



## Cambridge O Level

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**BUSINESS STUDIES**

**3177/12**

Paper 1 Short Answer and Data Response

**May/June 2021**

MARK SCHEME

Maximum Mark: 80

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**Published**

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **21** printed pages.

**PUBLISHED****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.

**PUBLISHED****Social Science-Specific Marking Principles  
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Question	Answer	Marks	Notes
1(a)	<p><b>Identify <u>two</u> methods of selecting a new employee from a shortlist.</b></p> <p>Award 1 mark per method of selection.</p> <p>Answers might include:</p> <ul style="list-style-type: none"> <li>• Assessment centres / assessment days</li> <li>• Skills tests</li> <li>• Aptitude tests</li> <li>• Psychometric / personality tests</li> <li>• Interviews</li> <li>• Role play / (group) situation tests</li> <li>• Presentations</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	<p>Only award first two responses.</p> <p>Do not award descriptions as need to identify method to gain credit.</p>
1(b)	<p><b>Identify <u>two</u> ways a business can increase added value.</b></p> <p>Award 1 mark per way</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Increase (selling) price</li> <li>• Reduce <b>input</b> costs / reduce cost <b>of materials</b></li> <li>• Branding / marketing / packaging</li> <li>• Excellent service quality / efficiency</li> <li>• (Additional) product features / change design/ unique selling point</li> <li>• Convenience</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	<p>Only award first two responses.</p>

Question	Answer	Marks	Notes
1(c)	<p><b>Outline <u>one</u> advantage and <u>one</u> disadvantage to NST of using flow production.</b></p> <p>Award 1 mark for a relevant advantage and 1 mark for a relevant disadvantage. Award 1 mark for each relevant reference to this business.</p> <p>Advantages might include:</p> <ul style="list-style-type: none"> <li>• High output / quicker output / increase efficiency / increase productivity [k] from 3500 employees [app]</li> <li>• Can produce 24 hours a day / continuous production [k] of its chocolate bars [app]</li> <li>• May benefit from purchasing economies of scale/ bulk purchasing [k] increasing added value [app]</li> <li>• Low(er) average cost per item [k]</li> <li>• Capital intensive methods can be used / fewer employees needed [k] so may not need to shortlist 10 employees [app]</li> <li>• Allows for specialisation / simple repetitive tasks allows for greater use of unskilled labour [k]</li> <li>• No need to move goods from one part of factory to another [k]</li> </ul> <p>Disadvantages might include:</p> <ul style="list-style-type: none"> <li>• Reduces motivation [k] which could push them to join the trade union [app]</li> <li>• High cost of storage/significant storage requirements [k]</li> <li>• If one machine breaks down the whole production line will stop [k]</li> <li>• High <b>set up</b> costs [k]</li> <li>• Inflexible (if demand changes) [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	4	<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• Chocolate bars</li> <li>• 3500 employees</li> <li>• (Increase) added value</li> <li>• Sold in many countries</li> <li>• 10 (people shortlisted for new position)</li> <li>• Trade union</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

Question	Answer	Marks	Notes
1(d)	<p><b>Explain <u>two</u> reasons why NST’s employees might join a trade union.</b></p> <p>Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include:</p> <ul style="list-style-type: none"> <li>• Strength in numbers / more power when negotiating with employers / collective bargaining [k] as there are 3500 employees [app] so more likely to be successful than if they negotiate on their own [an]</li> <li>• Offer (legal) advice to employees [k] particularly as they are worried about working conditions [app] as individuals might not be able to afford to pay for it themselves [an]</li> <li>• Protect job security (by discussing major changes in the workplace) / help stop workers from being made redundant / protect against unfair dismissal [k] so keep their source of income [an]</li> <li>• Improve health and safety/ better working environment /gain protection from unfair work practices [k] when producing chocolate [app] which leads to fewer accidents / protecting workers from getting hurt [an]</li> <li>• Help obtain a pay rise/ extra holiday entitlement/ change in hours [k] increasing their standard of living [an]</li> <li>• Improved benefits for members who are not working because they are sick, retired or made redundant [k]</li> <li>• Protect the rights / interests of employees/ to ensure workers are not exploited [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>6</b>	<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• 3500 employees</li> <li>• (Worried about) working conditions</li> <li>• (Producing) chocolate</li> <li>• Flow production</li> <li>• Sold in many countries</li> </ul> <p>Other appropriate examples in context can still be credited.</p> <p>Do not award answers which identify problems/ issues such as poor working conditions/ low pay as this does not answer the question.</p>



