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**BUSINESS STUDIES**

**0450/13**

Paper 1 Short Answer/Structured Response

**October/November 2017**

MARK SCHEME

Maximum Mark: 80

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**Published**

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This document consists of **13** printed pages.

Question	Answer	Marks	Guidance
1(a)	<p><b>What is meant by 'quality assurance'?</b></p> <p>Clear understanding [2] – checking for quality standards [1] throughout production process OR every stage [1] Some understanding [1] – e.g. checking work done</p>	2	<p><b>Do not</b> award answers such as 'check at end' OR 'check end product' as this defines quality control <b>Do not</b> award explanations of why it is done e.g. manufacturer wants product to be perfect</p>
1(b)	<p><b>Calculate the value of X from Table 1.</b></p> <p>Good application: [2] correct answer i.e. 9 (engines) Some application: e.g. total output/number of employees OR 1260 / 140</p>	2	
1(c)	<p><b>Identify and explain <u>two</u> ways the Government might help HGH become more competitive.</b></p> <p>Knowledge [2 · 1] – award 1 mark for each relevant way [max 2] Application [2 · 1] – award 1 mark for each explanation in context</p> <p>Reasons might include:</p> <ul style="list-style-type: none"> <li>Import quotas [k] to limit number of engines [app]</li> <li>Import tariffs [k] as it is facing increased competition from imports [app]</li> <li>Reduce rent OR rates [k] so easier to pay high energy costs [app]</li> <li>Change legal controls OR examples such as lower minimum wage or quality standards [k] so rivals have to think about quality assurance [app]</li> <li>Offer grants OR subsidies OR cheap finance OR loans [k] so can update machinery OR operations in its factories [app]</li> <li>Offer advice [k]</li> <li>Provide training [k]</li> <li>Lower tax [k]</li> <li>Provide infrastructure e.g. build more roads [k]</li> </ul>	4	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>correct use of data from table 1,</li> <li>trade union membership</li> <li>labour productivity</li> <li>rent</li> <li>engines</li> <li>quality assurance</li> <li>(high) energy costs</li> <li>30% decrease in profit</li> <li>factory</li> <li>increased competition OR competition from imports</li> </ul>

Question	Answer	Marks	Guidance
1(d)	<p><b>Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to HGH of using batch production.</b></p> <p>Knowledge [2 · 1] – award 1 mark for an advantage and disadvantage 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</p> <p>Relevant points might include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> <li>Flexible [k] easier to change engines made [app] to better meet customer demands [an]</li> <li>Some economies of scale [k] when buying parts for factory [app] which can help reduce average costs [an]</li> <li>Less impact if machinery breaks down [k], so other stages can continue OR some output made [an]</li> <li>Spread risk as can make more than one type of product [k]</li> <li>Variety of products [k] could lead to more sales [an]</li> <li>Some variety in work can motivate workers [k] leading to less absenteeism [an]</li> </ul> <p>Disadvantage:</p> <ul style="list-style-type: none"> <li>Time lost switching OR resetting machines between batches [k] could lead to lost output [an]</li> <li>Added cost of moving or storing semi-finished goods [k]</li> <li>Inventory may be sitting around between stages [k] increasing costs [an] so profit may decrease by more than 30% [app]</li> <li>One fault could affect entire batch [k] increasing waste [an]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>correct use of data from Table 1</li> <li>trade union membership</li> <li>labour productivity</li> <li>rent of site</li> <li>engines</li> <li>increased competition OR competition from imports</li> <li>quality assurance (is important)</li> <li>high energy costs</li> <li>factory</li> </ul> <p>Note: business makes engines, not the whole truck</p> <p><b>Do not</b> award ‘motivated’ or ‘demotivated’ as knowledge, unless explained. The analysis must explain the impact on the business e.g. less workers leave.</p> <p><b>Do not</b> award answers such as variety of work or economies of scale, unless qualified OR compared to other method of production.</p> <p><b>Do not</b> award knowledge mark for reference to whole production as this implies flow. Answer must relate to idea of it being semi-finished or between stages to be awarded.</p>

