



# Cambridge IGCSE™

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## BUSINESS STUDIES

0450/12

Paper 1 Short Answer/Data Response

May/June 2022

MARK SCHEME

Maximum Mark: 80

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**Published**

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **25** printed pages.

**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 Science-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
- 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.

**PUBLISHED****0450/7115/0986 Business Studies – Paper 1 Annotations**

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

Question	Answer	Marks	Notes
1(a)	<p><b>Define ‘current liabilities’.</b></p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>(Short-term) debts <b>owed</b> by a business, to be repaid in less than one year [2] OR Debts of a business which it expects to pay before the date of the (next) statement of financial position [2]</p> <p>Partial definition e.g. money owed <b>by</b> a business [1]</p>	<b>2</b>	
1(b)	<p><b>Identify <u>two</u> examples of non-current assets.</b></p> <p>Award 1 mark per example (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Land/buildings/factory/property/warehouse</li> <li>• Machinery/technology/equipment</li> <li>• Fixtures/fittings</li> <li>• Vehicles or examples such as cars/trucks</li> <li>• Investments/shares <b>in another business</b></li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	Only award the first two responses given.

Question	Answer	Marks	Notes
1(c)	<p><b>Outline <u>two</u> possible reasons why liquidity is important to AHG.</b></p> <p>Award 1 mark for each relevant reason (max 2).</p> <p>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• To make sure the business has access to enough cash/money to pay day-to-day expenses / (short term) liabilities / avoid interest charges / keep its suppliers [k] as shown by the current ratio of 1.1 [app]</li> <li>• To help arrange/apply for finance [k] for this established business [app]</li> <li>• Ensure business survival / allow it to continue trading [k] to sell flowers [app]</li> <li>• To provide for (unforeseen) emergencies [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>4</b>	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>• Plants / flowers / gardening products or other examples such as seeds</li> <li>• 660 000 to 600 000</li> <li>• Established (business) / operating for a long time</li> <li>• 4 managers</li> <li>• 30 or 34 employees</li> <li>• Competitive pricing</li> </ul> <p>Other appropriate examples in context can still be credited.</p>



Question	Answer	Marks	Notes
1(d)	<p><b>Explain <u>two</u> advantages to AHG of its managers using delegation.</b></p> <p>Award 1 mark for identification of each relevant advantage (max 2).</p> <p>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>Managers cannot do all tasks on own / reduce <b>managers'</b> workload / <b>managers</b> have time to focus on (important/complex) tasks [k] such as improving liquidity [app] so better/quicker decision making [an]</li> <li>Can motivate <b>employees</b> [k] as there is less control from its 4 managers [app] increasing productivity [an]</li> <li>Quality of <b>managers'</b> work is often improved / <b>managers</b> are less likely to make mistakes [k] leading to a better business reputation [an] of its garden products [app]</li> <li>Builds trust between managers and employee / better working relations [k] improving loyalty [an] of its 30 employees [app]</li> <li>Way to develop skills of <b>employees</b> / increase flexibility of workforce [k] leading to new ideas [an]</li> </ul> <p>Other appropriate responses should also be credited.</p>	6	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>Plants/flowers/garden products or other relevant examples such as seeds</li> <li>4 (managers)</li> <li>30 employees</li> <li>Established business / operating for a long time</li> <li>Liquidity / current ratio of 1.1</li> <li>Statement of financial position</li> </ul> <p>Other appropriate examples in context can still be credited.</p> <p>Analysis must refer to impact on business and not employees.</p>

