

As part of CIE’s continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature, The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner’s Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner’s Reports.

Question Paper	Mark Scheme	Principal Examiner’s Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner’s Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner’s Report

Who can I contact for further information on these changes?

Please direct any questions about this to CIE’s Customer Services team at: international@cie.org.uk

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the May/June 2008 question paper

0450 BUSINESS STUDIES

0450/11

Paper 11 (Short Answer/Structured Response),
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.

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.

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

CIE is publishing the mark schemes for the May/June 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Page 2	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	11

1 (a) 1 mark per correct calculation.

(i) \$9000

(ii) \$10000

(iii) (\$4000).

\$ not needed neither '000's

[3]

(b) Content. Credit terms imply the use of the goods before payment is made. This may be done because

- it is standard business practice;
- maintain customer accounts;
- marketing strategy.

Retail customers likely to place large orders and hence important to keep their business.

Identification of reason. [1]

Development of reason [2–1] e.g. by offering credit terms he makes his business more attractive to customers and hence should increase sales and profits.

(c) Content. Cash flow forecast is a prediction of the timing and amounts of cash in and out of a business. It is of value as a means of identifying cash needs and potential imbalances. It thus aids financial planning. Allows for overdraft funding to be put in place. It would allow Lloyd to anticipate future problems.

Knowledge of cash flow [2–1] to include reference to amounts and timing.

Explanation of usefulness [2–1].

(d) (i) Advantages of a business partnership might include potential access to more capital/wider range of expertise/sharing of responsibility/sharing of work load/joint liability. Others to be judged on merit.

Advantages identified [2–1].

Advantages explained [2–1].

(ii) Problems are numerous but might include reference to things like sharing profits/decision making shared and hence more difficult/personal conflict/differing objectives and views/unlimited liability

Identification of a problem [1].

Explanation or Analysis of problem [2–1] i.e. showing why it is a problem.

(iii) Other source might include internal sources such as sale of surplus assets/tighter cash flow control/reduce debtors/increase creditors/friends and family/injection of own funds. External sources might include bank loan or possibly government financial assistance.

Knowledge of a source [1].

Explanation of implications of source [2–1].

Page 3	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	11

- 2 (a) (i) Profit margin expresses the profit made as a % of sales value. Low implies this % is small in a comparative sense.
 Knowledge [1] i.e. knows what is meant by a profit margin.
 Understanding [1] i.e. appreciates what is meant by margin being low.
- (ii) Profit is determined by profit margins times volume. Hence if she sells large quantities then the absolute profit is high even if the unit profit is low.
 Understanding of how along with explanation [3–2]. Answer shows the link between margins and profit and how one can be low but the other relatively large.
 Some understanding [1].
- (b) A restaurant business is being set up so points must be appropriate for this kind of business. Likely points to include proximity to competitors/accessible to customers/large potential customer base/costs of location e.g. overheads. Non-contextual points will not be rewarded.
 1 mark per point identified [max 3].
 1 mark per point explained [max 3].
 Explanation marks will be awarded for demonstration as to why these factors matter. These marks will be awarded for contextual reference.
- (c) (i) Sponsorship will increase customer awareness/raise profile of business/create goodwill/form of advertising.
 Knowledge [1].
 Analysis [2–1].
 Marks to be awarded for showing why these factors should boost sales.
- (ii) Promotion is an attempt to draw attention to a business in order to gain new customers or retain existing ones. Methods might include advertising/direct mail shots/special offers/promotional prices/special discounts. Examples in context acceptable, such as two meals for the price of one. The evaluation marks to be awarded for an attempt to justify the promotional method selected i.e. to show why it is appropriate. Remember that this is a new start up business.
 Knowledge [2–1].
 Analysis [2–1].
 Evaluation [2–1].
- 3 (a) Main differences between the two business structures are levels of hierarchy/chain of command/ spans of control/steep and flat.
 Application [2–1] i.e. Identification of difference from the data [context] – must state which business has a greater hierarchy etc.
 Analysis [2–1] explaining what is meant by the difference identified, e.g. span of control much greater in Company B. This means that C is directly responsible for employees D-L.
- (b) Main methods of communication are AGM [face to face] and annual accounts/chairman's statement [written communication]. Other methods are acceptable such as indirectly through financial press/letters written to explain extra ordinary events/emails/telephone/fax.
 Knowledge [2–1].
 Explanation of methods [2–1].
 It will be possible to gain 4 marks by identifying four different methods.

