

MARK SCHEME for the October/November 2013 series

0454 ENTERPRISE

0454/01

Paper 1 (Case Study), maximum raw mark 100

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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1 (a) Give two features of *social enterprises*. [2]

- not-for-profit/do not need to make a profit
- charity/community based
- social aims/objectives
- offering a service to the community
- idea of working together/common interest

One mark for each correct feature given

(b) State which type of business organisation your enterprise project was. Explain why this type of business organisation was suitable for your enterprise project. [6]

Answer will depend on their type of business organisation.

Detailed reasons given showing why this business organisation was helpful to the enterprise. A comparison may be made with other business organisations but this is not required – 2 marks

Explanation shows why the features of this business organisation made it suitable for their enterprise – 2 marks

Candidate shows knowledge of the type of business organisation used and its features – 2 marks

Candidate demonstrates no knowledge or understanding – 0 marks

Developed answer

A partnership (k) with unlimited liability (k) was chosen for my enterprise because we only used a small amount of money (app) so there was little risk of our possessions being taken (an). A limited liability company would take too long to set up (an) as we were only operating for two weeks (app).

2 (a) Using an example, explain what is meant by *negotiation*. [3]

Negotiation is an interaction of influences, including:

- the process of resolving disputes
- agreeing upon courses of action
- bargaining for individual or collective advantage
- reaching outcomes to satisfy the interests of those involved

A clear definition [2 marks]

E.g. The process of discussion in order to reach agreement on a course of action (or solve a dispute) that satisfies the interests of all involved.

A basic explanation showing some knowledge and understanding [1 mark]

E.g. The process of resolving disputes.

Plus one mark – the use of an appropriate example.

A failure to demonstrate any knowledge or understanding – 0 marks

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(b) State what the letters SMART stand for. [5]

- specific
- measurable
- achievable
- realistic/reachable/reasonable
- time-based/timely

One mark for each aspect identified

Do not accept – Sensible as a replacement for specific as there is too much of an overlap with achievable and realistic.

Time is not sufficient.

(c) Discuss how important planning was to the success of negotiations in your enterprise project. [6]

Answers will depend on the individual negotiation.

Candidate is able to offer explanations showing the impact of the planning on the success of the negotiation. (2 × 1 An)

Candidate is able to offer examples of the planning involved in their own negotiations. (2 × 1 App)

Candidate is able to offer knowledge and understanding of the elements involved in planning. (2 × 1 K)

Candidate demonstrates no knowledge or understanding. (0 marks)

Developed answer

When negotiating the price for our stock, we researched (k) the cost of stock from three other suppliers (app) this meant we could argue effectively (an). We also planned who would talk (app) this meant the meeting was organised and professional (k) so we achieved the price we wanted (an).

3 (a) What is meant by *cash flow*? [2]

A precise definition of the term (2)

E.g. money coming into (inflow) and money going out of (outflow) the organisation.

A limited explanation showing some understanding

E.g. involves cash into or out of an organisation (1)

No understanding of the term (0)

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- (b) Explain one reason why it is important for enterprises to keep and maintain accurate financial records. [3]**

Answers may include:

- helps to produce accurate final accounts
- a legal requirement for some organisations to produce/publish final accounts
- ensures creditors are paid on time or debts collected
- used to calculate correct tax liability
- assists the organisation with ensuring budgets are kept to

Candidate is able to explain the impact on the organisation of keeping/not keeping accurate records. (3 marks)

Candidate offers an explanation of the reason. (2 marks)

Candidate identifies a reason for keeping accurate records. (1 mark)

Candidate demonstrates no knowledge or understanding. (0 marks)

- (c) Why was it important for the three friends to manage the cash flow of the Makasa Community Project? [5]**

Answers could include:

- Cash is limited by the annual grant awarded from the community department (app) so they need to make it last all year (an)
- If they spend too much (app) there would not be enough to pay their salaries (an)
- The enterprise would not be charging a price for their services to the schools and colleges (app) so they need to keep funds available to cover costs (an)
- Accountable to the funding authority (app) so they need evidence they are managing their funds well (an) to get future grants (an)

Level 2 (3–5 marks)

Candidate is able to offer explanations showing the impact of good/poor cash flow management on this enterprise.

Level 1 (1–2 marks)

Candidate is able to use information from the case study to identify why cash flow management is important to this organisation.

Level 0 (0 marks)

Candidate demonstrates no knowledge or understanding in context.

