

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

**MARK SCHEME for the October/November 2014 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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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

1 (a) What is meant by an *entrepreneur*? [2]

An entrepreneur is someone:

Takes the decision to go into an enterprise [2]

Is willing to take risks [1] and makes decision [+1]

Organise factors of production [1] to start an enterprise [+1]

Spots a gap in the market [1] and therefore exploits it [+1]

Uses entrepreneurial skills to set up their own enterprise [2]

Being creative/comes up with new ideas [1]

2 marks – clear and precise definition such as above

1 mark – some understanding or an entrepreneurial skill identified

(b) Using one example of an entrepreneur you have studied, explain how this entrepreneur was enterprising. [2]

Example:

Mark Zuckerberg created Facebook [1] using technology [1]

1 mark – names of entrepreneur and identification of their enterprise

Plus 1 mark – identification of a way that they have been enterprising for example as identified in the syllabus

NB: If a candidate fails to name a specific entrepreneur, the maximum mark is 1.

(c) Using examples, explain how two sources of help and support were used in your enterprise project. [6]

Possible sources:

Formal sources of support:

Government bodies

Business agencies

Financial institutions

Charities

Informal sources of support:

Family

Friends

Other business people/schools/teacher

Mentor

Business networks:

Forums for advice and discussion

Example:

Family [1] gave me a loan [+1] so I could afford transport [+1]

1 mark – source of support

Plus 1 mark – identification of help/support given

Plus 1 mark – explanation showing how this assisted the enterprise

For 6 marks TWO distinct sources must be identified

Note – if no appropriate source of help and support is identified zero marks.

Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

2 (a) What is meant by a *co-operative*? [2]

A co-operative:

An enterprise that is owned by its employees/customers/members [2]

An enterprise where owners/members each have equal rights/say [2]

There is no hierarchy in the enterprise/democratic styles [2]

Pooling of resources [1]

Share responsibility/workload [1]

2 marks – precise understanding of the meaning of this term

1 mark – some understanding or one specific feature

(b) State two other types of business organisation. [2]

Two from:

Sole trader

Partnership

Private limited company

Public limited company

Franchise

Social enterprise: charities, not for profit

NB: Candidates only need to identify, they do not need to describe or explain them.

(c) Describe two possible advantages and one possible disadvantage of organising an enterprise as a co-operative. [6]

Two from the following advantages:

Open membership [1] anyone can join [1]

Democratic ownership [1] one member one vote [1] Individual/members have equal rights/profit [1]

Surplus or profit allocated according to spending [1] through provision of a dividend [+1]

Run in the interests of its members [1] because they have a say in its operation [+1]

Pooling of resources [1] so possible economies of scale [1]

Likely to be a higher level of motivation/lower level of conflict [1]

Work is usually geared to the needs of the local community [1]

Usually is more adherence to ethical policies [1]

Inexpensive to register [1]

One from the following disadvantages:

Shares are not sold on the stock exchange [1] limit the amount of money that can be raised [1]

Conflicts may arise [1] because of equal voting rights [1] an appropriate example making clear the problem [+1]

Co-operatives set up for benefit for members [1] so may struggle to attract finance [1]

Profits distributed equally [1] despite the amount of work done [1]

Owners/managers may not be professionals [1] therefore lack the skills to run effectively [1]

Page 4	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

- 3 (a) Describe two ways in which changes in the size and structure of population can provide opportunities for enterprise. [4]

Size of population:

A growing population [1] gives scope for increased sales and revenue/more customers [1]  
 this could lead to greater profit [1]  
 Opportunity for expansion (demand increase)/diversification (different products) [1] providing  
 a good for the children [1]

Structure of population:

Ageing population [1] will give scope for particular products for older people [1]  
 Some products can be gender-related [1]  
 Societies become more multi-racial [1] scope for enterprises to cater for the particular needs  
 of different groups [1]

Note – Maximum of one mark per identified impact if the change to the size or structure of the population is not made clear.

- (b) Explain how the following opportunities for enterprise affected your enterprise project.