Page 4	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	11

- (c) (i) Communication is all about the transmission of information from a source to a recipient which becomes effective when the feedback shows understanding. Internally implies that the process operates within the business.
Understanding of concept [2]. This must make reference to what is meant by communication and the nature of internal communication.
Knowledge of aspects of concept [1].
- (ii) If internal communications don't work this leads to confusion/misunderstanding/lack of direction/omission or duplication of actions. All these types of factors create inefficiency. Efficiency implies effective use of the resources within a business.
Understanding of efficiency [2–1].
Application of communication to efficiency [2–1].
- (d) Company A is a rival manufacturing companies. Thus benefits might include – larger market share/technical economies of scale/greater security via risk reduction/greater profitability/sharing of expertise/reduced spending on R and D. Others to be judged on merit. The evaluation mark is for reasoned judgement NOT simply for saying yes or no.
Identification of benefits [or disadvantages] in context of a similar business 3-1.
Analysis of benefits [2–1].
Evaluation [1].
- 4 (a) (i) Damaging the environment implies the creation of a social cost. An example must be given [1]. A further 3 marks for showing understanding of the consequences of the action e.g. the building of a factory in an area of outstanding natural beauty would create visual pollution/generate traffic with associated omissions and create noise pollution. Social or economic environment not accepted.
Example [1].
Application of example showing understanding [3–1].
- (ii) Variety of possible methods to include preventative laws/financial penalties/higher taxes on polluting activity/negative press.
Awareness of options [2–1].
Analysis of options [2–1].
It would be possible to identify 4 methods and gain 4 marks.
- (b) Increase in interest rates likely to reduce disposable income and spending of consumers. Also increases costs of a business. Impact on bakery likely to be small because low cost item, the demand for which is likely to be unaffected by reduced disposable income of consumers. Car purchase often financed by debt [interest rate impact] and a non essential item. Thus impact likely to be much greater. Answer could focus on sales, costs or profit.
Application [2–1] [Why].
Analysis [2–1] [How].
Evaluation [2–1] [To what extent].

Page 5	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	11

- (c) (i) Public sector refers to those activities that are owned, run or controlled by the government.
Knowledge [2–1].
- (ii) Objectives might include – to ensure availability of service/provide at cost or below to allow greater access/provision of minimum quantity e.g. health care/quality e.g. to ensure standards/free at point of consumption/available according to need not ability to pay/maintain jobs and employment levels.
Identification of objective [knowledge] [2–1].
Analysis of objective [2–1].
- 5 (a) (i) Human needs might include physiological, safety, social, esteem and self actualisation. Work can help the attainment of these needs by creating the opportunity for achievement, recognition, social interaction and financial reward.
Identification of human needs [2–1] [Knowledge and understanding].
Application of work to these needs [2–1] e.g. demonstration as to how work satisfies these needs.
- (ii) If these needs exist then money alone cannot satisfy them. So people do not work solely for money. However without money few, if any, needs can be achieved. Thus money is crucial. A good answer will include a judgement of the weight of these two approaches.
Discussion of issues [2–1].
Judgement of importance of issues resulting in a conclusion [2–1].
- (b) (i) Two most likely reasons are changes in working methods that have lead to efficiency gains and motivational improvements/capital investment/over manning existed.
Identification of reason [1].
Explanation [1].
Alternatively two reasons can get 2 marks without explanation.
- (ii) Yes because unit costs will have fallen and efficiency has increased. Thus profits will increase. However might have caused morale to fall and might create poor impression of an uncaring employer. So might damage the business in the longer term.
Explanation i.e. understanding as to why. [2–1]
Evaluation [2–1].
- (c) (i) Contract likely to include number of hours worked/designation of the job/pay and methods/benefit entitlement/disciplinary procedure/notice of termination. [Not job description of personal specification].
1 mark per point identified.
Knowledge [2–1].
- (ii) Avoids any misunderstanding for both sides. Provides employees with protection against unfair treatment. Provides the employer with protection against an unsatisfactory employee as it spells out the employee's duties and responsibilities. Thus allows dismissal to occur "fairly". If just avoids misunderstanding without development given as an answer to both parts then 1 mark.
Application [2–1].
Analysis [2–1].

