the business afford to pay high wages [k]
- High skilled jobs [k] so will expect high levels of financial rewards [an] otherwise they will look for a job at rival airline [app]
- Money does not motivate everyone / already highly paid [k]
- Training might be offered [k] as high risk job [app] so safety might be more important
- profit sharing [k] as small airline [app] so might work as pilots may feel they have a direct impact on performance [an]
- Opportunities for promotion [k] could have limited value [an] as it is a small airline [app]
- Job security [k]
- Travel discounts for pilot and/ or family [k] so able to obtain cheap tickets [app]

Application marks may be awarded for appropriate use of the following: small, expansion, successful, references to risk involved in flying, tickets, **highly** qualified / **highly** skilled, **highly** paid, irregular work hours, passengers

**Do not** accept pilots as application as it is stated in the question