- (i) The ability to provide the product or service. [3]

Depends on:

Skills  
 Experience  
 Finance  
 Raw material/equipment availability  
 Knowledge and interests of project members

Example:

We lacked the skills [1] to design t-shirts [1] therefore we could not supply them [1]

Note – answers must focus on the ability to provide the product/service not the promotion.

- (ii) The income of potential customers. [3]

Depends on:

Revenue was unstable  
 Able to afford the product or service/income  
 Setting appropriate price

Example:

We needed to charge a low price [1] because customers had low income [1] therefore  
 our profits were low [1]

Award marks in each case as follows:

1 – identification of a relevant factor affecting the supply  
 1 – identify a product or service that they could/could not supply  
 Plus 1 – the effect or consequence in their enterprise

Page 5	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

4 (a) (i) What is meant by a 'share'? [2]

- Part ownership of a company [2]
- A financial security issued by a company [2]
- A means of raising finance [1]
- Become a shareholder [1]
- Part ownership of a business [1]
- Implies some voting powers [1]

Two identifiable features can gain two marks.

Note – no marks available for 'to receive a dividend' as this is in the question stem.

(ii) What is meant by a 'dividend'? [2]

- A payment made by a company to its shareholders for providing share capital [2]
- The part of profits given to shareholders [2]
- Money given to shareholders [1]
- Depend on the amount of shares held [1]
- Part of/depends on profits [1]

Two identifiable features gain two marks.

(b) Do you think it is important that the Jarvis Co-operative Farmers' Market makes a profit? Explain two reasons for your decision. [6]

Application points include:

- A potential source of finance for the cooperative/buy tables
- Given as a dividend to the members of the co-operative
- A motivator to join the cooperative/rent tables
- Profit is the only payment that the owners receive

Analysis points could include:

- Short-term survival might be a more important objective
- Would eventually need to make a profit in order to grow/improve/invest further
- Profit will not be required if the owners are happy to take a fixed wage/payment instead of dividend

Example:

- Profits would mean a bigger dividend could be provided [1] therefore more farmers would be encouraged to join [1] and the cooperative would grow [1]

Marks should be awarded in each case as follows:

- 1 mark – relevant application to the case study enterprise
- Plus 2 marks for relevant analysis as to why this is important or not to this enterprise

Note: Profit can be used to pay for costs – accepted as an applied point as the case study indicates a lack of finance to pay for rent in the future.

Page 6	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

5 (a) Define the following terms:

(i) an *agenda* for the meeting [2]

A list of items/plan [1] to be discussed at a meeting [1]  
Sent before the meeting [1]

Note: no credit for the purpose of the agenda.

(ii) the *minutes* of the meeting. [2]

A record of items [1] discussed at a meeting [1] decisions taken [1]  
Sent after the meeting [1]

Note: no credit for the purpose of the minutes.

(b) Do you agree with Ayesha and Hassan that regular meetings were a good idea? Explain two reasons for your decision. [6]

Possible application includes:

Need to discuss progress

All members should be involved (cooperative)

Decide the dividend

How to increase the size of the cooperative/attract more members

Decide the fee

Choose suitable sources of finance

Possible analysis could include:

So that everybody was kept informed

Everybody had the opportunity to express their views and to hear the views of others

Would allow new ideas to be generated

Allows information to be spread quickly and effectively

Example:

Meetings allow disagreements or decisions to be shared [1] before the market day [1] so everyone has the same approach [1]

Marks should be awarded in each case as follows:

1 mark – relevant application to the case study enterprise

Plus 2 marks for relevant analysis as to why this is important or not to this enterprise

Page 7	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

- 6 (a) Ayesha and Hassan thought that they had the necessary skills to be successful entrepreneurs.

Identify **two** personal attributes or entrepreneurial skills and evaluate their importance to the success of **your enterprise project**. [10]

Possible personal attributes and entrepreneurial skills:

Leadership/team building/delegation

Self-confidence/motivation/determination to succeed

Innovation/creativity

Problem-solving/practical/technical skills

Level 4 (9–10 marks)

Candidate is able to offer a discussion of the importance of the two personal attributes or entrepreneurial skills to the success of their enterprise project.

For 10 marks discussion must cover two attributes or skills.