Question	Answer	Marks	Notes
1(e)	<p><b>Do you think competitive pricing is the best method for an established business to use? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points.</p> <p>Award up to 2 marks for relevant development of points.</p> <p>Award up to 2 marks for a justified decision as to whether competitive pricing is the best method for an established business to use.</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Price will not discourage customers from buying [k] so maintain customer loyalty [an]</li> <li>• Prevents business losing market share [k] which could result in less revenue [an]</li> <li>• Customer may be prepared to pay more (if it is a popular brand) [k]</li> <li>• Need another way to attract customers [k] which could increase costs [an]</li> <li>• <b>May</b> not cover the costs [k] so may find it difficult to break even [an]</li> <li>• Takes time/money to find out competitor's prices [k]</li> </ul>	<b>6</b>	<p>This is a general question so there are no marks for application.</p> <p>Candidates can discuss other methods of pricing, but evaluation must focus on whether competitive pricing is the best method to use.</p> <p>Some points could be awarded as [k] or [an] but do not award the same point twice.</p> <p><b>Do not award</b> price skimming or penetration pricing on own unless explained.</p>

Question	Answer	Marks	Notes
1(e)	<p>Other methods can be discussed such as:</p> <p>Cost-plus pricing [k]</p> <ul style="list-style-type: none"> <li>• Know that the costs will be covered [an]</li> <li>• Know their profit margin / can make a profit <b>per item</b> [an]</li> <li>• Easy to calculate/apply [an]</li> <li>• Does not consider what competitors do / prices may be higher than competitors [an]</li> <li>• Does not take account of changes in demand/spending patterns [an] so could lead to fewer sales being made [an]</li> <li>• Little incentive to control costs [an]</li> </ul> <p>Promotional pricing [k]</p> <ul style="list-style-type: none"> <li>• Help attract sales [an]</li> <li>• Helps to renew interest in a product if sales are falling [an]</li> </ul> <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p> <p>Competitive pricing will not discourage customers from buying [k] so will buy again [an]. However, if you base your prices solely on competitors, you might not be able to cover costs [k] which makes it difficult for a business to break-even [an]. No, as it depends on what they sell – while cannot ignore what other businesses charge – especially if it's a competitive market – but if the business has a good reputation which an established business might have [eval] it may be able to use other pricing methods that allow it to charge more [eval].</p>		

Question	Answer	Marks	Notes
2(a)	<p><b>Define ‘off-the-job training’.</b></p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>Training that takes place <b>away from the workplace</b> usually by a specialist trainer(s) [2] OR Training that takes place <b>away from the workplace</b>, for example at college, university or a specialist training providers premises [2] OR Training that <b>takes place away from the place of work</b> using methods such as courses/conferences/online learning [2]</p> <p>Partial definition e.g. training away from the workplace [1]</p>	<b>2</b>	<p>Do not award examples <b>on own</b> as this does not define the term.</p> <p>First mark is for understanding it is away from workplace.</p> <p>2nd mark is [+1] for stating by whom or providing example of where e.g. in a training centre.</p>
2(b)	<p><b>Identify <u>two</u> reasons (other than financial) why people work.</b></p> <p>Award 1 mark per reason (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Job satisfaction / feeling you have done a good job / enjoyment</li> <li>• Social or examples such as feel part of a group / meeting people / making friends at work</li> <li>• Esteem / recognition / status / feel important</li> <li>• Opportunity to reach your potential / challenge yourself to do new things / improve use skills / gain experience</li> <li>• Help others</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	<p>Only award the first two responses given.</p>

Question	Answer	Marks	Notes
2(c)	<p><b>Outline <u>two</u> methods of financial rewards RWB might use to motivate its employees.</b></p> <p>Award 1 mark for each relevant method (max 2).</p> <p>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• High(er) wages / wage rates / time-based rates [k] for workers in the factory [app]</li> <li>• Piece rate [k] paid to its 1200 employees [app]</li> <li>• High(er) salary [k] for making buses [app]</li> <li>• Bonuses [k] but this may be difficult as business has made a loss [app]</li> <li>• Profit sharing/share ownership schemes [k]</li> <li>• Performance related pay [k]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>4</b>	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>• Buses</li> <li>• 1200 (employees)</li> <li>• Factory</li> <li>• (\$1.7 million) loss</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

