Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Structured Response **October/November 2019**

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 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.

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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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Question	Answer	Marks	Notes
1(a)	**What is meant by 'limited liability'?** Clear understanding [2]: Liability of shareholders in a company is only limited to the amount they invested OR shareholders in a limited liability company which fails only risk losing the amount they have invested in the company and not any of their personal wealth Some understanding [1]: Cannot lose personal assets or only lose amount invested	**2**	For both marks must understand that limited liability is a benefit for shareholders
1(b)	**Identify two ways S&V can increase added value.** Award one mark for each way identified. Points might include: • increase prices (for herbs and spices) • reduce material / input costs (of ingredients)	**2**	Examiners note: only award the first two responses given Accept following examples as stated in textbook: • branding / improve brand image • excellent quality service • add additional product features • convenience **Do not award** higher quality ingredients as this will increase rather than decrease costs

Question	Answer	Marks	Notes
1(c)	**Identify and explain two possible barriers to communication between S&V and its suppliers.** Knowledge [2 × 1] – award 1 mark for each relevant barrier Application [2 × 1] – award 1 mark for each explanation in context Points might include: • inappropriate medium used [k] as chosen method may not be used in some countries so not arrive on time [app] • no opportunity for feedback [k] about availability of herbs [app] • language problems/jargon [k]may use wrong names when ordering spices [app] • Suppliers do not have enough time / machines to check for messages [k] so not able to respond at short notice [app] • Technical issues, e.g. no internet connection [k] without electricity cannot send emails [app] • Message too long [k] • Wrong message sent [k] • Overload of information [k]	**4**	Application marks may be awarded for appropriate use of the following: • high quality • spices OR herbs, • restaurants OR shops, • imported OR other countries, • partnership • not arriving on time OR the wrong items are sent, • short notice, • up-to-date information, • in season, • added value Do not accept answers such as 'message not understood' OR message not clear' OR 'not read correctly' as this is too vague. To award, candidates must identify a reason why this is the case

Question	Answer	Marks	Notes
1(d)	**Identify and explain one effect on S&V of each of the following changes:** Knowledge [2 × 1] – award 1 mark for each effect identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Points might include: 10% increase in import tariffs: • Will increase cost (of imported items) [k] such as herbs [app] reducing its profit margin [an] • May need to increase prices charged [k] to restaurants [app] which could lead to a fall in sales / revenue [an] • May start buying more of its supplies locally [k] limiting the effect of the increase [an] and can help with its communication barriers [app] Legal controls over food quality: • May change which items they stock [k] depending on the season [app] which could reduce the range of products available [an] • Increase costs (to comply with laws) [k] which could lower its profit margin [an] so there is less added value [app] • May have to change suppliers [k] • No effect [k] as already sell high quality items [app]	**6**	Application marks may be awarded for appropriate use of the following: • high quality • spices OR herbs, • restaurants OR shops, • partnership • supplies not arriving on time or the wrong items are sent, • communication barriers, • up-to-date information, • in season, • email • added value Do not award reference to 10% or food quality or imported as application as words used in the question

Question	Answer	Marks	Notes
1(e)	**Do you think using e-mail is the best way for S&V to inform customers about its products? Justify your answer.** Knowledge [1] – award max 1 mark for identification of relevant point(s) Application [1] – award 1 mark for a 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 email is the best way for S&V to inform customers about its products Points might include: • Can send to multiple people at same time [k] which is important as customers demand up-to-date information [app] • Low cost method of communication [k] which is important for a business with unlimited liability [app] • Can include a lot of information [k] about its herbs [app] • S&V may not have all customers email details [k] leading to missed sales opportunities [an] • Customers may not have time to read emails [k] so may not be aware of updates [an] Other methods can be discussed including: Text [k], letter [k], website[k], phone [k], face-to-face meeting [k], social media[k]	**6**	Application marks may be awarded for appropriate use of the following: • high quality, • spices OR herbs, • restaurants OR shops, • partnership • supplies are not arriving on time or the wrong items are sent, • up-to-date information, • in season, Candidates can discuss other methods of external communication. However to access the evaluation marks answer must focus on whether email is the best way for the business to communicate with its customers