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2008 question paper

0450 BUSINESS STUDIES

0450/12

Paper 12 (Short Answer/Structured Response),
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.

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.

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

CIE is publishing the mark schemes for the May/June 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



Page 2	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	12

- 1 (a) 1 mark per correct calculation. Answers (i) \$45000 (ii) \$80000 (iii) \$130000
\$ not needed nor '000's
- (b) Content. Creditors imply those to whom the business owes money. Usually it implies using the resources of suppliers before payment is made. It represents money owed by the business to its suppliers. They are used to ease cash flow problems.
Identification of reason 1 e.g. helps with cash flow.
Explanation of reason 2–1 e.g. shows how this is achieved.
- (c) Content. A balance sheet shows the assets and liabilities of a company at a point of time. It shows what the business is worth, what it owes and how it is financed. It is therefore of particular use to shareholders, potential investors and creditors. It is of little or no use to stakeholders such as customers.
Knowledge of balance sheet and or stakeholders 2–1.
Assessment of usefulness to stakeholders 2–1.
- (d) A bank loan is a long term source of funds while a bank overdraft is short term. Thus a loan is appropriate when the need for cash is essentially long term such as the finance of the purchase of a fixed asset.
Knowledge of the difference between the two sources of finance 2–1 [focus on time duration/cost/ease of withdrawal].
Explanation of when appropriate 2–1.
- (e) (i) Content. Dividends represent the net profit after tax that is made available [distributed] to the shareholders of the business.
Knowledge of essential features 2 [distribution of profits/shareholders].
Some knowledge such as business profits 1.
- (ii) If high dividends are declared it means that the business is distributing most of its profits. If the dividend declared were lower then more profit would be reinvested in the business. So in the short run shareholders gain but in the long run the issue is less clear.
Understanding of the different implications 2–1.
Assessment of the implications 2–1 [consideration as to whether high dividends are good for the company and or/the shareholders].

Page 3	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	12

- 2 (a) (i) Profit margin expresses the profit made as a % of sales value. Low implies this % is small in a comparative sense.
 Knowledge 1 i.e. knows what is meant by a profit margin.
 Understanding 1 i.e. appreciates what is meant by margin being low.
- (ii) Profit is determined by profit margins times volume. Hence if she sells large quantities then the absolute profit is high even if the unit profit is low.
 Understanding of how along with explanation 3–2. Answer shows the link between margins and profit and how one can be low but the other relatively large.
 Some understanding 1 mark.
- (b) A restaurant business is being set up so points must be appropriate for this kind of business. Likely points to include proximity to competitors/accessible to customers/large potential customer base/costs of location e.g. overheads. Non-contextual points will not be rewarded. 1 mark per point identified [max 3] 1 mark per point explained [max 3].
 Explanation marks will be awarded for demonstration as to why these factors matter. These marks will be awarded for contextual reference.
- (c) (i) Sponsorship will increase customer awareness/raise profile of business/create goodwill/form of advertising.
 Knowledge 1.
 Analysis 2–1 marks. Marks to be awarded for showing why these factors should boost sales.
- (ii) Promotion is an attempt to draw attention to a business in order to gain new customers or retain existing ones. Methods might include advertising/direct mail shots/special offers/promotional prices/special discounts. Examples in context acceptable such as two meals for the price of one. The evaluation marks to be awarded for an attempt to justify the promotional method selected i.e. to show why it is appropriate. Remember that this is a new start up business.
 Knowledge 2–1
 Analysis 2–1
 Evaluation 2–1

