

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education Ordinary Level

MARK SCHEME for the November 2004 question paper**7115 BUSINESS STUDIES****7115/01****Paper 1, maximum raw mark 100**

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November 2004

GCE O LEVEL

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 7115/01

BUSINESS STUDIES

Paper 1

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- 1 (a) (i) Content. Debtors are customers who have made a purchase but as yet have not paid. They represent outstanding debts to the company.
- 2 marks for good understanding
- 1 mark for limited understanding
- (ii) Content. Cash flow problems stem from an imbalance in the amounts and timing of cash movements into and out of a business. Profits are the surplus remaining when all allocated costs have been deducted from sales revenue. Thus entirely different concepts.

Knowledge		Understanding	
Knowledge of cash flow	[1]	Understanding of cash flow	[1]
Knowledge of profit	[1]	Understanding of profit	[1]

- (b) (i) Content. A facility arranged with a bank to allow a customer to make payments in excess of the cash in the account up to an agreed limit.
- 2 marks for good understanding
- 1 mark for some understanding
- (ii) Content. Usually cash flow problems are tackled by shortening debtor payment periods/reducing stock levels/lengthening creditor payment periods. In this case debtors seem the problem and hence would be the option to pursue.

Knowledge		Application	
Identification of options	[2]	Link of option to situation	[2]

- (c) (i) \$100 000 [2]
- 1 mark for descriptive answer or method
- (ii) Content. Answers to be judged on merit but expected ones would be (a) Machinery/buildings. (b) Stock.
- 1 mark per part
- (iii) Content. Balance sheet shows assets/liabilities/current ratios/gearing ratios/financial balance. Thus useful in order to assess financial strength and position. Better able to judge whether further bank loans should be granted.

Knowledge		Understanding	
What it shows	[2]	Why it is useful	[2]

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- 2 (a) (i) Content. The market research shows the size of the market segments also gives an indication of different gender involvement. Thus helps in determining production levels and promotional activities/advertising campaigns.

Knowledge	Understanding/application
What table shows [1]	Use of this information [3]

- (ii) Mark allocation

1 for labels on axis

2 for accurate construction of both

1 for key to differentiate between men and women's participation in these sports

- (b) Content. The company produces high quality sports equipment. Thus selling point is unlikely to be cheapness. Thus lower prices might send out a confusing message to customers.

Knowledge/Understanding	Analysis/Application
Awareness of issues [2]	Use of awareness in context [2]

- (c) (i) Content. Special offers e.g. short term promotional price or buy a golf bag and get 3 free golf balls.

1 mark per acceptable promotional example

- (ii) Content. Promotions help push sales by capturing consumer's attention and creating interest. They also encourage purchases by offering special inducements to buy now rather than delaying purchases.

Knowledge	Application	Evaluation
Knowledge of marketing mix [2]	Use of promotion as a technique [2]	Effectiveness of the technique [2]

Page 3	Mark Scheme	Syllabus	
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- 3 (a) (i) Content. Variable cost is a cost that is linked to output. Thus as output increases this cost rises. An example might be stock costs.
- 1 mark for simple idea [knowledge]
- 2 marks for more detailed appreciation [understanding]
- 3 marks for high level understanding as illustrated by examples in context.
- (ii) Content. Unit cost is a measure of the average cost per product produced. It is calculated by T.C/O. The total costs will include overheads.
- 1 mark for simple idea [knowledge]
- 2 marks for more detailed appreciation [understanding]
- 3 marks for high level understanding as illustrated by examples in context
- (b) Content. Business uses flow methods and modern technology. Thus economies of scale might be possible [spreading of overheads with volumes].

Application	Understanding
Identifies methods used [2]	Draws valid inferences from methods [2]

- (c) Content. Probable explanation is diseconomies of scale. Perhaps capacity limits being reached leading to increased breakdown of machinery/overtime being worked etc.

Knowledge	Application
Identification of diseconomies of scale [2]	Use of concept in context [2]

- (d) Content. Methods could be financial or non financial. Financial would include performance related pay schemes. Non financial would look at things like job enrichment/working conditions etc. Remember only TWO methods are asked for.

Knowledge	Understanding	Application
Methods identified [2]	Methods explained [2]	Methods in context [2]

Page 4	Mark Scheme	Syllabus	
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- 4 (a) (i) Content. Text points to three features namely operates in number of countries/sells in a number of regions of world/operates on a large scale and hence a global business.
- 1 mark per point identified
- (ii) Content. 40% of \$500m [1] = \$200m [2].
- (iii) Content. Benefits might include job creation/technology knowledge /expertise/inward capital investment/infrastructure development.
- 1 mark per point identified with further development mark possible
- [max 4 marks for question]
- (b) (i) Content. The chart should represent the structure of a large company. Thus it should show levels of hierarchy/spans of control/chain of command. These points need to be appropriately illustrated with reference to functional areas etc.
- 1 mark for diagram looking like a chart but no features [basic knowledge]
- 2 - 3 marks for diagram showing simple features [knowledge plus some application]
- 4 - 5 marks for detailed appropriate features [good knowledge plus understanding/application]
- (ii) Content. This refers to the number of subordinates directly accountable to a superior.
- Good understanding [2]
- Some understanding [1]
- (iii) Content. Wide span of control implies that one boss has large number of people to supervise. Thus potential problem in that control cannot be easily implemented.

Knowledge	Understanding	Evaluation
Focus on span of control [1]	Appreciates potential problems [2]	Judgement exercised [1]

Page 5	Mark Scheme	Syllabus	
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- 5 (a) Content. e commerce might have led to access to wider range of customers hence higher sales. It might also have led to cost savings in terms of staff and time.

TWO advantages only asked for.

Knowledge	Understanding/Application
Two gains [2]	Explanation of gains [4]

- (b) (i) Content. Reasons might be due to competition in the high street/prices higher through shops. Other reasons to be judged on merits.
- 1 mark for reason
- 1 mark for development [explanation]
- (ii) Content. The question makes reference to social costs such as job losses. A private sector business focuses on making money and hence cannot be expected to be over concerned on issues such as job creation. However that does not mean that it should be indifferent to all social aspects of its activities.

Knowledge	Application	Evaluation
What social responsibilities mean [2]	In context [1]	Judgement based upon circumstances [2]

- (c) (i) Content. This is a cost unrelated to the level of output of a business but is one that is incurred by the existence of the business.
- Content. Good understanding [2]
- Simple understanding [1]
- (ii) Content. Overheads in this case would be staff costs/shops/administration /technology investment. These costs are largely unrelated to sales volume. They have to be covered if a profit is to be made. High overheads implies high breakeven volume.

Knowledge	Understanding/application
Aware of concept of overhead costs [2]	Ability to apply and show how and why they create problems for this business [3]