

## **MARK SCHEME for the October/November 2012 series**

### **0454 ENTERPRISE**

**0454/01**

Paper 1 (Case Study), maximum raw mark 100

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.

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		Marking guide	Marks
1	(a)	<p><b>State <u>two</u> ways, apart from solving problems, that you could have been enterprising at school or at home.</b></p> <p>To gain credit answers must clearly show <b>ways</b> of being enterprising as opposed to <b>enterprise skills</b> such as leadership.</p> <p>Answers will vary from candidate to candidate, but examples could include:</p> <ul style="list-style-type: none"> <li>• <b>using</b> literacy, communication and numeracy skills</li> <li>• <b>using</b> technology for learning</li> <li>• <b>thinking</b> creatively and independently/<b>being</b> creative (creativity alone TV)</li> <li>• <b>taking</b> the initiative/responsibility and lead.</li> </ul>	[2]  (2×1)
	(b)	<p><b>Using an example of a problem in <u>your enterprise project</u>, explain how it was solved.</b></p> <p>Answers will depend on the candidate's own enterprise project.</p> <p>4 marks      A developed explanation showing how the problem was solved in the context of the enterprise project.</p> <p>3 marks      Some attempt is made to explain how the problem was solved in context.</p> <p>2 marks      Candidate shows how the problem applied to their own enterprise.</p> <p>1 mark        Identification of a problem.</p> <p>0 marks      Candidate demonstrates no knowledge or understanding of how the problem was solved.</p>	[4]
2	(a) (i)	<p><b>State <u>four</u> pieces of information that would usually be included in a business plan.</b></p> <p>The question requires four pieces of information therefore any information usually included in a business plan is acceptable.</p> <p>Candidates could refer to four of the following:</p> <ul style="list-style-type: none"> <li>• name of business</li> <li>• address of business</li> <li>• objectives of the business</li> <li>• products being supplied</li> <li>• market analysis, e.g. size of market</li> <li>• operations analysis, e.g. production details</li> <li>• financial analysis, e.g. profit and loss forecasts, cash flow forecasts</li> <li>• management information, e.g. structure of management.</li> </ul>	[4]  (4×1)

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	(ii)	<p><b>Explain why it was necessary for you to revise the plan of action in your enterprise project.</b></p> <p>Answers will depend on the candidate's own enterprise project.</p> <p>Level 2 (3–4 marks) Candidate offers a very thorough explanation of why their plan of action required revision.</p> <p>Level 1 (1–2 marks) Candidate identifies a reason (1 mark) a limited explanation of why the plan of action required changing (plus 1).</p> <p>Level 0 (0 marks) Candidate does not demonstrate any knowledge or understanding of their enterprise project REVISING the plan of action.</p>	[4]
	(b)	<p><b>Describe <u>three</u> features of a partnership.</b></p> <p>Candidate could refer to:</p> <ul style="list-style-type: none"> <li>• unlimited liability (in most cases)</li> <li>• usually limited to 20 partners</li> <li>• relatively easy to form (requires a Deed of Partnership)</li> <li>• there is no requirement to publicly disclose the accounts</li> <li>• one partner can sign a contract binding on all partners</li> <li>• if one partner leaves/dies, the partnership is dissolved.</li> </ul> <p>In each case: 1 mark for identification of the feature Plus 1 mark for explanation as to the effect on the enterprise. Or Lack of continuity (1) if one partner leaves or dies the partnership stops operating (1).</p>	[6]  (3×2)
3	(a)	<p><b>What is meant by <u>primary research</u>?</b></p> <p>2 marks      This is research that involves collection and collation of original data via direct contact with potential or existing customers.</p> <p>2 marks      A good explanation or limited definition plus example.</p> <p>1 mark        A limited explanation to include one of the following aspects: first hand/original/specific to the company/in the field.</p> <p>0 marks       No understanding of meaning of term.</p>	[2]  (2×1)