Question	Answer	Marks	Notes
1(e)	<p><b>Explain <u>two</u> methods a large business could use to recruit new employees. Justify which method it should use.</b></p> <p>Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to which is the best way for a large business to recruit new employees.</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Recruitment agencies [k] so are likely to have candidates with suitable skills on their register (readily available) [an] but can be expensive / high cost [an]</li> <li>• (National) newspapers [k] which mean the advert will be seen by many people [an]</li> <li>• <b>Specialist</b> magazines [k] which may mean people with the right skills see the advert [an]</li> <li>• Online recruitment sites / (own) website / social media/ Facebook/ LinkedIn [k] which mean vacancies can be targeted to specific people [an]</li> <li>• Job centres / Government-run centres [k] whom will allow adverts to be shown until the vacancy is filled [an]</li> </ul> <p>Other appropriate responses should also be credited. Justification might include: Recruitment agencies [k] are often expensive [an]. Specialist magazines could be used [k] which may increase the range of people with the desired skills seeing the advert [an]. However, it is still better to use recruitment agencies for a large business, especially as it is likely to recruit more often so either option will involve costs each time so the expertise offered by the recruitment agency might help to improve its chances of filling the role quickly and with the right person for the job which is more likely to justify the cost involved [eval] [eval].</p>	6	<p>This is a general question so there are no marks for application. For evaluation to be awarded justification must follow on from relevant analysis of points.</p> <p>Some [an] points could be used for different options, but do not award same development twice as this is repetition.</p>

Question	Answer	Marks	Notes
2(a)	<p><b>Identify <u>two</u> characteristics of a successful entrepreneur.</b></p> <p>Award 1 mark per characteristic. Characteristics might include:</p> <ul style="list-style-type: none"> <li>• Hard working</li> <li>• Risk-taker</li> <li>• Creative</li> <li>• Innovative</li> <li>• Optimistic</li> <li>• (Self-) confident</li> <li>• Independent</li> <li>• Effective communicator</li> <li>• (Self-)motivated / focused / determined /committed</li> <li>• Organised</li> <li>• Team player</li> <li>• Resourceful / adaptability</li> <li>• Multi-skilled</li> <li>• Leadership</li> <li>• Resilience</li> <li>• Results driven</li> <li>• Good at networking</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	Only award first two responses
2(b)	<p><b>Identify <u>two</u> examples of economies of scale.</b></p> <p>Award 1 mark per economy of scale. Two from:</p> <ul style="list-style-type: none"> <li>• Purchasing / bulk buying</li> <li>• Marketing</li> <li>• Managerial</li> <li>• Financial</li> <li>• Technical</li> </ul>	<b>2</b>	Award first two answers given.

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Question	Answer	Marks	Notes
2(c)	<p><b>Identify <u>four</u> methods a business can use to promote its products.</b></p> <p>Award 1 mark for each method of promotion. Four from:</p> <ul style="list-style-type: none"> <li>• Advertising or examples such as leaflets/ flyers/ newspaper / social media / television / radio/ magazines / posters/billboards/ banners/ bus stops/ side of vehicles/ side of bags / cinema/ direct mail / emails /merchandising</li> <li>• Point of sale display / demonstrations</li> <li>• Promotional pricing or examples such as BOGOF / special offers / money off vouchers / <b>short-term</b> price reductions / discounts</li> <li>• Competitions</li> <li>• Sponsorship / public relations / product placement/ influencers/ celebrity endorsement</li> <li>• Personal selling</li> <li>• Loyalty schemes / reward schemes</li> <li>• (Free) samples</li> <li>• After sales service</li> <li>• Gifts</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>4</b>	Award first four answers given.

