



**Cambridge International Examinations**  
Cambridge International General Certificate of Secondary Education

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**ENTERPRISE**

**0454/13**

Paper 1 Case Study

**May/June 2016**

**MARK SCHEME**

Maximum Mark: 100

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**Published**

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**1 (a) Explain the term ‘enterprise’.** [2]

A good description showing clear knowledge and understanding. [2]

A less precise description showing some knowledge and understanding. [1]

Relevant points might include:

- making decisions/initiatives
- taking risks
- another name for a business

**Example:**

Business run by an entrepreneur who takes risks [2]

Business run by an entrepreneur combining factors of production [2]

**(b) Identify and explain three possible ways of being enterprising at school or at home.** [6]

1 mark per skill identified [max 3]

Plus 1 mark per explanation [max 3]

Relevant points might include:

- organising a household job
- taking responsibility for younger children
- taking responsibility for pets
- earning money for the family
- organising themselves at home or at school.

Explanation points should use the skills of being enterprising such as:

- communication and numeracy skills
- thinking creatively and independently
- making effective decisions

**Example:**

Walking the family pet [1] you have to decide where to walk/how long to walk. [+1]

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2 (a) State what the letters PESTEL stand for. [4]

- 4 marks – All 6 letters identified
- 3 marks – 4 or 5 letters identified
- 2 marks – 3 letters identified
- 1 mark – 1 or 2 identified

PESTEL analysis:

- political
- economic
- social
- technological
- environmental
- legal

(b) Explain one reason why governments set laws and regulations that can affect can affect the start-up of an enterprise. [2]

- 1 mark – identification of reason
- Plus 1 mark – explanation of reason or relevant example

A relevant example that makes clear the reason for the regulation/law should be given maximum marks.

Relevant points might include:

- protection/safety of customers,
- protection/safety of workers/investors
- to ensure competitiveness in the market
- prevention of harm to the environment or society

**Example:**

Protect consumers [1] as some goods may be dangerous [1]

(c) Explain how two risks experienced during your enterprise project had an impact on the enterprise. [6]

Award marks for each risk explained in the following way:

- 1 mark – identification of a risk in their enterprise.
- 2 marks – basic idea of **an effect** on the enterprise
- 3 mark – developed explanation of an effect on the enterprise

**Example:**

We risked not selling our food [1] because we were in a competitive market [1] so we faced a lot of pressure. [+1]

There was a risk of people being allergic to our product [1] this limited the toppings we could use [1] and the revenue we could earn. [+1]

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**3 (a) Explain the term ‘negotiation’.** [2]

A good description showing clear knowledge and understanding [2]

A description showing some knowledge and understanding [1]

Relevant points might include:

- reaching outcomes to satisfy the interests of those involved [2]
- the process of resolving disputes [2]
- discussion between two or more parties [1] to reach a mutual agreement [1]
- bargaining [1] for individual or collective advantage [+1]
- through reaching agreement [+1]
- agreeing upon courses of action [1]

**(b) Identify two questions an entrepreneur should consider when planning for a negotiation.** [2]

1 mark per question identified

Relevant points might include:

- How am I going to counter their objections?
- Have I listed the consequences for both sides if my proposal is not accepted?
- Have I thought about not only what I am going to say, but also how I going to say it?
- Have I considered with whom I am going to negotiate?
- Have I chosen an appropriate negotiating style and strategy?
- Are my objectives SMART?
- What points am I willing to give ground on?

**(c) Explain why language in a negotiation should be different from language used with friends. Use an example to support your answer.** [6]

1 to 2 marks – knowledge of differences in language.

2 further marks – explanation of why the differences are necessary.

plus 2 marks – reference to specific examples/in context.

Relevant points might include:

- Formal/informal
- slang/text speak
- regional language difference
- tactful/respectful

Example:

Formal words are used for negotiation [1] and informal with friends [1] Aiyana would want to seem professional [1] when negotiating with her family [1] for the fruit supplies [1] she would then be seen as serious and trustworthy. [1]

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4 (a) Explain the difference between the following terms:

(i) **fixed costs and variable costs** [2]

Fixed costs do not change with output/production/sales [1]

Variable costs change directly with output/production/sales. [1]

(ii) **revenue and profit.** [2]

Revenue – income from sales (or price times quantity sold) [1]

Profit – total revenue (income) is greater than total cost

or (Revenue minus costs/expenses) [1]

(b) **Analyse the usefulness of budgeting to enterprises. Use an example from either the case study or your own enterprise project of how a budget was used, to support your answer.** [6]

1 to 2 marks – knowledge of the use of budgets

2 further marks – explanation of how a budget is used

plus 2 marks – reference to specific examples/in context.

Relevant points might include that budgets:

- Control overspending – leading to debt
- Help ensure that bills are paid on time
- Can be used to measure performance – using variance
- Act as a motivator
- Control the running of the whole enterprise
- Help with planning

**Example:**

Budgets calculate costs [1] and cash flow [1] this allowed Aiyana to see that she did not have enough finance [+1] to buy the fruit [1] and cover \$49.99 [1] therefore we organised a source of finance [+1]

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5 (a) Explain one potential benefit of marketing to:

(i) a customer

[2]

1 mark – identification of a benefit  
Plus 1 mark – explanation or relevant example

Relevant points might include:

- Greater knowledge of products/services available
- Make more informed decisions between products/services
- Save time searching for information

Example:

Customers are aware of the enterprise [1] and can make informed choices. [1]  
Saves them time [1] instead of having to search for products. [1]

(ii) an enterprise.