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<b>(b)</b>	<p><b>Describe <u>two</u> ways that secondary research could be used to identify potential customers.</b></p> <p>Possible secondary research includes:</p> <ul style="list-style-type: none"> <li>• market research reports</li> <li>• publications</li> <li>• government data.</li> </ul> <p>Ways it could be used:</p> <ul style="list-style-type: none"> <li>• show what products are in demand and by whom</li> <li>• identify the number of competitors or their sales</li> <li>• identify a gap in the market not being exploited</li> <li>• illustrates which products are successful in other areas – which can be copied.</li> </ul> <p>2 marks      A good explanation of how the research could be used E.g. Market research reports show who is buying the products which other businesses are successfully selling, this helps to identify who is likely to buy similar products. Or Government data will show the population of an area and therefore help us to identify if our target customer is in that area.</p> <p>1 mark      A limited explanation of the use of the research E.g. shows the people buying products.</p> <p>0 marks      Description of methods of secondary research.</p>	<p>[4]</p> <p>(2×2)</p>
<b>(c)</b>	<p><b>Explain how <u>your enterprise project</u> could have used market research to identify potential customers.</b></p> <p>Answers will depend on the candidate's own enterprise project.</p> <p>Level 2 (3–4 marks) Candidate offers an explanation of how their enterprise project could have used market research to identify potential customers.</p> <p>Level 1 (1–2 marks) Candidate shows knowledge of market research method(s) which could be used or the information which could be gained.</p> <p>Level 0 (0 marks) Candidate demonstrates no knowledge or understanding of how their enterprise project could have used market research to identify potential customers.</p>	<p>[4]</p>

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4	<p><b>(a)</b></p> <p><b>What is meant by <u>negotiation</u>?</b></p> <p>Negotiation is an interaction of various influences, including:</p> <ul style="list-style-type: none"> <li>• the process of resolving disputes</li> <li>• agreeing upon courses of action</li> <li>• bargaining for individual or collective advantage</li> <li>• reaching outcomes to satisfy the interests of those involved.</li> </ul> <p>2 marks      A full explanation e.g. to discuss an issue (1) to agree upon a course of action (1) or to come to a compromise (1).</p> <p>1 mark        A limited explanation or a practical example which shows some understanding of the process of discussing (1) e.g. trying to get the best deal (1) or trying to argue the prices down (1).</p> <p>0 marks        An explanation which demonstrates no knowledge or understanding (0).</p>	<p>[2]</p> <p>(2×1) or (1×2)</p>
	<p><b>(b)</b></p> <p><b>Discuss <u>two</u> factors that can contribute to successful negotiation.</b></p> <p>Candidate may refer to:</p> <ul style="list-style-type: none"> <li>• understanding of the negotiation process</li> <li>• the importance of developing the appropriate skills</li> <li>• establishment of a collaborative approach</li> <li>• planning/preparation</li> <li>• establishing the negotiating environment</li> <li>• exploring needs</li> <li>• testing understanding and summarising</li> <li>• negotiating a position</li> <li>• reaching agreement.</li> </ul> <p>3 marks      Candidate offers a thorough explanation as to how the factor contributes to successful negotiation.</p> <p>2 marks      Candidate offers a limited explanation as to how the factor contributes to successful negotiation.</p> <p>1 mark        Candidate identifies a factor that can contribute to successful negotiation.</p> <p>0 marks        Candidate unable to demonstrate any knowledge or understanding of factors that can contribute to successful negotiations.</p>	<p>[6]</p> <p>(2×3)</p>