Question	Answer	Marks	Notes
2(d)	<p><b>Explain <u>two</u> reasons why Rishi might want his business to remain small.</b></p> <p>Award 1 mark for identification of each relevant reason (max 2) Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Owner’s objectives / owner does not want the responsibility for managing a larger business / wants to keep (total) control of business decisions [k] as only sells in his local area [app] so better able to achieve a better work life balance [an]</li> <li>• Want to keep control of business finances/ want to keep overheads to a minimum / want to avoid increased <b>financial</b> risk [k]</li> <li>• Limited access to finance/ limited availability of capital [k] particularly as sales have fallen [app] so cannot afford to expand [an]</li> <li>• Market size/ amount of customers / level of demand [k] for hot drinks [app] limiting potential revenue [an]</li> <li>• Market domination / a few large businesses control the market [k] which makes it difficult for small businesses to compete / so customers may be brand loyal to these competitors [an]</li> <li>• Lacks knowledge / skills to expand [k]</li> <li>• Wants to maintain close relationship with its customers/ provide a personal service [k] to help maintain consumer loyalty [an]</li> <li>• Remain flexible / able to respond quickly to changes in consumer tastes [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>6</b>	<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• Hot drinks</li> <li>• Van</li> <li>• (Sell in his) local area</li> <li>• Sales have fallen</li> <li>• Increase in competition</li> <li>• No economies of scale</li> <li>• Marketing mix</li> <li>• Entrepreneur</li> <li>• Started 5 years ago</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

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Question	Answer	Marks	Notes
2(e)	<p><b>Do you think price or product is the most important element of the marketing mix for a small business? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether price or product is the most important element of the marketing mix for a small business.</p> <p>Points might include:</p> <p>Product:</p> <ul style="list-style-type: none"> <li>• The product is what attracts customers / packaging can help attract customers / if dislike product customers will not buy it / a good product will not necessarily sell itself [k] increasing revenue [an]</li> <li>• Can help stand out from competitors [k] allowing them to charge a higher price [an]</li> <li>• Can help create a brand image [k] to help develop brand loyalty [an]</li> <li>• Quality of service can help gain a good reputation/customer loyalty [k] leading to increased sales [an]</li> <li>• A poor / bad quality product will not last long in the market [k] so time /money spent developing it would be wasted [an]</li> <li>• High cost of developing new products [k] so a small business may not afford it [an]</li> </ul> <p>Price:</p> <ul style="list-style-type: none"> <li>• Will determine whether customers can afford the product [k] so they may seek cheaper alternatives if it is expensive [an]</li> <li>• High price could result in fewer sales/ business being less competitive [k]</li> <li>• Depends on price elasticity of demand [k] as a higher price would lead to an increase in revenue if demand is price inelastic [an]</li> <li>• A higher price may give the perception of higher quality [k] which may lead to an increase in demand (due to perceived exclusivity) [an]</li> <li>• Low price might not cover cost (of production) [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>6</b>	<p>This is a general question so there are no marks for application. For evaluation to be awarded justification must follow on from relevant analysis of points</p>

Question	Answer	Marks	Notes
2(e)	Justification might include: Product can be differentiated [k] to help stand out from competitors and attract customers [an]. However, if price is too high then customers may not be able to afford the product [k] so they may seek cheaper alternatives [an]. Product is more important than price for a small business as having unique product features may be more likely to influence consumers to purchase from small, rather than a larger, business despite a higher price [eval] [eval].		

Question	Answer	Marks	Notes
3(a)	<b>Define 'liquidity'.</b>  Award 2 marks for full definition. Award 1 mark for a partial definition. The ability of a business to pay its short-term debts [2] Partial definition e.g. ability of a business to pay its debts [1]	<b>2</b>	
3(b)	<b>Calculate the current ratio for ABC in 2021. Show your working.</b>  Award 2 marks for correct answer. Award 1 mark for correct method but incorrect answer.  Correct answer: 0.5 or 0.5:1 [2]  Correct method e.g. Current assets/ current liabilities [1] OR 15/30 [1]  If correct answer given with no working shown award two marks	<b>2</b>	Award only 1 mark if 0.5 is written as part of the answer but is not given as the final answer.

