Cambridge IGCSE™

BUSINESS STUDIES **0450/12**

Paper 1 Short Answer and Data Response **February/March 2024**

MARK SCHEME

Pre-standardisation

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1: Marks must be awarded in line with: • the specific content of the mark scheme or the generic level descriptors for the question • the specific skills defined in the mark scheme or in the generic level descriptors for the question • the standard of response required by a candidate as exemplified by the standardisation scripts.
GENERIC MARKING PRINCIPLE 2: Marks awarded are always **whole marks** (not half marks, or other fractions).
GENERIC MARKING PRINCIPLE 3: Marks must be awarded **positively**: • marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate • marks are awarded when candidates clearly demonstrate what they know and can do • marks are not deducted for errors • marks are not deducted for omissions • answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.
GENERIC MARKING PRINCIPLE 4: Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.
GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Social Sciences Subject Specific Marking Principles
(for point-based marking)

1. Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a. DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b. DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c. DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons…).

d. DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e. DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities, e.g. a scattergun approach to a question asking for *n* items

f. DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g. DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2. Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3. Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.

- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4. **Annotation:**
   - For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
   - For levels of response marking, the level awarded should be annotated on the script.
   - Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

0450/7115/0986 Business Studies - Paper 1 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

Question	Answer	Marks	Notes
1(a)	**Define 'added value'.**		
1(a)	Award 2 marks for a full definition. Award 1 mark for a partial definition. The difference between the selling price of a product and the cost of bought-in materials and components. [2] Partial definition e.g. improvement to the product that makes it worth more. [1]	**2**	Award the following as BOD as stated in endorsed textbook(s): Selling a product for more than it cost to produce it. [2] The amount added to the value of a product through the production process. This is calculated by subtracting the original costs from the selling price [2]. *STM: based on endorsed textbooks, do not need to specify it is cost of materials.*
1(b)	**Define 'secondary sector'.**		
1(b)	Award 2 marks for a full definition. Award 1 mark for a partial definition. Manufactures goods using the raw materials provided by the primary sector. [2] OR Uses manufacturing to transform the raw materials generated in the primary sector into a product. [2] OR Firms that process and manufacture goods from natural resources. [2] Partial definition e.g. manufacturing a product [1]	**2**	**Do not** award examples.

Question	Answer	Marks	Notes
1(c)	**Outline two reasons why TCH's business objectives might have changed.**		
1(c)	Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Previous objectives have been achieved [k] at the bakery [app] • Change of owners/managers [k] over the last 3 years [app] • Changes in the government objectives/legal controls [k] affecting secondary sector businesses [app] • Change in customer preferences [k] so may need more/less than 6 employees [app] • Increase in competition [k] which may be why want to business to expand [app] Other appropriate responses should also be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Bakery / pastries and cakes • 3 years • Secondary sector • 6 employees Other appropriate examples in context can be credited.

Question	Answer	Marks	Notes
1(d)	**Explain two non-financial methods of motivation TCH could use.**		
1(d)	Award 1 mark for each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Job rotation [k] increases the variety of the work which can reduce boredom of workers [an] at the bakery [app] • Job enrichment [k] developing more skills (by adding tasks that require more skills/responsibility) [an] of the 6 employees [app] • Teamworking [k] which can increase sense of belonging in the business [an] for the skilled employees [app] • Training [k] • Job enlargement [k] • Opportunities for promotion [k] • Praise [k] • Recognition [k] • Delegation [k] Other appropriate responses should also be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Bakery / pastries and cakes • 3 years • 6 employees • Skilled Other appropriate examples in context can be credited. The same analysis can be used for different points, but do not award the same analysis point twice. Do not award examples of financial rewards such as fringe benefits.

