

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE O Level

MARK SCHEME for the May/June 2006 question paper

7115 BUSINESS STUDIES

7115/02

Paper 2 maximum raw mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

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1 (a) Using the cost information in Appendix 1:

(i) calculate the 2005 gross profit for one sports shirt

1 mark for correct answer: Sports shirts = \$8

(ii) calculate the 2005 gross profit margin for football shirts

[3]

1 mark for gross profit = \$12, 1 mark for correct formula,
1 mark for correct answer = 48%.

(b) Using the information in Appendices 1 and 2, what is the difference in labour costs per item between using labour-intensive and capital-intensive methods of production for football shirts? [6]

Labour intensive method – \$5 1 mark

Capital intensive method – 100/10 workers = 10 shirts per worker so \$5/10 = \$0.50
3 marks

Difference \$5 – \$0.50 = \$4.50 2 marks (minus 1 mark for arithmetic error but correct method used).

(c) Patel Fashions are thinking about changing from labour-intensive to capital-intensive methods of production.

Do you think Patel Fashions should introduce capital-intensive methods of production? Explain your answer. [10]

Content: Advantages of capital-intensive – increased productivity; greater output; improved quality; lower cost per unit.

Disadvantages – cost of equipment; cost of making workers redundant; increased training costs; more skilled workers required; may be reduced morale.

	Knowledge	Application	Analysis and Evaluation
Level 2	2 marks Good knowledge of capital and/or labour intensive methods.	2 marks Well applied to sports clothing.	4-6 marks Advantages and/or disadvantages of capital or labour intensive methods well explained. Decision justified as to whether capital-intensive methods should be introduced.
Level 1	1 mark Limited knowledge of capital and/or labour intensive methods.	1 mark Limited application to sports clothing.	1-3 marks Advantages and/or disadvantages of capital or labour intensive methods stated. Decision made as to whether capital-intensive methods should be introduced.

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- 2 (a) If the large order is accepted from Nife, 75% of output will be for a multinational customer. Do you think it would be wise for the company to depend on one customer so much? Explain your answer.

Content: Advantages – bulk order; lower administration costs; stable customer which is not likely to go bankrupt.

Disadvantages – dictated to by large supplier; if order is lost then major difficulties for business; large customer may be slow to pay leading to cash-flow problems.

	Application	Analysis and Evaluation
Level 2	2 marks Well applied to sports clothing.	5-8 marks Advantages/disadvantages of one major customer discussed and judgement made.
Level 1	1 mark Limited application to sports clothing.	1- 4 marks Advantages/disadvantages of one major customer listed and limited judgement made.

- (b) If the order is accepted, Patel Fashions will need to have good communications with Nife's head office which is in country X. Explain the advantages and disadvantages of TWO methods of communication Patel Fashions can use to communicate with Nife. [10]

Content: Letter, telephone, meeting, email, video-conferencing.

Adv/Disadvantages: Email – cheap, quick to send, permanent record, can be sent to many but do not know when communication has been received, may not be confidential.

Letter – can be kept confidential, permanent record, complicated details can be included but no opportunity for direct feedback.

Telephone – information can be given quickly, immediate feedback but may take longer to contact person, cannot see body language.

Videoconferencing/ Meeting – information can be given quickly, immediate feedback, can see body language, (videoconferencing) may be cheaper than meeting in person but links are expensive.

	Knowledge	Application	Analysis and Evaluation
Level 2	2 marks Knowledge of two methods of communication.	2 marks Well applied to the case study.	4-6 marks Advantages and disadvantages of two methods explained.
Level 1	1 mark Knowledge of one method of communication.	1 mark Limited application to the case study.	1-3 marks Advantages and disadvantages of two methods stated or one method explained.

- 3 (a) Nife are only interested in purchasing high quality football shirts. How would you advise Patel Fashions on how they could make sure that its football shirts are high quality?

Content: Quality control involves checking garments at the end of the process (or part way through) to make sure that there are no defects. If there are defects then the production can be stopped and the fault corrected. Quality assurance (e.g. TQM) is where all employees are engaged in the checking of garments to make sure each stage of the process has no faults. Any errors can be corrected immediately before the garments are finished.

	Knowledge	Application	Analysis and Evaluation
Level 2	2 marks Knowledge of a method(s) of quality control/assurance.	2 marks Well applied to the case study.	4-6 marks Discussion of how this method(s) can ensure quality.
Level 1	1 mark Limited knowledge of a method of quality control/assurance.	1 mark Limited application to the case study.	1-3 marks Listing of how this method can ensure quality.