Question	Answer	Marks	Notes
3(c)	<p><b>Outline <u>two</u> reasons why ABC may need long-term finance.</b></p> <p>Award 1 mark for a relevant reason. Award 1 mark for each relevant reference to this business.</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Expansion / take over another business/ buy (additional) non-current assets[k] to cater for businesses other than factories [app]</li> <li>• To invest in the latest /advanced technology [k] for collecting waste [app]</li> <li>• To replace non-current assets or examples such as more land / more machinery [k] which may help to improve efficiency [app]</li> <li>• To finance research into new services and/ or new markets [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>4</b>	<p>Examiners note: do not award to pay the day to day expenses of the business Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• (Collects) waste</li> <li>• Businesses other than factories</li> <li>• Non-current liabilities increased</li> <li>• Profit has fallen</li> <li>• Non-current assets increased</li> <li>• Worried about liquidity</li> <li>• Improve efficiency</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

Question	Answer	Marks	Notes
3(d)	<p><b>Explain how the following <u>two</u> users of accounts might use the information in Table 3.1 to help make decisions.</b></p> <p>Award 1 mark for identification of each relevant use (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include: Banks:</p> <ul style="list-style-type: none"> <li>• Whether to give a bank loan [k] to see if ABC can repay [an] as they currently have \$35 000 of non-current liabilities [app]</li> <li>• Whether business can repay loans / overdraft [k] as business already worried about liquidity [app] as this will influence the terms/ interest rate/ period of the loan [an]</li> <li>• To help decide interest rate to set [k]</li> <li>• To decide amount/ time given to repay/ whether to ask for security/ amount of security [k]</li> </ul> <p>Investors:</p> <ul style="list-style-type: none"> <li>• Whether to buy / sell shares / invest in the business [k] to assess the amount of dividend they could expect / as a high profit could mean higher return on investment / low profit could mean lower return [an] as profit has fallen by \$1000 [app]</li> <li>• Whether able to gain dividends / return on its investment [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	6	<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• (Collects) waste</li> <li>• Non-current liabilities increased</li> <li>• Profit has fallen</li> <li>• Non-current assets increased</li> <li>• Current liabilities increased</li> <li>• Current assets increased</li> <li>• Worried about liquidity</li> <li>• Improve efficiency</li> <li>• Need long-term finance</li> <li>• Current ratio of 0.5 [OFR applies]</li> </ul> <p>Other appropriate examples in context can still be credited.</p>



Question	Answer	Marks	Notes
3(e)	<p><b>Do you think using new technology is the best way for a business to improve efficiency? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether using new technology is the best way for a business to improve efficiency.</p> <p>Points might include: New technology:</p> <ul style="list-style-type: none"> <li>• Likely to be more consistent / better quality / fewer mistakes [k] reducing the amount of rework/wastage [an]</li> <li>• Could mean higher output (per worker) / quicker production [k] reducing average cost [an]</li> <li>• Machines do not need to rest / can work for longer periods of time / 24–7 [k]</li> <li>• Technology may increase the speed of communication [k] which can improve the speed of decision making [an]</li> <li>• Employees may be demotivated with the changes [k] leading to high levels of absenteeism / high labour turnover [an]</li> <li>• High set up costs [k] which business might not be able to afford [an]</li> <li>• (High) cost of maintenance/ repair/ risk of breakdown [k] could increase expenses/ reduce profit margin [an]</li> <li>• Fewer workers needed [k] reducing cost of labour [an] but may have to pay redundancy [an]</li> <li>• May not have space to introduce machinery [k]</li> <li>• Machinery can become outdated (quickly)/ need to update regularly [k] and updating it can increase costs [an]</li> <li>• Takes time to train [k] during which time, limited / no output is produced [an]</li> </ul>	6	<p>This is a general question so there are no marks for application. For evaluation to be awarded justification must follow on from relevant analysis of points</p>

Question	Answer	Marks	Notes
3(e)	<p>Other ways could include:</p> <ul style="list-style-type: none"> <li>• Training / increase skills/ employ skilled workers [k] leading to fewer mistakes/ able to work faster [an]</li> <li>• Improve motivation or examples such as bonuses [k]</li> <li>• Specialisation [k]</li> <li>• Reorganise layout [k] so saving time from moving between different parts of the business [an]</li> <li>• Introduce kaizen [k] which will help reduce amount of waste [an]</li> <li>• Improve quality/ introduce quality assurance [k]</li> <li>• Introduce just-in-time inventory control [k]</li> </ul> <p>Other appropriate responses should also be credited.</p> <p>Justification might include: Using new technology could mean fewer mistakes [k] reducing the amount of rework [an]. Alternatively, it could train its employees [k] so they are able to work faster [an] which would still improve efficiency. This would be better than introducing new technology, which may lead to redundancies that could demotivate the remaining workers and may produce less output as a result [eval] [eval].</p>		

Question	Answer	Marks	Notes
4(a)	<p><b>Identify <u>two</u> roles of marketing.</b></p> <p>Award 1 mark per role of marketing.</p> <p>Two from:</p> <ul style="list-style-type: none"> <li>• Identifying customer needs</li> <li>• Satisfying customer needs</li> <li>• Maintaining customer loyalty</li> <li>• Building customer relationships</li> </ul>	2	Only award first two responses.