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Question	Answer	Marks	Notes
2(a)	**What is meant by 'sustainable development'?** Clear understanding [2], e.g. development / activity which does not put at risk the living standards of future generations OR ability to meet needs of present population without compromising ability of future generations to meet their own needs OR Business activity that has a positive overall impact on the environment and its stakeholders ensuring its survival for the future Some understanding [1] e.g. able to maintain output for ages OR no impact on surroundings or production which does not damage (or pollute) the environment	**2**	
2(b)	**What is meant by 'business cycle'?** Clear understanding [2]: The variation in national output over a period of time Some understanding: e.g. shows GDP OR pattern of boom, recession and slumps in an economy [1]	**2**	Do not accept answers such as trade cycle as this is an alternative name for the term Do not award answers which refer to product life cycle or individual businesses

Question	Answer	Marks	Notes
2(c)	**Identify and explain one advantage and one disadvantage to HBN of using job enrichment as one way to motivate its employees.** Knowledge [2 × 1] – award 1 mark for an advantage / disadvantage Application [2 × 1] – award 1 mark for each explanation in context Points might include: Advantages: • Business able to make most use of employees skills [k] when making steel rods [app] • Better skilled workforce / better reputation [k] help ensure high quality [app] Disadvantages: • High cost of training [k] its 40 employees [app] • Lower productivity / lower output (as not all employees able or want to do more complex work) [k] • Conflict with some employees (as may not be possible to offer opportunities to all) [k] especially as use flow production [app]	4	Application marks may be awarded for appropriate use of the following: • steel rods, • construction, • flow production, • high quality, • demand increase, • looking to increase output, • correct use of information in Table 1, • 40 employees • Factory Do not award may demotivate / motivate as this is in the question Note: Response should focus on the advantage/ disadvantage to the business not the employee

Question	Answer	Marks	Notes
2(d)	**Identify and explain two ways in which HBN could maintain high quality.** Knowledge [2 × 1] – award 1 mark for each way Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Points might include: • Use quality control [k] so ensure that all finished products are up to standard [an] • Quality assurance [k] so errors are prevented before they happen or spotted earlier in the process [an] so finished product is suitable to be used in construction [app] • Buy better quality materials [k] to make the steel rods [app] • Training employees [k] so that all 40 employees [app] make less mistakes / more efficient [an] • Hire skilled workers [k] • Increase motivation OR examples, e.g. use job rotation (allow only once) [k]	**6**	Application marks may be awarded for appropriate use of the following: • steel rods, • construction, • flow production, • demand increase, • sustainable development, • looking to increase output, • correct use of information in Table 1, • 40 employees • job enrichment • factory Do not award increased automation as [k] as business already uses flow production

Question	Answer	Marks	Notes
2(e)	**Which option for increasing output do you think HBN should choose? Justify your answer using the information in Table 1.** Knowledge [1] – award max 1 mark for identification of relevant point(s) Application [1] – award 1 mark for a 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 which option for increasing output HBN should choose Points might include: • Option 1 costs less money (than Option 2) [k] by $750000 [app+an] • Higher additional output from Option 2 [k] by 16000 tonnes [app +an] • HBN may not have sufficient funds to buy another business [k] • May depend on expected demand [k] as may not need to produce more than 10000 tonnes each month [app] • When is additional output required [k] as will take 6 months to extend factory [app] so may lose potential sales during this time [an] • Level of control required [k] as other business has a different leadership style [app] this could lead to disagreements [an] Practical issues such as • Impact on existing operations if expand on current site, e.g. is there space to expand [k] the factory [app] • Impact on current employees, e.g. could demotivate workers [k] if they cannot still be offered job enrichment [app] leading to more mistakes/ lower output [an] which is the opposite effect to what they want to achieve	**6**	Application marks may be awarded for appropriate use of the following: • steel rods, • construction, • flow production, • high quality, • demand increase, • sustainable development, • correct use of information in Table 1, • 40 employees • factory • job enrichment Other relevant calculations include: • Cost per extra unit for option 1 £75; • option 2 £57.69 or £58 • Option 2 is £17 per extra unit cheaper

