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**BUSINESS STUDIES**

**0450/13**

Paper 1 Short Answer/Structured Response

**October/November 2016**

MARK SCHEME

Maximum Mark: 80

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**Published**

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1(a)	<p><b>What is meant by ‘private sector’?</b></p> <p>Clear understanding [2]: e.g. when <u>individuals own</u> business activities  Some understanding [1] e.g. run by individuals  OR not controlled directly by government [1]  OR aim to make a profit [1]  OR controlled by person/group of people [1]</p>	<b>2</b>
1(b)	<p><b>What is meant by ‘redundancy’?</b></p> <p>Clear understanding [2]: e.g. job position has gone and hence person is no longer required  Some understanding [1] e.g. loses job [1] or job role has gone [1]</p>	<b>2</b>
1(c)	<p><b>Identify and explain <u>two</u> ways an appreciation of country B’s exchange rate might affect UDig.</b></p> <p>Knowledge [2] – award up to 2 marks for each relevant point  Application [2 × 1] – award 1 mark for each explanation in context  Points might include:  If assume UDig based in country B,</p> <ul style="list-style-type: none"> <li>• Imported products cheaper / have lower prices [k] so local businesses might go elsewhere for the 30% [app]</li> <li>• Not as competitive [k] so may have to close more mines [app]</li> <li>• UDig’s exports more expensive/ prices rise [k]</li> <li>• May have to reduce its profit margin [k] for its coal [app]</li> </ul> <p>If assume UDig based outside B: (they will be an exporter so)</p> <ul style="list-style-type: none"> <li>• UDig’s Products become cheaper / lower prices [k]</li> <li>• Increase in profit margin (if don’t lower prices) [k]</li> </ul>	<b>4</b>

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1(d)	<p><b>Identify and explain <u>two</u> ways in which legal controls might affect UDig.</b></p> <p>Knowledge [2 × 1] – identification of relevant benefit  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:</p> <ul style="list-style-type: none"> <li>• Need to provide safety equipment [k] as work is highly dangerous [app] could lead to higher costs [an]</li> <li>• Reduction in number of working hours [k] in the mines [app] could lead to lower output [an]</li> <li>• Introduce/increase minimum wage [k] for its 1800 employees [app] leading to further redundancies [an]</li> <li>• Location restrictions [k] so cannot operate in some areas [an] leading to more closures [app]</li> <li>• Pollution restrictions [k] as coal burning could damage environment [app] so less demand from companies [an]</li> </ul>	<b>6</b>
1(e)	<p><b>The Managing Director thinks ‘the Government should help UDig keep the mines open’. Do you agree? Justify your answer.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s)  Application [1] – award 1 mark if relevant reference made to this business  Analysis [2] – award up to 2 marks for relevant development of point(s)  Evaluation [2] – justified decision as to whether the Government should help UDig keep the mines open.  Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Protect jobs [k] as 1800 at risk [app] so help Government meet its economic objectives [an]</li> <li>• Protect vital industry [k] as its produces 30% of its coal [app] if more mines shut – will need to find alternative supply [an]</li> <li>• Could conflict with other Government objectives [k] as this is a private sector business [app]</li> <li>• May only be a temporary problem [k] as currency appreciation might not last [app] so money which could be better spent elsewhere [an]</li> </ul>	<b>6</b>

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
2(a)	<p><b>What is meant by ‘mass market’?</b></p> <p>Clear understanding [2]: e.g. selling the <b>same</b> product to the whole market OR very large number of sales of a <b>standard product</b>  Some understanding [1] e.g. large number of potential customers OR a market that has general wants and needs</p>	<b>2</b>
2(b)	<p><b>Calculate the percentage (%) of customers who buy goods on-line.</b></p> <p>Good Application [2] 35%  Some application [1] method e.g. 700 of 2000</p>	<b>2</b>
2(c)	<p><b>Identify and explain <u>two</u> possible reasons why GBU’s market research might <u>not</u> be useful to the Marketing Director.</b></p> <p>Knowledge [2 × 1] – award 1 mark for identification of relevant problem  Application [2 × 1] – award 1 mark for each explanation in context  Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Wrong / leading questions asked [k] for a mass market product [app]</li> <li>• Wrong people asked / not representative [k] as may not buy beauty products [app]</li> <li>• Wrong sample size [k] as may need to speak to more than 2000 [app]</li> </ul>	<b>4</b>