Question	Answer	Marks	Notes
1(e)	**Explain two methods of external recruitment a business could use. Which is likely to be the best method to use? Justify your answer.**		
1(e)	Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to which method of external recruitment a business should use when it expands. Points might include: • Specialist magazines [k] can target potential employees [an] • Online recruitment sites [k] which can reach large numbers of people [an] but not everyone has access to the internet [an] • Recruitment agencies [k] which saves administration time [an] but recruitment agencies charge a fee for their services [an] • (Government-run) job centres [k] as no cost incurred to the business [an] but only reach those people who are actively looking for a job [an] • Local newspapers [k] • National newspapers [k] Other appropriate responses should also be credited. Justification might include: Recruitment agencies [k] which saves administration time [an]. However online recruitment sites [k] will reach many people [an]. I think that a online recruitment site is the best method because as the business is expanding, it needs access to a wider pool of people to help make it easier to find the right person for the role and is likely to be cheaper than a recruitment agency [eval] [eval].	6	This is a general question so there are no marks for application. The same analysis can be used for different points, but do not award the same analysis point twice. Can award: • Newspaper when no specific examples are given. • Visit university tb *STM - discuss named recruitment sites e.g. linkedin (think its fine)*

Question	Answer	Marks	Notes
2(a)	**Identify <u>two</u> characteristics of a recession.**		
2(a)	Award 1 mark per characteristic (max 2). Examples may include: • Low levels of consumer spending/low demand • GDP falls • Falling business profits • Rising unemployment /redundancies/workers lose their jobs • Lower levels of business output • Businesses fail/close • Lower levels of business investment • Falling business confidence Other appropriate responses should also be credited.	**2**	Only award the first two responses given.

Question	Answer	Marks	Notes
2(b)	**Define 'pressure group'.**		
2(b)	Award 2 marks for a full definition. Award 1 mark for a partial definition. Pressure groups are groups of people who act together to try to force businesses or governments to adopt certain policies. [2] OR A group that campaigns on a range of social cause and tries to influence business behaviour. [2] OR Organisations of like-minded people who put pressure on businesses and the government to change their policies to reach a predetermined objective. [2] Partial definition e.g. people who try to influence business activities. [1] OR Group who do something to change business/government decisions [1]	**2**	**Do not** award examples.

Question	Answer	Marks	Notes
2(c)	**Outline <u>two</u> ways PLY could be affected by legal controls over business activity affecting the environment.**		
2(c)	Award 1 mark for each relevant way. Award 1 mark for each relevant reference to this business. Points might include: • May have to pay tax / find alternative ways for the disposal of waste [k] which may reduce action from pressure groups [app] • May have to use renewable sources of energy / may have to change their energy sources [k] in its factory [app] • May have to relocate [k] for the production of hats [app] • May have to lower/limit output [k] • May have to change materials used / find new supplier [k] which could be difficult to do in a recession [app] Other appropriate responses should also be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hats • Pressure groups • Factory • Recession • Environmentally friendly? Other appropriate examples in context can be credited. STM to discuss: *Increase costs as [k]?* *May have to stop producing certain products?* *BP1 - taxes and change - separate points?*

Question	Answer	Marks	Notes
2(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of PLY using email to communicate with its customers.**		
2(d)	Award 1 mark for each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Can be sent to many people at once [k] which can save time and allow the business to focus on other activities [an] such as becoming environmentally friendly [app] • Can be saved for future reference/ can refer back to message [k] about the online sales [app] which can help avoid disagreements [an] • Low cost [k] which lowers expenses [an] during the recession [app] • Allows business to communicate quickly [k] Disadvantages: • Too many emails may be received [k] so may be difficult for customer to pick out the relevant information [an] about the hats [app] • Cannot check if message has been received/understood/ emails may go into junk folder [k] so miss out on vital market research information [app] • Not all potential customers have an email address [k] which could reduce sales [an] in the mass market [app] Other appropriate responses should also be credited.	6	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hats • Sells online/online sales • Mass market • Recession • Environmentally friendly • Market research Other appropriate examples in context can still be credited. Can award following disadvantages: • Emails are not always written as carefully as letters. • They can be sent to wrong person/people • Not confidential

Question	Answer	Marks	Notes
2(e)	**Explain <u>two</u> reasons why a business uses market research. Which reason is likely to be the most important? Justify your answer.**		
2(e)	Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to which reason for using market research is likely to be the most important. Points might include: • Identify customer needs [k] which reduces the risk when developing/launching new products [an] • Discover current/future market size [k] to help make production decisions [an] • Provide information about the businesses existing products/markets [k] when can help inform the marketing mix [an] • Find out about competitors product [k] to help gain competitive advantage [an] • To decide how to price/promote the product [k] to increase sales [an] • To predict how changes in trends in consumers tastes and fashion may affect future demand [k] Other appropriate responses should also be credited. Justification might include: Market research can help to identify customer needs [k] which reduces risk when developing/launching new products [an]. It also helps to decide how to price the products [k] which can help to increase sales [an]. I think the most important reason is to identify customer needs as if a business develops a product that customers don't want, they are unlikely to generate	**6**	

	any revenue, whatever the price set. [eval] [eval].		

