CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Data Response **May/June 2024**

MARK SCHEME

Maximum Mark: 80

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.

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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 descriptions 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.

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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.

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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).

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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.

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0450/7115/0986 Business Studies – Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

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Question	Answer	Marks	Notes
1(a)	**Identify <u>one</u> non-current asset and <u>one</u> non-current liability.** Award one mark for each non-current asset/non-current liability (max 1 for each). Points might include: Non-current assets: • Land/buildings • Equipment • Machinery • Vehicles • Fixtures and/or fittings Non-current liabilities: • Bank loans Other appropriate responses should be credited.	**2**	Only award first response for each type of asset/liability.
1(b)	**Calculate WFT's current ratio in 2024. Show your working.** Award 2 marks for correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: • 0.8:1 [2] • 0.8 [2] Correct method e.g. • 120000 /150000 [1] • current assets / current liabilities [1] If correct answer given with no working shown award two marks.	**2**	Award only 1 mark if 0.8 is written as part of the answer but is not given as the final answer.

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Question	Answer	Marks	Notes
1(c)	**Outline <u>two</u> ways legal controls over business activity affecting the environment might affect WFT.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • May have to change where/how dispose of waste [k] from harvesting trees [app] • Might have to pay fines/buy pollution permits [k] for this primary sector business [app] • Might limit use of energy [k] which may matter as the business uses a lot of technology [app] • May have to move/change location/restrict what can do in a certain area [k] affecting its 30 employees [app] • May have to <u>limit/reduce</u> amount/output [k] • May have to change equipment/how operate [k] • May have to retrain/provide more training its employees [k] • Increase costs [k] • May have to replant/reforest/return land to its former state [k] Other appropriate responses should be credited.	**4**	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 this question: • Primary sector • (Harvests) wood/trees/timber • 30 employees • (Uses a lot of) technology • Increase added value • $320000 (non-current liabilities) Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
1(d)	**Explain <u>two</u> factors WFT should consider when deciding on a source of finance.** Award 1 mark for identification of each relevant factor (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Amount [k] as uses a lot of technology [app] it may need a large amount which may not be available from internal sources [an] • Level of existing loans/debts/borrowing [k] as has non-current liabilities of $320 000 [app] so bank may not be willing to lend [an] • Size/legal form of business [k] as if this primary sector business [app] and is a limited company, it would be able to issue shares [an] • Interest/cost of finance [k] as high interest would increase cash outflows [an] • Purpose/why it is needed [k] • Length of time required for [k] • Credit history [k] Other appropriate responses should be credited.	**6**	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 this question: • Primary sector • (Harvests) wood/trees/timber • 30 employees • (Uses a lot of) technology • Increase added value • $600 000 (non-current assets) • $120 000 (current assets) • $150 000 (current liabilities) • $320 000 (non-current liabilities) Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
1(e)	**Explain <u>two</u> ways a business might increase added value. Which do you think is the best way? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which is the best way for a business to increase added value. Points might include: • Use cheaper materials/supplier [k] will help lower (input) costs [an] • Increase price [k] as this would widen the gap between (input) cost and price [an] • Improve the packaging [k] so customers perceive the product to be worth more [an] so may be prepared to pay extra [an] • Excellent customer service [k] so customers may be prepared to pay a higher price [an] • Branding/improve brand image/marketing [k] • Additional product features [k] • Convenience [k] Other appropriate responses should also be credited. Justification might include: One way is to use cheaper materials [k] as this will help lower input costs [an]. The business could increase the price [k] as this would widen the gap between input cost and price [an]. Setting a higher price is better because customers may still be willing to pay more to maintain good quality [eval] whereas using cheaper materials is more likely to lower quality and lower sales [eval].	**6**	This is a general question so there are no marks for application. Some points of analysis could apply to more than one way but only award once.