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Question	Answer	Marks	Notes
3(a)	**What is meant by 'customer loyalty'?** Clear understanding [2]: Likelihood of existing customers to continue to buy from a business OR customers keep buying from a particular shop, business or buy one particular product, rather than use other shops or buy products made by other businesses Some understanding [1]: E.g. keep customers OR choose your business rather than competitors (even if cheaper)	**2**	
3(b)	**Identify two advantages to RGO of being a large business.** Award 1 mark per advantage Points might include: • Benefit from economies of scale OR lower unit costs, • Less risk of being taken over • (Perceived) better reputation OR status • May be able to dominate market • Specialisation of roles possible	**2**	

Question	Answer	Marks	Notes
3(c)	**Identify and explain two possible problems to RGO of reducing prices.** Knowledge [2 × 1] – award 1 mark for each problem identified Application [2 × 1] – award 1 mark for each explanation in context Points might include: • Reduce profit margin [k] of each flight [app] • Could reduce revenue (if demand is not price elastic) [k] as sell fewer tickets [app] • Create bad image OR seen as too cheap OR low quality [k] so customers choose other businesses for their holidays [app] • May not be able to reduce costs [k] • Less added value [k]	**4**	Application marks may be awarded for appropriate use of the following: • large airline OR flights OR other airline related words • 120 countries, • holiday, • 80% OR tickets OR website, • competitive market, • maintaining customer loyalty (is important) • market share increased • latest OR up-to-date (planes)

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Question	Answer	Marks	Notes
3(d)	**Identify and explain two ways (other than lower prices) that RGO could use to increase its market share.** Knowledge [2 × 1] – award 1 mark for identification of each way Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Points might include: • takeover rival business [k] as this is a competitive market [app] so able to gain customer base of the other business [an] • offer new routes [k] in addition to 120 countries [app] so able to attract customers to use their services rather than competitors [an] • spot new trends or market gaps quicker than rivals [k] • enter new markets [k] • offer better customer service (to maintain customer loyalty) [k] • get existing customers to buy more [k] • sell through new channels [k] such as travel agents [app]	**6**	Application marks may be awarded for appropriate use of the following: • large airline OR flights OR other airline related words • 120 countries • holiday, • 80% of tickets OR website, • competitive market, • maintaining customer loyalty is important, • 8% to 10%, • latest OR up-to-date (planes) Accept promotional methods e.g. competitions, BOGOF, advertising [allow only once] [k]

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Question	Answer	Marks	Notes
3(e)	**Explain two ways in which RGO could reduce its costs. Recommend which way RGO should choose. Justify your answer.** Knowledge [1] – award max 1 mark for identification of relevant way(s) Application [1] – award 1 mark for a 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 which is the best way for RGO to lower its costs Relevant points might include: • Employ fewer people [k] so less wages to pay [an] • Cut number of locations [k] from 120 countries [app] so do not have as many planes [an] • Less advertising [k] but this could lead to less awareness of its business [an] • Use cheaper, more remote airports [k] to cut landing fees charged [app] but could lead to fewer customers as may be difficult to get to the actual location they want to go to [an]	**6**	Application marks may be awarded for appropriate use of the following: • large airline OR flights OR other airline related words • 120 countries • holiday, • 80% of tickets OR website, • competitive market, • maintaining customer loyalty (is important), • increase market share • lower prices, • latest OR up-to-date (planes)