Question	Answer	Marks	Notes
3(a)	**Identify <u>one</u> cash inflow and <u>one</u> cash outflow for a business.**		
3(a)	Award 1 mark for cash inflow and 1 mark for cash outflow. Answers may include: Cash inflow: • Sale of products (for cash) • Money from trade receivables • Borrowing money (from external source)/ cash received from loan • Sale of non-current assets/selling unwanted machinery/land • Sale of shares / cash received from investors Cash outflow: • Purchasing goods/materials/payment to suppliers/trade payables • Paying expenses/or examples e.g. wages, rent • Purchasing non-current assets • Repaying loans • Paying dividends Other appropriate responses should be credited.	**2**	Only award first response given for each. Can award: Cash inflows: • BP1 Cash from debtors Cash outflows • BP1 Payment to creditors

Question	Answer	Marks	Notes
3(b)	**Identify <u>two</u> factors which might affect the source of finance a business chooses to use.**		
3(b)	Award 1 mark per factor (max 2). Factors may include: • Size/legal form of business • Amount required • Length of time required for • Level of existing loans/debts/borrowing • Purpose • Interest/cost of finance • How quickly need money • Credit history Other appropriate responses should also be credited.	**2**	Only award first two responses given. Can award: BP4: Gearing Additional points • Security • Control • Availability of internal funds

Question	Answer	Marks	Notes
3(c)	**Identify <u>four</u> ways a market can be segmented.**		
3(c)	Award 1 mark per way (max 4). Examples may include: • Age • Socio-economic grouping • Gender • Income • Ethnic background • Family size • Lifestyle • By use of product • Location/region Other appropriate responses should also be credited.	**4**	Only award the first four answers given. Alternative methods of classification include: • Demographic (age, socio-economic, gender, income, ethnic background, family size) • Geographic (location/region) • Psychographic (lifestyle, attitudes, personalities) If this approach is used, then examples of each method cannot also be awarded.

Question	Answer	Marks	Notes
3(d)	**Explain <u>two</u> advantages to FR of being a multinational company.**		
3(d)	Award 1 mark for each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • May be able to operate with low costs [k] which could increase profit margin [an] for the hotel [app] • Sales may increase / increase market share [k] which could increase revenue [an] in the 18 countries [app] • Spreads risk [k] as sales falling in one country may be offset by rising sales in another country [an] • Potential access to government grants [k] which could increase cash inflow [an] and improve its cash-flow forecast [app] • Better image/reputation [k] • Take advantage of lower tax rates [k] Other appropriate responses should also be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hotel • 18 countries • Cash-flow forecast Other appropriate examples in context can be credited. **Do not** award the following as not relevant to a hotel: • Extracting raw materials • Reduce transport cost • Avoid trade barriers

Question	Answer	Marks	Notes
3(e)	**Explain <u>two</u> ways a cash-flow forecast could be used by a business. Which is likely to be the most important way? Justify your answer.**		
3(e)	Award up to 2 marks for identification of relevant points.	**6**	
	Award up to 2 marks for relevant development of points.		
	Award up to 2 marks for justified decision as to which use of a cash-flow forecast is the most important.		
	Points might include:		
	• Support loan applications [k] to show if the business has sufficient cash to repay a loan [an]		
	• To know how much cash is available for paying bills [k] so they can arrange an overdraft if necessary [an]		
	• To identify if there will be a cash-flow problem [k] so they can cut back on spending [an]		
	• To see if the business is holding too much cash which could be used for a more profitable use [k]		
	Other appropriate responses should also be credited.		
	Justification might include:		
	One use is to support loan applications [k] as it can show if the business has sufficient cash to repay a loan [an]. It could also be used to identify if there will be a cash-flow problem [k] so that the business can cut back on spending if necessary [an]. I think that the most important use of a cash-flow forecast is identifying if there will be a cash flow problem as if there isn't enough cash to cover day to day expenses then the business will fail whereas a business could still trade if it failed to get a loan [eval] [eval].		