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Question	Answer	Marks	Notes
2(a)	**Define 'profit'** Award 2 marks for a full definition. Award 1 mark for a partial definition. Difference between revenue and **total** costs [2] OR The financial gain of a business once **all** the costs have been paid using revenue [2] Partial definition e.g. revenue minus costs [1]	**2**	For 2 marks must have the idea of revenue and total/all costs.
2(b)	**Identify <u>two</u> reasons why consumer spending patterns might change.** Award 1 mark per reason (max 2). Points might include: • Technology • Consumer tastes/fashions/trends • Income • Age (profile of population) • Price of own product • Price of competitor's products • Advertising/promotional activities Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> methods of primary market research Alana might use.** Award 1 mark for each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Focus groups [k] from her customers over the past 5 years [app] • Observations [k] by her 16 employees [app] • Interviews [k] by asking people in the city centre [app] • Surveys [k] about the restaurant [app] • Questionnaires [k] about her plant-based meals [app] Other appropriate responses should be credited.	**4**	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 this question: • Restaurant such as menus, cooking • Plant/vegetable-based meals or related words such as food, cooking • City centre • 16 employees • Market segment/segmentation • 5 years ago • Consumer spending patterns • $80000 (profit) Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
2(d)	**Explain <u>two</u> possible effects of an increase in interest rates on Alana's business.** Award 1 mark for identification of each relevant effect (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Cost of borrowing increases [k] for the restaurant [app] so less likely to invest/expand / increase prices [an] • Less demand/customers/sales [k] so lower revenue [an] because of changes in consumer spending patterns [app] • May be more difficult to obtain loans/borrow [k] so may have to rely on other sources of finance [an] such as her $80 000 profit [app] • May delay/reduce level of investment/expansion [k] • Other appropriate responses should be credited.	**6**	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 this question: • Restaurant such as menus cooking • Plant/vegetable-based meals or related words such as food, • City centre • 16 employees • Market segment/segmentation • 5 years ago • Consumer spending patterns • $80 000 (profit) Other appropriate examples can be credited. Some points could be awarded as [k] or [an] but do not award the same point twice.

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Question	Answer	Marks	Notes
2(e)	**Do you think income is the best way for a business to segment a market? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether income is the best way for a business to segment a market. Points might include: Income: • Can target advertising at particular groups [k] so more cost-effective (use of budget) / reducing expenses [an] • Can target groups with different products [k] which may lead to more sales/market share [an] • Can price the product differently for each income groups [k] which could increase sales/revenue [an] • Product could be associated as cheap/expensive [k] which reduces potential market [an] • Not everyone will like the same things [k] By region/location [k] • Able to adapt products/advertising to consider cultural/social differences [an] • Can modify language to suit the area [an] • Helps provide appropriate products that would sell in specific locations / some products may be demand more in certain areas than others [an] Gender [k] • Allows business to change design to appeal to men/women [an] • Could miss out on large potential market as feel the product is not designed for them [an] • Expensive to make/stock products to target both genders [an]	**6**	This is a general question so there are no marks for application. Some points may be relevant for more than one way, but only award point once. Alternative methods of classification are: • Demographic (age, socio-economic, gender, income, ethnic background, family size) • Geographic (location/region) • Psychographic (lifestyle, attitudes, personalities) There can be a mix of classifications, but do not award overlapping points.

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Question	Answer	Marks	Notes
2(e)	Age [k] • As different age groups may have different product preferences [an] • Can target advertising at particular age groups [an] By use of product [k] By lifestyle [k] Other appropriate responses should also be credited. Justification might include**:** Income allows a business to price the product differently for different income groups [k] so customers will pay based on what they can afford [an]. It could use gender [k] which allows the business to change design to appeal to men or women [an]. Income is likely to be a better way as using gender could lead to missing out on half of the potential market [eval]. Whereas, by using income, the business can price its products based on ability to pay which could lead to a wider potential market overall [eval].		

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Question	Answer	Marks	Notes
3(a)	**Define 'public limited company'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Businesses owned by shareholders, but it can sell shares to the public (and their shares are tradeable on the stock exchange) [2] OR A company that sells its shares to the general public (through a stock exchange) [2] Partial definition e.g. a business that can sell shares [1]	**2**	For 2 marks need the idea that sell shares and to whom sold to/by.
3(b)	**Identify <u>two</u> reasons for globalisation.** Award 1 mark per reason (max 2). Points might include: • **Increasing** number of free trade agreements/**reduction** in trade barriers • **Improved/cheaper** travel links • **Improved** communication networks/technology • Emerging markets are expanding quickly • Change in government economic policy/allowing businesses from other countries to set up operations in own country Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
3(c)	**Outline <u>two</u> economies of scale CQT might benefit from.** Award 1 mark for each relevant economy of scale (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Purchasing economies [k] when buying from local suppliers [app] • Technical [k] especially as using flow production [app] • Managerial [k] to help the business take advantage of globalisation [app] • Marketing [k] to help increase sales of paint [app] • Financial [k] which may help fund any relocation to other countries [app] Other appropriate responses should also be credited.	**4**	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 this question: • Paint • Flow production • 50 (employees/workers) • Local suppliers • Globalisation • Relocate its operations Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
3(d)	**Explain <u>two</u> limitations for CQT of using flow production.** Award 1 mark for identification of each relevant limitation (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Inflexible/production line is difficult to change [k] so difficult to meet customer demand/needs [an] for paint [app] • Demotivating [k] for its unskilled 50 employees [app] so may lower efficiency/output [an] • High level of raw materials/inventory is held [k] increasing storage space/cost [an] for this public limited company [app] • If one machine breaks down the **whole** production line stops [k] which could lower output [an] so may not benefit from globalisation [app] • High **initial/set up** cost [k] which the business may not be able to afford [an] Other appropriate responses should also be credited.	**6**	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 this question: • Paint • Economies of scale • 50 (employees/workers) • Local suppliers • Globalisation • Relocate its factory • Public limited company Other appropriate examples can be credited. Some points can be [k] or [an] but only award once.