[2]

1 mark – identification of a benefit  
plus 1 mark – explanation or relevant example

Relevant points might include:

- Raise customer awareness of the enterprise and/or products
- Increase/maintain brand loyalty
- Improve image of company
- Increase sales and therefore profit

Example:

Customers find out about the enterprise [1] and potentially buy more. [1]

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**(b) Explain the benefits and drawbacks of internet advertising to this fruit drinks enterprise.**

**[6]**

1 to 2 marks – knowledge of internet advertising  
 2 further marks – explanation of how benefits or drawback  
 plus 2 marks – reference to specific example(s)/in context.

Relevant points might include:

Benefits:

- Wider access to potential customers
- Easily updated
- Low cost of maintenance/design
- Internet/social media is widely used

Drawbacks:

- Lack of control
- Lack of access to internet during school day
- High cost to design

Application can be awarded for:

- Customers are school-aged
- Small fruit drinks enterprise
- Local market for drinks
- Comparison with farm advertising
- Friends don't have a lot of money

Example:

Customers from all over the world can see the advert [1] so sales might rise [+1] but Aiyana's enterprise only sells in school [1] The high cost of setting up the website [1] may not be worthwhile [+1] for a small fruit drinks enterprise.[1]

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6 (a) Aiyana's family were willing to accept delayed payment.

Discuss the advantages and disadvantages to Aiyana's family of offering delayed payment to the new enterprise.

[10]

Advantages may include:

- Guaranteed market for their fruit
- Keeping their daughter happy
- Extra source of revenue
- Knowing that the income will come in at the end of the week

Disadvantages may include;

- Lack of supply for other customers
- High risk of non-payment
- Reduced income for the week
- Cash flow issues

**Level 4 (9–10 marks)**

Candidate is able to offer a very thorough explanation of the reasons for provision of credit in this context. Both advantages and disadvantages will be considered.

**Level 3 (6–8 marks)**

Candidate is able to offer some analysis of the provision of credit. A one sided answer explaining either advantages or disadvantages in context.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of the advantages and disadvantages of offering credit to the given enterprise example.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of the advantages or disadvantages to the creditor of offering credit without any application to an example.



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- (b) Ezequiel produced a budget for the enterprise, but other financial documents could also be produced.

**Evaluate the importance of financial documents to the operation of the fruit drinks enterprise.** [15]

Possible documents include:

- Cash flow forecast
- Profit and loss statement
- Sale budgets, cash flow, advertising etc.
- Revenue records
- Bank statements

The candidate may conclude that such documents were of little importance to the operation of their own small enterprise.

**Level 4 (10–15 marks)**

Candidate is able to offer a very thorough evaluation of the importance at least two financial documents to the fruit drinks enterprise. For 13-plus marks, justification of decision needs to be explicit and logical.

**Level 3 (6–9 marks)**

Candidate is able to offer an explanation of how the financial documents were used in the fruit drinks enterprise, showing awareness of their purpose.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of financial documents used in the fruit drinks enterprise.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of other financial documents, but there is no application.

**Level 0 (0 mark)**

Candidate is unable to demonstrate any knowledge or understanding of financial documents.

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- 7 (a) The teacher explained that good planning was essential to the success of an enterprise.

**Discuss the importance of planning to the success of your enterprise project. Use examples to support your answer.**

**[10]**

Planning might include:

- Planning for a negotiation
- Producing a business plan
- Asking strategic questions such as ‘where is the business now?’, ‘where are we going?’
- Plans of action for any element of the enterprise

Candidates can therefore take a number of approaches to successfully answer the question – the approach will depend upon the types of planning they did, or did not undertake.

**Level 4 (9–10 marks)**

Candidate is able to offer a thorough analysis of the importance of planning to their enterprise. A conclusion will be presented.

**Level 3 (6–8 marks)**

Candidate is able to offer a reasonable analysis of the importance of planning to their enterprise.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of the planning that they did/or could have done in their enterprise experience.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of planning or its process without any application to an example.

**Level 0 (0 mark)**

Candidate is unable to demonstrate any knowledge or understanding of any aspect of planning.

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(b) Harley completed the market research for the project.

Evaluate the methods of market research that would be **most** suitable for identifying potential customers for **your enterprise project**. [15]

**Level 4 (10–15 marks)**

Candidate is able to offer an evaluation of advantages and disadvantages with respect to at least two market research methods. For 13-plus marks, there should be a stated conclusion.

**Level 3 (6–9 marks)**

Candidate is able to offer an explanation showing the suitability or not of different market research methods to their own enterprise. To gain 7-plus marks, two or more methods must be explained.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of market research using examples from their own enterprise project.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of market research but there is no application.

**Level 0 (0 mark)**

Candidate is unable to demonstrate any knowledge or understanding of market research.