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Cambridge Ordinary Level

BUSINESS STUDIES

7115/11

Paper 1 Short Answer/Structured Response

October/November 2016

MARK SCHEME

Maximum Mark: 80

Published

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

Page 2	Mark Scheme	Syllabus	Paper
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Question	Answer	Marks	Guidance
1(a)	What is meant by ‘globalisation’? Clear understanding [2]: e.g. – the growth in worldwide trade [2] Freer movement of people and capital between countries [2] The process of countries becoming more interconnected [2] Some understanding [1] or identification of one of these features: trade around the world rise of multinationals movement of capital around the world	2	Note: Do not accept answers that clearly relate to a business/businesses
1(b)	Identify <u>two</u> possible threats to C&C from globalisation. Application [2 × 1] award one mark per way Points might include: • increased competition / increasing imports, • exchange rates, • skilled workers leave for jobs elsewhere • loss of individualised products • wages increased to match multinational wage rates • increasing investment from multinationals setting up in home market • unable to meet demand	2	Note: Do not accept selling abroad

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Question	Answer	Marks	Guidance
1(c)	Identify and explain <u>two</u> suitable ways in which C&C might advertise the job vacancies. Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Job centre [k] as local shoemakers would look here for jobs [app] • advertising in newspaper [k] as skilled it is labour [app] • specialist (trade magazines) [k] as looking for people to hand make shoes [app] • recruitment agency [k] so C&C can focus on meeting the extra demand [app] • jobs website / own website / social media [k] • internal newsletter [k] • Radio / television [k] • Word of mouth [k]	4	Application: skilled, high quality, demand, factory, shoes or associated words as leather, sewing, global, production, good reputation Do not accept: 'in the street', internal / external, Internet or posters on its own. Award relevant examples of either two external or one example of each
1(d)	Identify and explain <u>two</u> benefits to C&C of having full-time employees. Knowledge [2 × 1] – award 1 mark for each advantage identified Application [2 × 1] – award 1 mark if relevant reference made to C&C Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Easy to communicate / update [k] on new styles [app] as employees always there [an] • Motivated / More committed to the business [k] so likely to produce enough shoes [an] to help meet the growing demand [app] • Fewer workers needed [k] therefore less administration needed [an] • No need to train regularly [k] as these are skilled workers [app] so able to maintain quality / output [an] • internal pool of candidates for promotion [k] which can help keep recruitment costs low [an]	6	Application: skilled, high quality, demand, factory, shoes or associated words such as leather, sewing, global, 120 (workers) 100 000 (shoes), 20 production employees) Note: must link advantage to C&C to be rewarded. E.g. 'Feel more secure' alone is too vague as this is about the employee and not the business. Do not accept: fast / quicker production, higher output / quality, increased efficiency or work harder as K points. Candidate must explain 'why' these occur.

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Question	Answer	Marks	Guidance
1(e)	Do you think C&C should introduce new technology into the production process? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed [max 1] Application [1] – award 1 mark if relevant reference made to C&C's business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether C&C should introduce technology into the production process Relevant points might include: • Increased production [k] as need to produce 100 000 each year [app] so able to work all the time [an] • Consistent quality [k] as machinery likely to make fewer errors [an] which can help retain / enhance reputation [app] • Risk to reputation [k] as known for its hand-made shoes [app] so fewer people may demand its products [an] • Impact on employee motivation [k] as work could become less interesting [an] so quality of shoes falls [app] • Risk of job insecurity [k] as it replaces some / all the skilled workers [app] which could lower efficiency [an] • Cost of investment / retraining [k]	6	Application: 20 production employees, 120 staff, 100 000 pairs of shoes, exports 10% of output, skilled, high quality, demand, factory, shoes or associated words such as leather, sewing. Note: points can relate to employees or the business Accept: 'Faster / quicker / saves time,' as correct knowledge, given that current production is hand-made. For evaluation either viewpoint is acceptable.