- (b) Explain a suitable marketing mix that Nife could use to sell these high quality football shirts to customers. [10]

Content: All four elements of the marketing mix applied to the case study. Choice of element clearly justified e.g. **place** sold in football club shops or expensive sports shops or could be sold on the Internet; **price** high price to indicate quality; **promotion** emphasises high quality and advertisements in football magazines; **product** is high quality and genuine article.

	Knowledge	Application	Evaluation
Level 2	3-4 marks Three or four elements of the marketing mix present.	3-4 marks Three or four elements of the marketing mix applied to the case study.	2 marks Good judgement shown as to the suitability of the marketing mix. All four elements fit together as a clear strategy.
Level 1	1-2 marks One to two elements of the marketing mix present.	1-2 marks One to two elements of the marketing mix applied to the case study.	1 mark Limited judgement shown. All four elements do not fit together.

- 4 (a) If Patel Fashions decide to change to capital-intensive methods of production, the workers will not have the right skills to operate the new equipment. You advise Patel Fashions to recruit new fully trained workers or retrain the existing production workers? Explain your answer.

Content: Advantages of new fully trained workers – already trained therefore saves on training costs; will have experience from other businesses.
 Advantages of retraining existing workers – increased morale; already know the workers; no redundancy to pay these workers.

	Knowledge	Application	Analysis and Evaluation
Level 2	2 marks Good knowledge of retraining and/or redundancy.	2 marks Well applied to case study.	4-6 marks Advantages explained of new skilled workers and/or retraining existing workers. (Disadvantages of either should be credited). Decision made and justified as to which might be best.
Level 1	1 mark Limited knowledge of retraining and/or redundancy.	1 mark Limited application to case study.	1-3 marks Advantages listed of new skilled workers and/or retraining existing workers. (Disadvantages of either should be credited). Limited judgement shown.

- (b) All of Patel Fashions' production workers are members of a trade union. Explain the benefits to both Patel Fashions and the production workers of the production workers being members of a trade union. [10]

Content: Benefits of membership to employees: To give strength in numbers; to get improved conditions of pay and hours of work; to gain an improved environment such as H & S; to improve job satisfaction by encouraging training; to gain advice if a member thinks they have been unfairly dismissed.

Explanation of reasons for membership: E.g. – Strength in numbers will mean that the workers can all threaten to strike and the employers will be more likely to give in to their demands than if just one worker asked for a pay rise.

– Improved pay and conditions will mean that the workers will work in better conditions and possibly have more holidays and more breaks.

Benefits to Patel Fashions: Negotiation is easier as only one trade union to deal with; any agreements apply to all the workers; the trade union can agree changes on behalf of its members and they will all implement the agreement.

	Knowledge	Application	Analysis
Level 2	3-4 marks Three or more reasons for being a member of a Trade Union.	2 marks Well applied to the case study.	3-4 marks Benefits explained as to why the workers are members and benefits to Patel Fashions.
Level 1	1-2 marks One to two reasons for membership of a Trade Union.	1 mark Limited application to the case study.	1-2 marks Benefits to workers and/or Patel Fashions listed. Limited judgement shown.

- 5 (a) The Government wants to encourage more multinational companies to their country Y. Do you think the Government is right to do this? Explain your answer.

Content: Advantages of multinational business – new investment; more exports; fewer imports; jobs created; more competition; taxes paid to the government.

Disadvantages of multinational business – existing firms in danger; profits flow out of the country; often only unskilled jobs are created; influence the government and economy.

	Knowledge	Analysis and Evaluation
Level 2	2 marks Good explanation of multinational business.	6-10 marks Explanation of the benefits and drawbacks of multinational business. Judgement made and justified.
Level 1	1 mark Limited knowledge of multinational business.	1-5 marks Statements of the benefits and drawbacks of multinational business. Limited judgement made.

- (b) Explain why the trade unions might be against the changes in employment laws proposed by the government in country Y. (See Appendix 3) [8]

Content: Make conditions of employment worse for employees; wages may be lowered; easier to sack workers; Health and Safety may be worse; workers have less protection.

	Knowledge	Analysis
Level 2	2 marks Two or more reasons given why the laws are opposed.	4-6 marks Explanation of two or more reasons.
Level 1	1 mark One reason given why the laws are opposed.	1-3 marks One or more reasons briefly explained or one reason explained in detail.

	Knowledge	Application	Analysis	Evaluation	Total
1 (a) (i)	1				1
(ii)			3		3
(b)	2		4		6
(c)	2	2	2	4	10
2 (a)		2	2	6	10
(b)	2	2	4	2	10
3 (a)	2	2	3	3	10
(b)	4	4		2	10
4 (a)	2	2	2	4	10
(b)	4	2	4		10
5 (a)	2		4	6	12
(b)	2		6		8
Total =	23	16	34	27	100