- 4 (a) State two different methods of communication. [2]**

One mark per method of communication e.g. written/oral, formal/informal, verbal/electronic
Do not accept: internal, external methods

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- (b) Explain two reasons why it is important for Ruby, Bwalya and Nimeue to use an appropriate form of language when communicating with stakeholders. [6]**

For each method marks should be awarded as follows:

Candidate is able to offer an explanation of the impact on the organisation of appropriate/inappropriate language. (3 marks)

Candidate is able to offer an explanation showing the link with stakeholder. (2 marks)

Candidate is able to identify a reason or knowledge of appropriate language forms. (1 mark)

Candidate demonstrates no knowledge or understanding. (0 marks)

Developed answer

If Ruby does not speak in a way suitable for children (k) the children will not understand her message (app) and the performance will be wasted (an).

- 5 (a) What is the difference between: [2]**
- **a need and a want**
 - **potential and existing customers?**

Candidates must clearly distinguish between the two concepts in each case.

Needs – goods or services that are essential.

Wants – goods or services that people would like to have. (1 mark)

Potential customers – possible customers in the future.

Existing customers – customers an enterprise already has. (1 mark)

- (b) Explain to what extent your enterprise project was successful in its marketing methods. [6]**

Candidates may refer to the purpose of marketing:

- increasing customer awareness of the enterprise or product/service
- establishing or maintaining brand loyalty
- increasing (defending) sales or market share
- increasing profits

Level 3 (5–6 marks)

Candidate is able to offer a detailed explanation of the success of their own marketing methods.

Level 2 (3–4 marks)

Candidate is able to explain how the method of marketing used was/was not successful.

Level 1 (1–2 marks)

Candidate is able to offer an identification of the purpose of marketing or lists marketing methods.

Level 0 (0 marks)

Candidate demonstrates no knowledge or understanding.

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- (c) Explain one method that could have been used to identify the potential customers of your enterprise project. [2]

Candidate explains how the identified method would help to research potential customers. (1 mark)

Candidate identifies a suitable method of research. (1 mark)

- 6 (a) There are a number of skills needed to be entrepreneurial.

With reference to one named entrepreneur that you have studied, discuss how they used their entrepreneurial skills. [10]

Could include three of the following:

- leadership
- self confidence
- motivation
- innovation
- team building
- determination to succeed
- creativity
- problem solving
- resourcefulness
- taking initiative
- taking calculated risks
- taking responsibility
- perseverance

Level 4 (9–10 marks)

Candidate is able to offer a very thorough explanation of how the named entrepreneur has used the skills identified.

Level 3 (6–8 marks)

Candidate is able to offer a reasonable explanation of how the named entrepreneur has used the skills identified.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of the skills needed to be entrepreneurial to an identified entrepreneur.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of entrepreneurial skills.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of entrepreneurial skills.

If no entrepreneur is actually named, there is a maximum mark of two as application is cannot be demonstrated effectively.

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- (b) Nimeue suggested that the Makasa Community Project should have a business plan, but Ruby and Bwalya thought this would not be necessary.

Do you agree with Ruby and Bwalya? Discuss the reasons for your decision. [15]

Level 4 (10–15 marks)

Candidate is able to offer a very thorough two-sided discussion in context. To gain full marks a clear decision must be shown.

A maximum of 10 marks should be awarded to an answer that is one-sided. With or without a decision.

Level 3 (6–9 marks)

Candidate is able to offer a reasonable one-sided discussion of the benefits or costs of business planning to **this organisation**. To gain the top of level 3 the candidate must explain two or more points in context.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of the benefits of business planning to an organisation.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of the purpose of business planning.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding.

- 7 (a) **The Makasa Community Project was a low risk enterprise.**

How much risk do you think was involved in your enterprise project? Discuss the reasons for your decision. [10]

Level 4 (9–10 marks)

Candidate is able to offer a very thorough discussion of risk in the context of their own enterprise project.

Level 3 (6–8 marks)

Candidate is able to offer a reasonable discussion of risk in the context of their own enterprise project.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of risk to their own enterprise project.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of the risks involved in enterprise.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of risks.

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(b) Discuss the advantages and disadvantages to the Makasa Community Project of receiving an annual grant rather than other sources of finance. [15]

Advantages of a grant:

- money received each year
- sufficient money to buy resources to deliver the presentations
- sufficient for a salary for each of the entrepreneurs

Disadvantages of a grant:

- dependent on effective management of cash flow
- may not be renewed if political view of council changes
- over-reliance upon one source of finance.

Level 4 (10–15 marks)

Candidate is able to offer a very thorough two-sided discussion of the advantages and disadvantages of receiving an annual grant rather than other sources of finance. To gain more than 12 marks candidates must make some direct reference to other forms of finance.

Level 3 (6–9 marks)

Candidate is able to offer a reasonable discussion of the advantages and disadvantages of receiving an annual grant rather than other sources of finance.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of sources of finance to the case study.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of sources of finance.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of sources of finances.