Level 3 (6–8 marks)

Candidate is able to offer a reasonable explanation of the importance of the two personal attributes or entrepreneurial skills to the success of their enterprise project. The answer is logical and reasoned, there is some link between the personal attributes or entrepreneurial skills and the impact on their project.

For 8 marks two attributes or skills must be at least partially analysed.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of two personal attributes or entrepreneurial skills to their own enterprise project.

Level 1 (1–2 marks)

Candidate is able to demonstrate knowledge and understanding of personal attributes or entrepreneurial skills, but there is no application.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of personal attributes or entrepreneurial skills.

Page 8	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

(b) Ayesha and Hassan carried out a variety of methods of market research.

Compare the effectiveness of the different methods of market research that could have been used to ensure the success of your enterprise project. [15]

Knowledge points could include:

Questionnaires/interviews/postal surveys

Internet sites/information from competitors/government publications

Accept any relevant method of market research.

Level 4 (10–15 marks)

Candidate is able to offer a comparison of the effectiveness of the different methods of market research that could have been used.

For 15 marks a clear conclusion is required.

13–14 marks – if the link between market research methods and success is made explicit.

10–12 marks – If the link between market research methods and success is implied.

Level 3 (6–9 marks)

Candidate is able to offer a reasonable explanation of the effectiveness of the different methods of market research.

8–9 marks – The effectiveness of two plus methods (how it helped the enterprise) is clear.

6–7 marks – There is some attempt to explain the effectiveness of two plus methods or one method well explained.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of the different methods of market research that could have been used in their own enterprise project.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of the different methods of market research, but there is no application to show how they could have been used in their enterprise project.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of the different methods of market research.



Page 9	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

- 7 (a) The Jarvis Co-operative needed to buy tables for the farmers' market. The sources of finance considered were: share capital, a bank loan or a bank overdraft.

Recommend which one of these three sources of finance should be used. Explain why you did not recommend the other two sources of finance. [10]

Possible knowledge:

Share capital:

And so would avoid the need to borrow the funds from an external source.

But would it be possible to raise sufficient funds from the members of the co-operative?

Bank loan:

The amount borrowed will need to be repaid in a specified amount of time, which would be agreed between the bank and the co-operative.

The disadvantage is that interest will be charged on the loan.

Bank overdraft:

It is therefore much more flexible than a loan.

But the interest rate, even on an arranged overdraft, is usually higher than for a loan.

Level 4 (9–10 marks)

Candidate is able to offer a justified decision on the source of finance which is recommended in preference to the other two. The recommendation is explicit and supported.

Level 3 (6–8 marks)

Candidate is able to offer an explanation of the advantages/disadvantages of the sources of finance in relation to the need to buy tables for the Jarvis Co-operative. The recommendation is implicit. For 8 marks, all three methods of finance identified should be considered.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of these three sources of finance to the case study.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of these three sources of finance, but there is no application.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of these three sources of finance.

Page 10	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0454	01

- (b) Ayesha and Hassan needed to encourage more farmers to rent tables at the Jarvis Co-operative Farmers' Market.

Discuss the ways in which they could do this. Justify your answer.

[15]

Possible approaches:

Reduce the price charged for renting a table at the market

Offer a deal along the lines of 'four weeks for the price of three'

Promise to gain more customers, and thereby give farmers the opportunity to gain more revenue

More extensive advertising of the market in the local area

Improve customer service

Ask the farmers how to improve the take-up, through having more meetings

Level 4 (10–15 marks)

Candidate is able to offer a discussion of the ways in which farmers could be encouraged to do this.

14–15 marks – the justification is explicit and well argued with a clear decision.

10–13 marks – the discussion may be one sided or limited in the number of methods discussed.

Level 3 (6–9 marks)

Candidate is able to offer an analysis of the ways in which farmers could be encouraged to do this.

8–9 marks – the analysis will cover two or more methods or provide a detailed analysis of one method with clear evidence of the pros and cons.

Level 2 (3–5 marks)

Candidate is able to apply knowledge and understanding of methods that could be used in this situation.

Level 1 (1–2 marks)

Candidate is able to demonstrate some knowledge and understanding of such encouragement, but there is no application to the case study material.

Level 0 (0 marks)

Candidate is unable to demonstrate any knowledge or understanding of such encouragement.