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Question	Answer	Marks	Notes
3(e)	**Explain <u>two</u> factors a business should consider when deciding whether to relocate its factory to another country. Which factor is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which factor is likely to be the most important for a business to consider when deciding whether to relocate its factory to another country. Points might include: • Access to/able to find (suitable) employees [k] increasing recruitment/training costs / so may need to pay higher wages [an] • Access to/cost of suitable land/rent [k] as may need a big space/to lower fixed costs [an] • Access/cost of raw materials / distance from suppliers/ need to find new suppliers [k] as if far away may increase transport costs [an] • Different legal controls/standards [k] so may have to change how/where to operate [an] • Communication/language problems [k] may lead to mistakes [an] • Trade barriers e.g. quotas/tariffs [k] • Access to government grants/incentives [k] Other appropriate responses should also be credited.	**6**	This is a general question so there are no marks for application.

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Question	Answer	Marks	Notes
3(e)	Justification might include: One factor is communication problems as people may speak different languages [k] which could lead to mistakes being made [an]. A second factor is different legal controls [k] so may have to change how/where to operate [an]. Legal controls are most important because a business can hire translators to overcome communication problems [eval] whereas a business has limited/no control over the laws of the country [eval].		

Question	Answer	Marks	Notes
4(a)	**Identify <u>two</u> advantages to a business of having part-time employees.** Award 1 mark per advantage (max 2). Points might include: • Cheaper than full-time/reduce labour costs/no need to pay when not working • More flexible hours of work • Can ask/more likely to work at busier times • Can/more likely to extend working hours • Provides a wider <u>range</u> of skills/experience • Helps attract well-qualified employees who need flexible hours • Helps retain experienced workers Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Notes
4(b)	**Define 'organisational structure'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Refers to the levels of management and division of responsibilities within an organisation [2] OR The formal, internal framework of a business that shows how it is managed and organised [2] Partial definition e.g. shows levels of management in a business [1] OR shows responsibilities of employees [1]	**2**	One mark for idea of positions/levels/hierarchy in the organisation. One mark is for understanding it refers to how it is managed/organised/responsibilities.
4(c)	**Identify <u>four</u> reasons why effective internal communication is important for a business.** Award 1 mark per reason (max 4). Points might include: • Fewer mistakes/less waste/prevent mistakes • Enable faster/better decision-making • Improve motivation • Improve coordination • Improve efficiency/productivity • Increase output • Better collaboration between workers/manager/better teamwork Other appropriate responses should be credited.	**4**	Only award the first four responses given. Question requires candidates to identify the benefit of communicating properly not why communicate.

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Question	Answer	Marks	Notes
4(d)	**Using Table 4.1, explain <u>two</u> reasons why MTO should select applicant A as its new manager.** Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Knows what the job involves/experience [k] as has been a manager for 3 months [app] so less likely to make mistakes/may need less training [an] • Has (relevant) qualifications [k] as has got a degree in Business [app] so should be able to do the job [an] • Good at decision-making [k] which can help the bank [app] may help improve efficiency [an] • May bring in new ideas [k] so may be able to help the business achieve its objective of growth [app] Other appropriate responses should also be credited.	**6**	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 this question: • Bank/financial services e.g. provide loans • 1 million customers • 2800 employees • 70 branches • 3 months experience (as a manager) • 18 months (at another business) • (University) degree in Business • Good decision-making skills • Growth (as objective) • Narrow span of control • Tall organisational structure Other appropriate examples can be credited.

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Question	Answer	Marks	Notes
4(e)	**Explain two reasons why a business might want to grow. Which reason is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which reason (for growth) is likely to be the most important. • Increase market share [k] so able to set/control prices [an] which may reduce competition [an] • Benefit from economies of scale [k] leading to lower **unit/average** costs [an] which can increase its profit margin [an] • Increase sales [k] which could lead to additional revenue [an] • Spread risk [k] so that if no sales in one market, can still gain revenue from other markets [an] • Increase profit [k] which can act as a source of finance/reinvest back into business [an] • Increased status/reputation [k] could attract customers [an] • Protect against risk of takeover [k] • Survival [k] Other appropriate responses should also be credited. Justification might include: One reason is to increase sales [k] which could mean the business can increase revenue [an]. Another reason is to benefit from economies of scale [k] which will allow the business to achieve lower unit costs [an]. Economies of scale are likely to be the most important because lower unit costs will also increase the profit margin [eval] whereas the ability to increase sales may depend on the level of competition. [eval]	**6**	This is a general question so there are no marks for application.

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