Question	Answer	Marks	Notes
4(a)	**Define 'break-even output'.**		
4(a)	Award 2 marks for a full definition. Award 1 mark for a partial definition. The quantity that must be produced/sold for total revenue to equal total cost. [2] OR Where total revenue equals total cost. [2] Partial definition e.g. the business is making neither a profit or loss. [1] OR Where revenue equals cost. [1]	**2**	Award the following as BOD as stated in endorsed textbook: The level of output where revenue equals costs; the business is making neither profit nor loss [2].
4(b)	**Calculate the margin of safety. Show your working.**		
4(b)	Award 2 marks for correct calculation. Award 1 mark for correct method but wrong answer. Correct answer: 50 units [2] Method: Current sales - break-even output [1] OR 550-500 [1]	**2**	If correct answer given and no workings shown award 2 marks. Award a maximum of 1 mark if 50 units is calculated, but it is not written as the final answer.

Question	Answer	Marks	Notes
4(c)	**Outline two methods of sales promotion Suliman could use for the new shop.**		
4(c)	Award 1 mark for each relevant type (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Point of sale displays [k] by the sole trader [app] • Price reductions [k] for the t-shirts [app] • Gifts [k] which may help to increase sales above 550 [app] • Buy one get one free (BOGOF) [k] • Competitions [k] • Product placement [k] • After-sales service [k] Other appropriate responses should also be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: Sole trader $3.99 (sell price) $1.99 (variable cost) 500/550 (t-shirts) 50 (margin of safety) Other appropriate examples in context can be credited.

Question	Answer	Marks	Notes
4(d)	**Explain two factors Suliman should consider when deciding on a suitable location for the new shop.**		
4(d)	Award 1 mark for each relevant factor (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Number of customers [k] as more customers will mean more potential revenue [an] from the sale of t-shirts [app] • Rent/taxes [k] as this could increase costs [an] which could increase break-even point from 500 units [app] • Level of competition [k] as less competition could mean higher market share [an] for the sole trader business [app] • Availability of labour [k] as if there is a low supply of labour then wage demands may be higher [an] • Personal preference of owners [k] • Proximity to customers/ parking available [k] • Distance to supplier [k] • Legal factors [k] • Security/ level of crime [k] Other appropriate responses should also be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • T-shirts Sole trader • $3.99 (selling price) • $1.99 (variable cost) • 550/500 • 50 (margin of safety) Other appropriate examples in context can be credited. Do not award shop as application as stated in question. The same analysis can be used for different points, but do not award the same analysis point twice.

Question	Answer	Marks	Notes
4(e)	**Do you think operating as a sole trader is the best type of organisation for a small business? Justify your answer.**		
4(e)	Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to whether operating is a sole trader is the best type of organisation for a small business. Points might include: • Own boss/complete control [k] so could lead to quicker decision-making [an] • Does not have to publish financial information [k] so competitors cannot access this information [an] • Unlimited liability [k] so if the business cannot pay its debts, then the owners personal possessions are at risk [an] • Limited sources of finance [k] so may make it difficult to expand [an] • No-one to cover if owner is ill [k] so business may lose sales [an] • Few legal regulations [k] Alternative forms of ownership include: • Partnership [k] so can share workload [an] which could increase productivity in the business [an] • Private limited company [k] as would benefit from limited liability [an] Other appropriate responses should also be credited. Justification may include: A sole trader has complete control [k] which could lead to quicker decision making [an]. However, there is unlimited liability [k] so if the business cannot pay its debts the owner's personal possessions are at risk [an]. I think it is beneficial for a small business to operate as a sole trader because the quicker decision-making could lead to a competitive advantage which could help to increase sales [eval] therefore reducing the chances of the business not being able to pay its debts [eval].	**6**	Advantages of one type can be disadvantages of another type but do not award twice as mirror arguments are not accepted. **Do not** award public limited company as not appropriate for a small business. Award the following as BOD: Franchise [k]