Question	Answer	Marks	Guidance
1(e)	<p><b>Recommend which factory HGH should close. Justify your answer using the information in Table 1.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant point (s)            Application [1] – award 1 mark for relevant reference to this business            Analysis [2] – award up to 2 marks for relevant development of point(s)            Evaluation [2] – justified decision made as to which factory HGH should close.</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> <li>Rent lower for factory 1[k] saving \$100 000 each month [app+an]</li> <li>Productivity in factory 2 is higher [k] by 12.5% higher [app+an]</li> <li>Trade union action could create negative publicity [k] as factory 1 has high number of members [app], damaging reputation [an]</li> <li>Current level of output higher in factory 2 [k] by 60 units per month [app+an]</li> <li>Fewer jobs lost if close factory 2 [k] as 10 fewer employees [app+an]</li> <li>More jobs lost if close factory 1 [k] as has 150 employees [app] so saving more labour costs [an]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>Correct use of data from Table 1</li> <li>engines,</li> <li>increased competition OR competition from imports</li> <li>quality assurance (is important)</li> <li>high energy costs,</li> <li>profit decreased by 30%</li> <li>batch production</li> </ul>

Question	Answer	Marks	Guidance
2(a)	<p><b>What is meant by ‘marketing strategy’?</b></p> <p>Clear understanding [2]: for example            Plan to use the right combination of the marketing mix [1] to achieve a particular marketing objective [+1]            OR a plan of action designed to promote and sell a product or service [1] to achieve a set goal [+1]            OR a plan for promoting products [1] to enter a new market [+1]</p> <p>Some understanding [1]: how combine the 4 Ps            OR plan for marketing or how to increase sales            OR how to promote a product</p>	2	

Question	Answer	Marks	Guidance
2(b)	<p><b>Identify <u>two</u> reasons for a business to set objectives.</b></p> <p>Application [2 · 1] – award one mark for each relevant reason</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>Measure of success (to judge performance)</li> <li>Helps decision-making OR planning OR budgeting</li> <li>Gives sense of purpose and direction OR know what you have to do</li> <li>Aim or target</li> <li>Motivate</li> </ul>	<b>2</b>	
2(c)	<p><b>Identify and explain two ways in which BBT could act in an ethical way.</b></p> <p>Knowledge [2 · 1] – award 1 mark for each relevant way [max 2] Application [2 · 1] – award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>Pay fair wages [k] as employees is one of its stakeholders [app]</li> <li>Provide better working conditions for workers [k]</li> <li>Pay fair price to suppliers OR pay suppliers on time [k] for its ingredients [app]</li> <li>Help growers to prevent damage to farmland OR source environmentally friendly materials [k] when growing wheat [app]</li> <li>Not sell excess stock cheaply OR not fixing prices [k] as it's a popular brand [app]</li> <li>Charging a fair price to customers [k]</li> <li>Pay taxes in country in which sales are made [k]</li> <li>Not employing child labour [k]</li> </ul>	<b>4</b>	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>breakfast cereal</li> <li>ingredients or examples such as wheat popular (brand)</li> <li>correct use of numbers such as number of years, change in revenue, 2016 revenue</li> <li>decline stage</li> <li>competitive pricing</li> <li>stakeholders</li> <li>marketing strategy</li> </ul>