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Question	Answer	Marks	Notes
4(a)	**What is meant by 'non-current liabilities'?** Clear understanding [2]: Debts of a business which will be payable after more than 1 year OR items owed by the business for more than one year Some understanding [1]: E.g. long-term debts or money owed	**2**	Do not award examples
4(b)	**Calculate PBG's current ratio for 2019.** Clear application [2]: 1.3 or 1.3:1 Some application [1]: 390 /300 OR identifies correct formula = current assets / current liabilities	**2**	Award only 1 mark if 1.3 is written as part of the answer, but is not given as the final answer

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4(c)	**Identify and explain one way each of the following stakeholder groups might use PBG's financial accounts.** Knowledge [2 × 1] – award 1 mark for each way identified Application [2 × 1] – award 1 mark for each explanation in context Points might include: Creditors: • Check able to repay its debts/ current liabilities [k] of $256 m / $300 m [app] • Help decide credit terms [k] • Help decide whether to lend money [k] Shareholders: • Know level of profit (to see possible dividend) [k] • Help make investment decisions [k] such as the possible joint venture [app] • Want to know if business performance has improved [k] when selling cars [ap]	**4**	Application marks may be awarded for appropriate use of the following: • cars or manufacturer • new legal controls, • electric (cars), • find new markets, • develop new models, • joint venture, • correct use of data from Table 2, • worries about liquidity,

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Question	Answer	Marks	Notes
4(d)	**Identify and explain one advantage and one disadvantage to PBG of forming a joint venture.** Knowledge [2 × 1] – award 1 mark for an advantage / disadvantage Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Points might include: Advantages: • Access to new markets [k] increasing brand awareness [an] of its cars [app] • Access to local knowledge/ expertise [k] so help them select correct new market [app] to increase its market share [an] • Wider range of contacts / better access to resources [k] so might be able to obtain cheaper materials / lower costs [an] • share costs / Increased capital [k] which is important as have concerns about liquidity [app] • Increased capacity [k] as want to develop new models [app] so able to meet potential demand [an] • Way to avoid government restrictions [k] such as new legal controls [app] • Risks are shared [k]	**6**	Application marks may be awarded for **appropriate** use of the following: • cars or manufacturer, • new legal controls, • electric (cars), • find new markets, • develop new models, • correct use of data from Table 2, • concerns about liquidity

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Question	Answer	Marks	Notes
4(d)	**Identify and explain one advantage and one disadvantage to PBG of forming a joint venture. [continued]** Disadvantages: • Different management styles or objectives / culture [k] could lead to conflict or problems with decision making [an] • Skills and expertise of partners differ [k] so might have to spend more time or money than other company [an] • Any mistakes might damage reputation [k] lowering revenue [an] • Have to share any profit with joint venture partner [k] • Disagreements over important decisions might occur [k]		

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Question	Answer	Marks	Notes
4(e)	**Do you think the Managing Director is right to be worried about PBG's liquidity position? Justify your answer by referring to appropriate ratios.** Knowledge [1] – award max 1 mark for identification of relevant points (s) Application [1] – award 1 mark for 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 Managing Director is right to be worried about PBG's liquidity position Points might include: • Current ratio has improved [k] from 1.25 [app +an] showing that business is able to repay its current liabilities from its current assets [an] • Acid test has fallen [k] by 0.1 [app +an] so less able to pay its short-term creditors without using stock [an] • Need to compare against liquidity ratios for industry [k] • Need to know the reason why inventories have increased [k] as if the cars [app] are unsuitable for sale the business will become insolvent [an] • Value of current assets increased [k] by $70 m [app] • Value of current liabilities increased [k]	**6**	Application marks may be awarded for appropriate use of the following: • cars or manufacturer • new legal controls, • electric (cars), • find new markets, • develop new models, • joint venture, • correct use of data from table 2 Relevant calculations that can access analysis marks are: Current ratio in 2018: 1.25 Current ratio improved by 0.05 in 2019

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