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2(a)	What is meant by ‘Return on capital employed’? Clear understanding [2]: ROCE means the profit of the business expressed as % of capital invested in the business or correct formula. $(\text{Profit} / \text{Capital employed} \times 100)$ Some understanding [1] – e.g. profit from capital invested or money made on investment	2	Note: Must show the awareness of the relationship between profit and capital employed for 2 marks
2(b)	What is meant by a ‘recession’? Clear understanding [2] – a sustained (over a period of time) reduction in GDP / national income / output Some understanding [1] – ‘fall in output’ or ‘fall in GDP’	2	Note: Do not accept features, such as ‘high unemployment’
2(c)	Identify and explain <u>two</u> ways in which the size of the business may benefit Dowson. Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each relevant explanation in context of Dowson Relevant points might include: • Able to attract better employees [k] so have the expertise to survive the recession [app] • Access to finance [k] as seen as lower risk of failing [app] • Discounts for bulk buying [k] so able to charge lower prices for electrical goods [app] • Marketing economies or bigger marketing budget [k] as able to justify national advertising [app] • Spread risk [k] as can afford to stock a wide range of products [app] • Able to dominate the market / large market share [k] so difficult for small retailers to compete [app]	4	Application: recession, overdraft \$6 m, large / big, electrical goods, shops, larger range of goods. Use of figures from table 1. Accept: Economies of scale [K] if no specific examples given.

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Question	Answer	Marks	Guidance
2(d)	Identify and explain <u>two</u> problems for Dowson of having a high level of debt. Knowledge [2 × 1] – award 1 mark for each advantage identified Application [2 × 1] – award 1 mark if relevant reference made to Dowson Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • High financial risk [k] so banks/suppliers might be reluctant to lend to them [an] so not able to stock a wide range of electrical products [app] • Higher expenses [k] which will reduce level of profit [an] • Problems if interest rates rise [k] as might not be able to meet repayments [an] increasing risk Dowson also fails [app] • Difficult to raise additional finance [k] if lenders fear Dowson not able to repay further loans [an] • Cash flow implications/liquidity [k] as acid test ratio is only 0.5: [app] could lead to insolvency [an]	6	Application: recession, overdraft \$6m, large/big, electrical goods, shops, liquidity, use of numbers from table 1. Note: Do not accept bankruptcy/closure of business as knowledge

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Question	Answer	Marks	Guidance
2(e)	Do you think the Finance Director is right to be pleased with the liquidity of the business? Justify your answer using the ratio results in Table 1. Knowledge [1] – award 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to Dowson's business Analysis [2] – award up to 2 marks for relevant development of point(s) Evaluation [2] – justified decision made as to whether the Finance Director is right to be pleased about liquidity Relevant points might include: • Current ratio increased [k] by 0.3 [app][an] so more liquid [an] • Acid test lower [k] from 0.8 to 0.5 [app] so not able to pay short-term debts [an] possibly due to high value of its inventory [an] • Expenses are high [k] as have a high level of debts, which includes \$6 m overdraft [app] • Risk that demand might fall [k] due to recession [app] therefore he would be left with excess stock [an] • High level of inventory [k] 66% of current assets [app] [an] • High level of trade receivables [k] danger that customers might not pay [an] due to recession [app] so business will lack the cash it needs [an] • Current ratio shows the business is able to pay its short-term debts [k]	6	Application: marks may be awarded for appropriate use of the following: current ratio 1.2:1, 1.5:1, or change by 0.3, acid test ratio 0.8:1, 0.5:1, Acid test fallen by 37.5%, Current ratio increased by 25%, stockholding has risen, recession, overdraft \$6m, large / big, electrical goods

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Question	Answer	Marks	Guidance
3(a)	Identify <u>two</u> reasons why a government might support business start-ups. Knowledge [2×1] award one mark per reason Points might include: reduce unemployment, increase competition, increase output, benefit society, small businesses can grow	2	Note: Do not allow 'improving the economy' or 'to receive tax' or 'increasing the economy'.
3(b)	Identify <u>two</u> parts (other than marketing) of a business plan. Knowledge [2×1] award one mark per part Points might include: cash flow forecast, location, human resources plan, production details, business aims	2	Note: Accept any piece of information that would be included in a business plan that is NOT marketing.
3(c)	Identify and explain <u>two</u> possible pricing methods that Amelia might use. Knowledge [2] – award 1 mark for each role identified Application [2] – award 1 mark for each relevant reference to this business Relevant points might include: • penetration pricing [k] as need to get people to try her sweets [app] • price skimming [k] as it's a niche market [app] • cost plus pricing [k] as likely to have large set up costs [app] • promotional pricing [k] • competitive pricing [k] • psychological pricing [k]	4	Application: sweets/candy, new business, business plan, money spent on packaging, secondary data, people like sweets, niche market, adult.