Question	Answer	Marks	Guidance
2(d)	<p><b>Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to BBT of using competitive pricing.</b></p> <p>Knowledge [2 · 1] – award 1 mark for each relevant advantage [max 1] or disadvantage identified [max 1]            Application [2 · 1] – award 1 mark for relevant reference made to this business            Analysis [2 · 1] – award 1 mark for each relevant explanation</p> <p>Relevant points might include:</p> <p>Advantage:                Price will not discourage customers from buying [k] its cereals [app] so will buy again [an]                Prevents business losing market share [k]</p> <p>Disadvantage:                Time OR money taken to find out competitor's prices [k] could increase costs [an]                Need another way to attract customers [k] e.g. free gift could increase costs [an]                Customer may be prepared to pay more [k] as it is a popular brand [app] so could lose potential revenue OR profit [an]                May not cover the costs (of production) [k] especially when entering decline stage [app] so may not be able to break even [an]</p>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>breakfast cereal</li> <li>ingredients or examples such as wheat popular (brand)</li> <li>correct use of numbers such as number of years, change in revenue, 2016 revenue</li> <li>decline stage</li> <li>ethical</li> <li>marketing strategy</li> </ul>

Question	Answer	Marks	Guidance
2(e)	<p><b>Do you think BBT should stop selling product A? Justify your answer.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s) [max 1]            Application [1] – award 1 mark for a relevant reference to this business            Analysis [2] – award up to 2 marks for relevant development of point(s)            Evaluation [2] – justified decision made as to whether BBT should stop selling product A</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> <li>Sales of Product A fallen [k] by 40% [app]</li> <li>Product A still the highest sales [k] by \$20 000 [app+an] which is more than B &amp; C combined [an]</li> <li>Have other products that are increasing in demand [k]</li> <li>Use extension strategies [k] such as changing the cereal packet [app] to remind customers OR attract people’s attention [an] so start buying them (again) OR increase revenue [an]</li> <li>Could use opportunity to introduce new brands [k] as product C has now been in the market for 2 years [app]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>breakfast cereal</li> <li>ingredients or examples such as wheat popular (brand)</li> <li>correct use of numbers such as number of years, change in revenue, 2016 revenue</li> <li>decline stage,</li> <li>competitive pricing</li> <li>ethical</li> <li>marketing strategy</li> </ul> <p><b>Do not</b> award general marketing methods such as lower prices or advertise, as these are not examples of extension strategies</p>

Question	Answer	Marks	Guidance
3(a)	<p><b>What is meant by ‘business plan’?</b></p> <p>Clear understanding [2] e.g. a document containing the business aims/objectives <b>and</b> important details about the operations, finance and owners of a business            OR states aim and/or objectives <b>and</b> shows how business aims to achieve them</p> <p>Some understanding [1] states one element of plan e.g. shows marketing strategy OR production costs</p>	2	<p><b>Do not</b> award answers that explain why it is used e.g. support loan applications</p>

Question	Answer	Marks	Guidance
3(b)	<p><b>Identify <u>two</u> financial documents (other than a cash flow forecast) that a business might use.</b></p> <p>Knowledge [2 · 1] – award 1 mark for each relevant document</p> <p>Points might include:            Break-even chart            Balance sheet            Income statement            Budget OR specific example, such as Marketing budget OR Operations budget OR Human Resources budget</p>	<b>2</b>	
3(c)	<p><b>Calculate the values of W, X, Y and Z.</b></p> <p>Application [4 · 1] – award 1 mark for each correct value</p> <p><b>W</b> 28 000  <b>X</b> 2000  <b>Y</b> (4000) OR –4000  <b>Z</b> (2000) OR –2000</p>	<b>4</b>	<p>OFR <b>can apply</b> as error in W will have implications for value of X and Z (max 3). Subsequent answers must be consistent throughout.</p> <p>NO OFR for Y</p>