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5	(a) (i)	<p><b>Describe what is meant by <u>cash flow</u>.</b></p> <p>Candidate may refer to:</p> <ul style="list-style-type: none"> <li>• a financial record</li> <li>• relates to working capital</li> <li>• the money coming in from sales</li> <li>• the money going out to pay for materials</li> <li>• a particular period of time</li> <li>• the balance between money coming in and going out.</li> </ul> <p>3 marks      A very good description – e.g. concerned with the money flowing into and out of a business in a given time period.</p> <p>2 marks      A reasonable description – e.g. cash inflow and outflow.</p> <p>1 mark        A limited description – showing awareness that it deals with money or one aspect only covered.</p> <p>0 marks      A description which does not demonstrate any knowledge or understanding.</p>	[3]
	(ii)	<p><b>Explain why <u>your enterprise project</u> needed to be aware of its cash flow.</b></p> <p>Answers will depend on the candidate's own enterprise project, but may refer to:</p> <ul style="list-style-type: none"> <li>• it could indicate possible times when money may not be available to cover necessary payments</li> <li>• this could alert the enterprise to the need to increase revenue and/or decrease costs</li> <li>• the survival of the enterprise will depend, to a large extent, on its approach to cash flow</li> <li>• risk of liquidation.</li> </ul> <p>Level 2 (3–4 marks) Candidate offers a very good explanation of why their enterprise project needed to be aware of its cash flow.</p> <p>Level 1 (1–2 marks) Candidate offers a more limited explanation of why their enterprise project needed to be aware of its cash flow.</p> <p>Level 1 (0 marks) Candidate unable to demonstrate any knowledge or understanding of why their enterprise project needed to be aware of its cash flow.</p>	[4]

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	<p><b>(b)</b></p> <p><b>Discuss why profitability is important for an enterprise.</b></p> <p>Definition of profitability.</p> <p>Candidate may refer to:</p> <ul style="list-style-type: none"> <li>• it will usually enable an enterprise to survive</li> <li>• it could be reinvested into the enterprise to enable it to expand</li> <li>• it shows that the enterprise has been a success</li> <li>• profit is the reward for taking a risk and organising the business</li> <li>• profit is the main motive for most enterprises.</li> </ul> <p>4–5 marks    Candidate offers a very good explanation of why profitability is important.</p> <p>3 marks       Candidate attempts to explain why profitability is important for an enterprise.</p> <p>1–2 marks    Candidate offers knowledge and understanding of profitability or some awareness of why it might be important. List type answers = award 2 marks maximum.</p> <p>0 marks       Candidate is unable to demonstrate any knowledge or understanding of why profitability is important for an enterprise.</p>	[5]
<b>6</b>	<p><b>(a)</b></p> <p><b>Enterprises can be both challenging and rewarding. Discuss the challenges and rewards experienced by <u>your enterprise project</u>.</b></p> <p>Answers will depend on the candidate's own enterprise project.</p> <p>Level 4 (9–10 marks) Candidate is able to offer a very thorough discussion of both the challenges and rewards experienced by their enterprise project.</p> <p>Level 3 (6–8 marks) Candidate is able to offer an explanation of the challenges or rewards experienced by their enterprise project showing the impact upon their enterprise experience. To gain 8 marks there should be some evidence that both challenges and rewards have been considered.</p> <p>Level 2 (3–5 marks) Candidate is able to apply knowledge and understanding of challenges and rewards to their own enterprise project. To gain 5 marks some reference should be made to both challenges and rewards.</p> <p>Level 1 (1–2 marks) Candidate is able to demonstrate some knowledge and understanding of challenges and rewards.</p> <p>Level 0 (0 marks) Candidate is unable to demonstrate any knowledge or understanding of challenges and rewards.</p>	[10]