Question	Answer	Marks	Notes
4(b)	<p><b>Define ‘mixed economy’.</b></p> <p>Award 2 marks for full definition. Award 1 mark for a partial definition.            An economy where the resources are owned and controlled by both the private and the public sectors [2]            (A mixed economy) has both a private sector and a public sector / government [2]            Partial definition e.g. some businesses are not in the private sector [1]            OR Not all businesses are government owned [1]            OR Not all businesses operate in private sector [1]</p> <p>Other appropriate responses should also be credited.</p>	2	
4(c)	<p><b>Identify <u>two</u> ways MDB could be affected by a high rate of employment in country Y.</b></p> <p>Award 1 mark for identification of each relevant way (max 2)            Award 1 mark for each relevant reference made to this business (max 2)</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• More difficult to recruit employees [k] to grow rice [app]</li> <li>• High wage demands/ high wage costs [k] from the 120 employees [app]</li> <li>• Hard to retain employees [k]</li> <li>• Increase in demand/ high sales [k] as sells 50% to local market [app]</li> </ul> <p>Other appropriate answers should also be credited.</p>	4	<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.            The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• (Grow) rice</li> <li>• 120 employees</li> <li>• Mixed economy</li> <li>• Exports 50% / sells (50%) to local market</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

Question	Answer	Marks	Notes
4(d)	<p><b>Explain <u>two</u> possible reasons why the government in country Z has introduced tariffs.</b></p> <p>Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• To increase the price of <b>imported</b> products [k] such as rice [app] which could lead to a decrease in imports / encourage customers to buy from local businesses / increase demand for local goods [an]</li> <li>• To protect (infant / new industries or) businesses in country Z [k] in this mixed economy [app] to allow these businesses time to grow/ become competitive / gain sales [an]</li> <li>• To protect domestic jobs/ provide employment to local people [k] to prevent a rise in unemployment [an] which could help reduce risk of a recession [app]</li> <li>• Retaliation (against actions of another government) [k]</li> <li>• National security / protect certain industries that are important for local economy [k]</li> <li>• Source of (tax) revenue for government [k] to finance government spending [an]</li> <li>• To maintain / improve balance of payments [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	6	<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for responses on this question:</p> <ul style="list-style-type: none"> <li>• Recession</li> <li>• Mixed economy</li> <li>• Rice</li> <li>• 120 employees</li> <li>• MDB exports 50% of its products</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

Question	Answer	Marks	Notes
4(e)	<p><b>Do you think a depreciation of a country's exchange rate will always be beneficial to businesses based in that country? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether a depreciation of a country's exchange rate will always be beneficial to businesses. Points might include:</p> <p>A depreciation of the exchange rate</p> <ul style="list-style-type: none"> <li>• Exports cheaper [k] which could lead to an increase in demand for exports / so exports become more competitive [an] increasing revenue [an]</li> <li>• Increase costs of imports/ imports more expensive [k] which may force businesses to raise prices / businesses may decide to buy materials locally [an]</li> </ul> <p>Other appropriate responses should also be credited.</p> <p>Justification might include: A depreciation of the exchange rate means exports are cheaper [k] which could lead to an increase in demand for exports [an]. However, depreciation of the exchange rate means imports are more expensive [k] which may lead to a decrease in demand for imports [an]. Businesses will not always benefit from a depreciation of the exchange rate. Those businesses that mainly export and do not import parts are likely to benefit more than businesses that rely on imported parts as they will find that its costs increase, and profit margin will fall. [eval] [eval].</p>	6	<p>This is a general question so there are no marks for application. For evaluation to be awarded justification must follow on from relevant analysis of points</p>