Question	Answer	Marks	Guidance
3(d)	<p><b>Identify and explain <u>one</u> advantage and <u>one</u> disadvantage of ZumGo being a business partnership.</b></p> <p>Knowledge [2 · 1] – award 1 mark for an advantage and a disadvantage identified [max 1]            Application [2 · 1] – award 1 mark for relevant reference to this business            Analysis [2 · 1] – award 1 mark for each relevant explanation</p> <p>Relevant points might include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> <li>More ideas [k] about what type of tours to offer [app] can help increase business sales [an]</li> <li>Access to more capital (than sole trader) [k] can help solve cash flow problems [app] improving chance of survival [an]</li> <li>Share workload OR decision making [k] so making business more efficient [an]</li> <li>More skills OR expertise OR can specialise [k], Richie does the finance [app] allowing time for Justin to focus on his job [an]</li> <li>Share loss OR risk [k] so do not have to carry all the financial burden [an] especially if buy new bus [app]</li> </ul> <p>Disadvantage:</p> <ul style="list-style-type: none"> <li>Disagreements [k] about expansion [app] leading to lost sales OR low productivity [an]</li> <li>Unlimited liability OR each responsible for debts of other [k] so if cannot repay the \$28 000 [app] their personal belongings are at risk as well [an]</li> <li>Have to share profits [k] with each brother [app]</li> <li>Slower decision-making [k] on whether to lease [app] so lose competitive advantage [an]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>Correct use of cash flow numbers, \$6000 (advertising)</li> <li>\$28 000</li> <li>bus tours</li> <li>extra buses OR looking to expand</li> <li>leasing</li> <li>two successful years</li> <li>all retained profit</li> <li>business plan or cash flow forecast</li> <li>brothers</li> </ul>

Question	Answer	Marks	Guidance
3(e)	<p><b>Which source of finance do you think ZumGo should use for the new bus? Justify your answer.</b></p> <p>Knowledge [1] – award 1 mark for each relevant issue(s) [max 1]            Application [1] – award 1 mark for relevant reference to this business            Analysis [2] – award up to 2 marks for relevant development of point(s)            Evaluation [2] – justified decision made as to which source of finance ZumGo should use.</p> <p>Relevant points might include:</p> <p>Profits:                No need to repay [k]                No interest OR monthly outgoings from cash flow [k] so no additional cash outflows to pay [app]                Have sufficient money [k] as matches total retained profit [app]                Can keep profit for emergency [k] which could be important for partnership [app] as have fewer sources of finance to rely on [an]                No money left for emergencies [k] as uses all retained profits [app]</p> <p>Leasing                Not owned [k] so will not add to value of balance sheet [an]                Can return if necessary [k] as only 2 successful years [app] but may be penalty payment [an]                Able to spread cost [k] so don't need to find all the cash at start [an] which could be difficult with a cash deficit in March [app]                Negative impact on cash flow [k] as forecast (\$4000) [app]                Cheaper [k] as only \$24 000 [app + an] saving \$4000 [an]                Can update to new model [k] after 2 years [app]</p>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>correct use of cash flow numbers</li> <li>bus tours</li> <li>\$28 000 (cost of new bus)</li> <li>\$1000 for 2 years (leasing)</li> <li>all retained profits</li> <li>partnership</li> <li>two successful years</li> <li>business plan or cash flow forecast</li> <li>brothers</li> </ul> <p>Can award answers that discuss other suitable sources of finance such as loans.  <b>Do not</b> accept issue shares as not appropriate.</p>