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(b)	<p><b>Starting a new enterprise always involves risk. Discuss the various potential risks involved in attempting to make TEMAL a successful enterprise.</b></p> <p>Potential risks involved in attempting to make TEMAL a successful enterprise might include:</p> <ul style="list-style-type: none"> <li>• products made out of recycled metal may go out of fashion</li> <li>• there may be a downturn in the economy, reducing the level of demand</li> <li>• the enterprise did not bring in as much revenue as had been expected</li> <li>• the cost of the scrap metal increased substantially, forcing them to raise prices</li> <li>• the partners may have fallen out with each other</li> <li>• they were unable to keep control of cash flow, with the result that more went out of the enterprise than came in</li> <li>• the promotional activities failed to attract as much interest as had been expected</li> <li>• the demand for products made out of other recycled materials, such as rubber, was much lower than had been expected</li> <li>• poor quality or dangerous goods being produced.</li> </ul> <p>Level 4 (10–15 marks) Candidate is able to offer a very thorough two sided discussion of the various potential risks involved in attempting to make TEMAL a successful enterprise. This will involve explanations as to how the risks can be minimised or why they may not be an issue for this enterprise.</p> <p>Level 3 (6–9 marks) Candidate is able to offer a one sided explanation of the various potential risks involved in attempting to make TEMAL a successful enterprise. To gain the top of Level 3 candidates must explain two or more risks in context.</p> <p>Level 2 (3–5 marks) Candidate is able to apply knowledge and understanding of risk to identify the potential risks illustrated in the case study.</p> <p>Level 1 (1–2 marks) Candidate is able to demonstrate some knowledge and understanding of risk.</p> <p>Level 0 (0 marks) Candidate fails to demonstrate any knowledge or understanding of risk.</p>	[15]
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<b>7</b>	<p><b>(a)</b></p> <p><b>Referring to examples of communication with external stakeholders, discuss the advantages and disadvantages of different types of communication used in <u>your enterprise project</u>.</b></p> <p>Answers will depend on the candidate's own enterprise project, but examples of communication with external stakeholders are likely to include:</p> <ul style="list-style-type: none"> <li>• suppliers</li> <li>• customers</li> <li>• local community</li> <li>• government</li> </ul> <p><b>Level 4 (9–10 marks)</b> Candidate is able to offer a very thorough two-sided discussion of the advantages and disadvantages of different types of communication used in their enterprise project, using appropriate examples of communication with external stakeholders.</p> <p><b>Level 3 (6–8 marks)</b> Candidate is able to offer a reasonable explanation of the advantages and disadvantages of different types of communication used in their enterprise project, using appropriate examples of communication with external stakeholders. To gain the top of this level two or more methods of communication must be explained.</p> <p><b>Level 2 (3–5 marks)</b> Candidate is able to apply knowledge and understanding of different types of communication to their own enterprise project.</p> <p><b>Level 1 (1–2 marks)</b> Candidate is able to demonstrate some knowledge and understanding of communication methods.</p> <p><b>Level 0 (0 marks)</b> Candidate is unable to demonstrate any knowledge or understanding of communication.</p>	<b>[10]</b>
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(b)	<p><b>The partners of TEMAL believed that their meetings were not as effective as they could have been. Discuss how the partners could have improved the effectiveness of their meetings.</b></p> <p>Candidate may refer to:</p> <ul style="list-style-type: none"> <li>• produce an agenda</li> <li>• ensure everybody has an opportunity to ask questions/express their views</li> <li>• take action to ensure that all partners arrived on time</li> <li>• take accurate minutes and distribute them as soon as possible after the meeting</li> </ul> <p>Level 4 (10–15 marks) Candidate is able to offer a very thorough two-sided discussion of how the partners could have improved the effectiveness of their meetings.</p> <p>Level 3 (6–9 marks) Candidate is able to offer an explanation as to how the suggestions made could assist the partners to improve the effectiveness of their meetings.</p> <p>Level 2 (3–5 marks) Candidate is able to apply knowledge and understanding of how the effectiveness of meetings could be improved to the case.</p> <p>Level 1 (1–2 marks) Candidate is able to demonstrate some knowledge and understanding of how the effectiveness of meetings could be improved.</p> <p>Level 0 (0 marks) Candidate is unable to demonstrate any knowledge or understanding of how the effectiveness of meetings could be improved.</p>	[15]
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