Page 4	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	12

- 3 (a)** Main differences between the two structures – functional structure/geographical structure/product structure.
 Identification of two differences 2–1
 Explanation of differences 2–1
 Not acceptable to discuss span of control or delegation.
- (b)** Content. Features of a plc are:
- capital raised by share issue on stock market
 - public disclosure of information
 - limited liability of shareholders
 - requirement to hold an AGM – i.e. accountability
 - separate legal identity.
- Identification of two features 2–1
 Explanation of features 2–1
- (c) (i)** Content. The likely causes are cash flow difficulties/inability to raise funds to meet short term debts/low level of demand for products/continued loss making/legal or government sanctions taken against the business/macro economic factors
 Identification of reasons 2–1
 Explanation of reasons 2–1 [shows why it would result in closure]
- (ii)** If a company is wound up then assets will be disposed of as directed by the administrators. Secured creditors come first then the unsecured creditors. If any funds remain these will be available to shareholders in proportion to their holdings. Thus maximum loss is total value of investment in shares. Limited liability ensures that no further loss can be incurred.
 Knowledge of issues 2–1 [aware of who comes first in terms of payouts]
 Understanding of issues 2–1
 If answer just makes reference to limited liability issues then max 2 marks.
- (iii)** Content. The answer to this is that it all depends! Yes because of jobs/impact on town or region/strategic importance of the company. No because it encourages inefficiency/market forces should be allowed to operate/use of taxpayers funds cannot be justified/opportunity cost of funds.
 Identification of factors for and/or against 3–1
 Judgement 1

Page 5	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	12

- 4 (a) (i) Damaging the environment implies the creation of a social cost. An example must be given [1]. A further 3 marks for showing understanding of the consequences of the action e.g. the building of a factory in an area of outstanding natural beauty would create visual pollution/generate traffic with associated omissions and create noise pollution. Social or economic environment not accepted.
Example 1
Application of example showing understanding 3–1
- (ii) Variety of possible methods to include preventative laws/financial penalties/higher taxes on polluting activity/negative press.
Awareness of options 2–1
Analysis of options 2–1
It would be possible to identify 4 methods and gain 4 marks.
- (b) Increase in interest rates likely to reduce disposable income and spending of consumers. Also increases costs of a business. Impact on bakery likely to be small because low cost item the demand for which is likely to be unaffected by reduced disposable income of consumers. Car purchase often financed by debt [interest rate impact] and a non essential item. Thus impact likely to be much greater. Answer could focus on sales, costs or profit.
Application 2–1 [Why]
Analysis 2–1 [How]
Evaluation 2–1[To what extent]
- (c) (i) Public sector refers to those activities that are owned, run or controlled by the government.
Knowledge 2-1
- (ii) Objectives might include – to ensure availability of service/provide at cost or below to allow greater access/provision of minimum quantity e.g. health care/quality e.g. to ensure standards/free at point of consumption available according to need not ability to pay/maintain jobs and employment level.
Identification of objective [knowledge] 2-1
Analysis of objective 2-1

Page 6	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2008	0450	12

- 5 (a) (i)** Human needs might include physiological, safety, social, esteem and self actualisation. Work can help the attainment of these needs by creating the opportunity for achievement, recognition, social interaction and financial reward.
 Identification of human needs 2–1 [Knowledge and understanding]
 Application of work to these needs 2–1 e.g. demonstration as to how work satisfies these needs.
- (ii)** If these needs exist then money alone cannot satisfy them. So people do not work solely for money. However without money few if any needs can be achieved. Thus money is crucial. A good answer will include a judgement of the weight of these two approaches.
 Discussion of issues 2–1
 Judgement of importance of issues resulting in a conclusion 2–1.
- (b) (i)** Two most likely reasons are changes in working methods that have lead to efficiency gains and motivational improvements
 Identification of reason 1
 Explanation 1
 Alternatively two reasons can get 2 marks without explanation.
- (ii)** Yes because unit costs will have fallen and efficiency has increased. Thus profits will increase. However might have caused morale to fall and might create poor impression of an uncaring employer. So might damage the business in the longer term.
 Explanation i.e. understanding as to why 2–1
 Evaluation 2–1
- (c) (i)** Contract likely to include number of hours worked/designation of the job/pay and methods/benefit entitlement/disciplinary procedure/notice of termination [not job description or personal specification]
 1 mark per point identified.
 Knowledge 2-1
- (ii)** Avoids any misunderstanding for both sides. Provides employees with protection against unfair treatment. Provides the employer with protection against an unsatisfactory employee as it spells out the employees duties and responsibilities. Thus allows dismissal to occur “fairly”. If just avoids misunderstanding without development given as an answer to both parts then 1 mark.
 Application 2–1
 Analysis 2–1.