Question	Answer	Marks	Guidance
4(a)	<p><b>What is meant by ‘multinational company’?</b></p> <p>Clear understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation.</p> <p>Some understanding [1] – e.g. has businesses everywhere OR works/operates in more than one country</p>	2	Do not award ‘sells in more than one country’ as could equally apply to exporter
4(b)	<p><b>What is meant by ‘economic boom’?</b></p> <p>Clear understanding [2] – strong rise in level of economic activity OR period of time when GDP rising rapidly Some understanding [1] – e.g. economy doing well (high GDP) OR rise in level of economic activity OR GDP rising OR identifies feature(s) of an economic boom: such as low unemployment, rising inflation, resource shortages, high levels of disposable income, high levels of consumer/business confidence</p>	2	<p>For two marks must have both idea that economy growing and the rate of growth</p> <p>Answers must refer to whole economy and not a single business or product</p>
4(c)	<p><b>Identify and explain <u>two</u> methods that CYB could use to communicate with its customers.</b></p> <p>Knowledge [2 · 1] – award 1 mark for each relevant method [max 2] Application [2 · 1] – award 1 mark for each explanation in context</p> <p>Reasons might include:</p> <ul style="list-style-type: none"> <li>Email [k] so that can include attachments such as balance sheets [app]</li> <li>Letter [k] explaining customer benefits of new system [app]</li> <li>Meeting [k] with representatives from multinational companies [app]</li> <li>Phone [k]</li> <li>FaceTime OR Skype [k] with someone from the small team [app]</li> <li>Text OR SMS OR messages on mobile phone [k]</li> <li>Social media e.g. Facebook [k]</li> </ul>	4	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>accountants</li> <li>examples of financial documents e.g. balance sheet</li> <li>multinational company</li> <li>small teams</li> <li>3 (new employees)</li> <li>new computerised system OR system (highly) skilled</li> </ul> <p>Note: method selected should be appropriate for use with customers, not internal communication</p>

Question	Answer	Marks	Guidance
4(d)	<p><b>Explain <u>how</u> each of the following stages could help CYB in the recruitment process.</b></p> <p>Knowledge [2 · 1] – award 1 mark for each relevant point identified [max 2]            Application [2 · 1] – award 1 mark if relevant reference made to this business            Analysis [2 · 1] – award 1 mark for each relevant explanation</p> <p>Relevant points might include:</p> <p><b>Person (job) specification</b>            Sets out the qualifications needed [k] such as accountancy degree [an] so know whoever is chosen can do tasks required [an]            Sets out the skills needed [k] such as team worker [app] so able to work effectively with the others in the group [an]            Sets out experience necessary [k] such as working with multinationals [app] so able to be effective quickly [an]</p> <p><b>Advertising the job vacancies</b>            Make people aware [k] about the 3 jobs [app] increasing the number of potential applicants [an]            Provide people with information about culture OR business [k] such as working in small teams [app] so more likely to join CYB than competitor [an]            Can target suitable people [k] in accountancy magazines [app]</p>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>accountants</li> <li>multinational company</li> <li>small teams</li> <li>3 (new employees)</li> <li>new computerised system OR system</li> <li>economic boom</li> <li>on the job training OR off the job training</li> <li>(highly) skilled</li> </ul> <p>The focus of the answer should focus on the business not employees</p>

Question	Answer	Marks	Guidance
4(e)	<p><b>Do you think it would be better for CYB to use on-the-job or off-the-job training? Justify your answer.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s)            Application [1] – award 1 mark for relevant reference to this business            Analysis [2] – award up to 2 marks for relevant development of point(s)            Evaluation [2] – justified decision made as to which method of training CYB should choose.</p> <p>Relevant points might include:</p> <p>Off-the-job training:                Not necessarily tailored to individual business [k] so not cost effective [an]                Have to pay more OR high cost for specialists [K] which increases costs [an]                Skills might not be available in the business [k] so benefit from new techniques [an]                Allows for mistakes [k] so can build employees confidence in new computer system [app] reducing waste [an]                Workers have access to skilled trainers [k] so know how to use the system [app]                Workers can focus 100% on training [k]</p> <p>On-the-job training:                Can reinforce errors OR bad practices [k] reducing sales OR damage reputation [an]                Fewer new ideas OR skills will be taught [k]                Control what is taught [k] so workers only learn skills needed [an]                Employees can carry on working [k] within their team [app] improving productivity [an]                Cheaper (than off-the-job) [k]</p>	6	<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> <li>accountants</li> <li>examples of financial documents e.g. balance sheet</li> <li>multinational company</li> <li>small teams</li> <li>3 (new employees)</li> <li>new computerised system OR system</li> <li>economic boom</li> <li>(highly) skilled</li> </ul> <p>Either option is acceptable.</p>