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Question	Answer	Marks	Guidance
3(d)	Identify and explain <u>two</u> reasons why packaging is important for YOGO's products. Knowledge [2 × 1] – award 1 mark for each relevant role Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • List ingredients [k] as it's a food product [app] must state what it contains to avoid legal action [an] • Promotion / to attract customers [k] to buy[an] from the new business [app] • Inform [k] customers about its flavours [app] so people know what is in its products [an] • Protection / keep item fresh [k] so the sweets are not damaged [app] otherwise products might be wasted [an] • Boost brand image / impression of high quality [k] as it is a niche market [app] which can help increase sales / revenue [an] • Easier to store / transport [k]	6	Application: Sweets / candy, new business, business plan, secondary data, people like sweets, niche market, adult, food product. taste

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Question	Answer	Marks	Guidance
3(e)	Do you think Amelia's business would benefit from primary market research? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant point(s) Application [1] – award 1 mark if relevant reference made to Amelia's business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether Amelia would have benefited from carrying out primary market research Relevant points might include: • It is expensive [k] spends a lot on packaging [app] therefore may not be able to afford it [an] • It is time consuming [k] she has already done secondary research [app] so how much more can she find out [an] • Collect precise information[k] on sweets [app] so that she can produce the most appropriate products[an] • Secondary data may be outdated [k] [app]Needs might have changed [an] • Help better target promotion / in pricing decisions [k] especially as new business [app]	6	Application: sweets /candy, new business, business plan, secondary data, people like sweets, niche market, adult, food product, money spent on packaging Note: Do not reward identification of methods of primary research alone as the question is asking for the benefits For evaluation either viewpoint is acceptable

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Question	Answer	Marks	Guidance
4(a)	Identify <u>two</u> functions of management. Knowledge [2×1] award one mark per function Points might include: planning, organising, co-ordinate, command, control, motivate / supervise, decision making, problem solving, recruit	2	
4(b)	Calculate DCP's average cost per litre. Good application [2] 30 c or 0.3 (per litre) Some application [1] e.g. total cost divided by output OR 450 000 / 1 500 000	2	
4(c)	Identify and explain <u>two</u> ways in which DCP might communicate with its customers. Knowledge [2 × 1] – award 1 mark for each relevant reason Application [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Email / website / social networks [k] as customers are in different countries [app] • Meetings [k] as only have 6 customers [app] • Phone / text [k] as able to quickly check information about paint orders [app] • Letter [k] • faxes [k]	4	Application: paint or use of associated words such as walls, litres, colour, 6 large, business customers, competitive market, high quality, different countries, operations manager Methods identified must be appropriate for a large business customer Do not accept: internal communication e.g. memos, noticeboard, categories such as written or verbal on their own, primary methods of research

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Question	Answer	Marks	Guidance
4(d)	Identify and explain <u>two</u> possible reasons why quality is important to DCP. Knowledge [2 × 1] – award 1 mark for each reason Application [2 × 1] – award 1 mark if relevant reference made to DCP Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Good reputation / brand image [k] so customers trust the paint [app] which could help increase sales [an] • Attract new customers [k] as products might be better than rivals [app] • Meet legal controls [k] as contains chemicals [app] must be safe to avoid being prosecuted / sued [an] • More competitive [k] as paint is very similar [app] this could give them a competitive advantage over its rivals [an] • Create brand / customer loyalty [k] so business [app] customers keep returning [an] • Can charge a higher price [k] than 35 c per litre [app] to increase revenue [an] • sales might fall [k] if quality is lowered [an] because it is a competitive market [app]	6	Application: paint, litres, colour, 6 business customers, competitive market, high quality, industrial, different countries, use of numbers Candidates may consider why reducing quality is a problem

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Question	Answer	Marks	Guidance
4(e)	Do you think charging a higher price is the best way for DCP to increase profit? Justify your answer. Knowledge [1] – award 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to DCP's business Analysis [2] – award up to 2 marks for relevant development of point Evaluation [2] – justified decision made as to whether charging a higher price is the best way to increase profits Relevant points might include: • Revenue could increase[k] and if quantity and costs of the paint [app] remain the same profit could increase [an] • Demand may fall [k] as customers might choose rival products [an] in this competitive market [app] • if demand is price inelastic [k] higher price will see a lower fall in demand [an] therefore revenue will rise [an] • business may be able to lower costs [k] therefore increasing profit with current prices [an] • It would reinforce the image [k] of high quality [app] customers might be happy to pay it [an] • depends on actions of competitors [k]	6	Application: paint or use of associated words such as walls, litres, colour, cheaper materials, 6 business customers, competitive market, high quality, industrial, different countries, use of numbers Note: The answer should focus on price or cost changes Note: Do not award candidates who only discuss alternative ways to increase profit, for example, advertising. For evaluation either viewpoint is acceptable