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
2(d)	<p><b>Identify and explain <u>two</u> advantages to GBU of using shops as a channel of distribution.</b></p> <p>Knowledge [2 × 1] – award 1 mark for each relevant advantage  Application [2 × 1] – award 1 mark for relevant reference made to this business  Analysis [2 × 1] – award 1 mark for each relevant explanation  Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Contact / feedback from customers [k] to build customer loyalty [app] so maintain market share / current customers [an]</li> <li>• Attract people passing shop [k] as people might run out of shampoo [app] and buy it straightaway [an]</li> <li>• Sales might increase [k] as not everyone has access to / wants to shop on the internet / as people want to see before they buy [an]</li> <li>• Lower storage costs [k] as do not need additional warehouse [an]</li> <li>• Research shows customers prefer to buy this way [k] as selected by 55% [app + an] so should increase sales [an]</li> <li>• Can act as promotion [k]</li> </ul>	<b>6</b>

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Question	Answer	Marks
2(e)	<p><b>Do you think maintaining customer loyalty should be more important to GBU than attracting new customers? Justify your answer.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s)  Application [1] – award 1 mark if relevant reference made to this business  Analysis [2] – award up to 2 marks for relevant development of point(s)  Evaluation [2] – justified decision as to whether it is more important for GBU to maintain customer loyalty than attract new customers  Relevant points might include:  Customer loyalty:</p> <ul style="list-style-type: none"> <li>• Maintain market share / sales [k]</li> <li>• Spread word / free advertising [k] as existing customers might recommend product to others [an]</li> <li>• Keep reputation [k] in a mass market [app] leading to a competitive advantage [an]</li> <li>• Able to match products to existing customer needs [k] for beauty products [app] so they know what to produce [an]</li> </ul> <p>New customers:</p> <ul style="list-style-type: none"> <li>• Widen target market [k] as 80% of people like their products [app + an]</li> <li>• Customer tastes change [k] so may be cheaper to find new customers rather than develop existing products [an]</li> <li>• Need to carry out advertising to attract customers [k] which will increase costs [an]</li> </ul> <p>Other factors:</p> <ul style="list-style-type: none"> <li>• May be other reasons why customers do not buy [k] if prices are higher this may be why revenue fell [app]</li> </ul>	6

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
3(a)	<p><b>What is meant by ‘added value’?</b></p> <p>Clear understanding [2]: e.g. difference between price of a finished product and the cost of the inputs involved in making it  OR difference between the selling price of a product and the cost of bought in materials and components [2]  OR improvement to the product that makes it worth more plus a relevant example [2]  Some understanding [1] e.g. improvement to the product that makes it worth more</p>	<b>2</b>
3(b)	<p><b>What is meant by ‘cost of sales’?</b></p> <p>Clear understanding [2] cost of producing or buying in the goods sold  OR variable cost of making the goods sold [2]  OR cost per unit × number of output sold [2]  Some understanding [1] e.g. money spent on materials</p>	<b>2</b>
3(c)	<p><b>Identify and explain <u>two</u> ways Izaak could increase revenue.</b></p> <p>Knowledge [2 × 1] – award 1 mark for each relevant way [max 2]  Application [2 × 1] – award 1 mark for each explanation in context  Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Increase advertising [k]</li> <li>• Widen target market [k]</li> <li>• Change prices e.g. offer discounts or increase prices [k]</li> <li>• Offer new / more products [k] e.g. different fish dishes [app]</li> <li>• Loyalty scheme [k] encourage customers to return to restaurant [app]</li> <li>• Improve quality [k]</li> </ul>	<b>4</b>

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Question	Answer	Marks
3(d)	<p><b>Identify and explain <u>two</u> problems that low quality might cause for Izaak’s business.</b></p> <p>Knowledge [2 × 1] – identification of relevant point [max 2]  Application [2 × 1] – award 1 mark for each way if relevant reference made to this business  Analysis [2 × 1] – award 1 mark for each relevant explanation  Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Loss of existing customers /loyalty [k] as food does not taste right [app] leading to lower revenue [an]</li> <li>• Loss of new customers [k]</li> <li>• Cost of replacement [k] as have to recook food [app] increasing his cost of sales [an]</li> <li>• Cost of fines [k] as poor quality may break laws [an]</li> <li>• Damage to reputation / image [k] of restaurant [app] so customers may go elsewhere [an]</li> <li>• Cannot supply on time [k] leading to more complaints [app]</li> <li>• Increase waste [k]</li> <li>• Cannot charge higher prices [k] on menu [app]</li> </ul>	6
3(e)	<p><b>Do you think Izaak should be pleased with the financial performance of his business? Justify your answer using appropriate ratios.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant issue(s)  Application [1] – award 1 mark if relevant reference made to this business  Analysis [2] – award up to 2 marks for relevant development of point(s)  Evaluation [2] – justified decision as to whether Izaak should be pleased with the financial performance of his business  Relevant methods might include:</p> <ul style="list-style-type: none"> <li>• Gross profit increased [k] to 150 000 [app]</li> <li>• Gross profit margin improved [k] to 50% [app + an] so better control of variable costs [an]</li> <li>• Profit margin down [k] to 5% [app + an] so less control of overheads [an]</li> <li>• Profit has fallen [k] by 50% [app + an]</li> <li>• Expenses up [k] could reflect fact that fixed costs too high [app]</li> <li>• Revenue has not changed [k]</li> <li>• Cost of sales down [k]</li> </ul>	6



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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
4(a)	<p><b>What is meant by a ‘social enterprise’?</b></p> <p>Clear understanding [2]: e.g. business with both social objectives as well as aim to make a profit Some understanding [1] e.g. not all about profit</p>	<b>2</b>
4(b)	<p><b>Identify <u>two</u> functions of management (other than communication) that Asha performs.</b></p> <p>Application [2 × 1] award one mark per function Points might include: coordinate, control, organise, planning, command, delegate, motivate/supervise, decision making, problem solving, recruitment</p>	<b>2</b>
4(c)	<p><b>Identify <u>two</u> external stakeholder groups of ReBag. Explain <u>why</u> each stakeholder group might be interested in this business.</b></p> <p>Knowledge [2 × 1] award 1 mark per stakeholder Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Government [k] as create jobs in more towns [app]</li> <li>• Suppliers [k] to obtain more fabric [app]</li> <li>• Local community [k] as employing 30 people [app]</li> <li>• Customers [k] who buy the bags [app]</li> <li>• Lenders/banks [k] to see if they should offer a bank loan [app]</li> <li>• Pressure groups [k]</li> </ul>	<b>4</b>

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Question	Answer	Marks
4(d)	<p><b>Identify and explain <u>two</u> possible reasons why it might be difficult for ReBag to get a bank loan.</b></p> <p>Knowledge [2 × 1] – identification of relevant point [max 2]  Application [2 × 1] – award 1 mark for relevant reference made to this business  Analysis [2 × 1] – award 1 mark for each relevant explanation  Relevant points might include:</p> <ul style="list-style-type: none"> <li>• Low revenue [k] only \$700 [app] so can they afford to repay [an]</li> <li>• No security [k] so increased risk for lenders [an]</li> <li>• Limited experience [k] only operated for 3 years [app] so no guarantee that business will last [an]</li> <li>• No business plan / poor planning [k]</li> <li>• Already has existing debt [k] as Asha used micro-finance [app]</li> </ul>	6
4(e)	<p><b>Explain <u>two</u> possible methods Asha could use to communicate with ReBag workers. Recommend which method she should choose. Justify your answer.</b></p> <p>Knowledge [1] – award 1 mark for identification of relevant issue or method(s)  Application [1] – award 1 mark if relevant reference made to this business  Analysis [2] – award up to 2 marks for relevant development of point(s)  Evaluation [2] – justified decision as to which is the most appropriate method.  Relevant points might include:</p> <p><u>Meeting</u> [k]</p> <ul style="list-style-type: none"> <li>• so able to see reactions to ideas / comments [an];</li> <li>• Difficult to arrange / time issues [an] all based in remote towns [app] so not everyone might be able to attend [an];</li> <li>• Will mean travel costs / making it expensive [an];</li> <li>• Will take people away from work / lead to loss of production [an] of bags [app] so may not be able to meet demand [an]</li> </ul> <p><u>Email</u> [k] allowing people to read information in own time [an]</p> <ul style="list-style-type: none"> <li>• People might not have access to internet [an] as in remote locations [app] so are not able to respond [an];</li> <li>• Must pay cost of computer [an] from \$70 [app] so can they afford it [an]</li> </ul> <p><u>Phone</u> [k] so immediate feedback is possible [an]</p> <p><u>Videoconferencing</u> [k]</p> <p><u>Newsletter</u> [k] can contain a large amount of information [an]</p> <p><u>Letter</u> [k]</p>	6