Question	Answer	Marks	Notes
2(d)	<p><b>Explain <u>two</u> ways RWB might be affected by new legal controls over business activities which affect the environment.</b></p> <p>Award 1 mark for identification of each relevant way (max 2).</p> <p>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2)</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Change its <b>production methods</b>/equipment e.g. need to buy new machines [k] leading to higher interest/finance costs [an] which may increase its loss [app]</li> <li>• May need to redesign products [k] so may be able to charge a higher price/allow the business to reduce variable costs [an]</li> <li>• Require <b>more</b> training / retraining [k] for its 1200 employees [app] which could delay production [an]</li> <li>• May have to <b>buy</b> (pollution) permits / pay fines/higher taxes / may need to recycle/change how it <b>disposes</b> of the waste [k] increasing cash outflows [an]</li> <li>• May have to change materials/components used/switch suppliers / reduced range/access to materials [k] increase variable costs [an]</li> <li>• Stop/limit/slow production [k] of its buses [app]</li> <li>• Lower emissions / use renewable energy [k] in the factory [app] helping to lower energy costs (in the long run) [an]</li> <li>• May need to change location [k] increase cost of rent [an]</li> </ul> <p>Other appropriate responses should also be credited.</p>	6	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>• Buses</li> <li>• 1200 (employees)</li> <li>• Factory</li> <li>• (\$1.7 million) loss</li> <li>• Off-the-job training</li> </ul> <p>Other appropriate examples in context can still be credited.</p>

Question	Answer	Marks	Notes
2(e)	<p><b>Do you think a reduction in the level of unemployment always benefits businesses? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points.</p> <p>Award up to 2 marks for relevant development of points.</p> <p>Award up to 2 marks for a justified decision as to whether a reduction in the level of unemployment always benefits businesses.</p> <ul style="list-style-type: none"> <li>• Increase in sales [k] could lead to higher revenue [an]</li> <li>• Difficult to <b>recruit</b> workers [k] which may lead to an increase in recruitment costs / difficult to increase output / meet orders [an]</li> <li>• Higher wages may need to be paid [k] increasing labour costs [an]</li> <li>• Available workers may lack necessary skills [k] leading to lower productivity / higher training costs / lower quality [an]</li> </ul> <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p> <p>A reduction in unemployment may mean more sales [k] leading to higher potential revenue [an]. However, because there are fewer people looking for work it may be difficult to recruit workers [k] which could make it difficult to increase output [an]. Overall, it may depend on whether the business needs employees or not, as without sufficient workers they may not be able to produce enough to benefit from higher potential sales [eval] [eval].</p>	6	This is a general question so there are no marks for application.

Question	Answer	Marks	Notes
3(a)	<p><b>Identify <u>one</u> benefit and <u>one</u> cost to a business of developing new products.</b></p> <p>Award 1 mark per benefit/cost (max 1 for each).</p> <p>Benefits might include:</p> <ul style="list-style-type: none"> <li>• Provides diversification / spreads risk</li> <li>• Increase revenue/sales</li> <li>• Enter new markets / attracts new customers</li> <li>• Allow the business to expand into existing markets / increase market share / improved competitive advantage</li> <li>• Maintain customer loyalty</li> </ul> <p>Costs might include:</p> <ul style="list-style-type: none"> <li>• Costs of carrying out (market) research</li> <li>• Producing <b>trial</b> products</li> <li>• (Cost of) raw materials/labour/equipment</li> <li>• Marketing/advertising costs</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	<p>Only award the first response given for each benefit/cost.</p> <p><b>Do not</b> award answers such as cost on its own.</p>
3(b)	<p><b>Calculate the break-even level of output for 2021. Show your working.</b></p> <p>Correct answer: 2500 [2]</p> <p>Correct method but incorrect answer e.g. <math>200\,000 / 80</math> [1]</p> <p>OR <math>200\,000 / (120-40)</math> [1]</p> <p>OR Total fixed costs / selling price (per unit) – variable cost (per unit) [1]</p> <p>OR Fixed costs / contribution (per unit) [1]</p> <p>If correct answer given with no working shown, award 2 marks.</p> <p>Award only 1 mark if 2500 is written as part of the answer but is not given as the final answer.</p>	<b>2</b>	<p>Max 1 where include \$ sign as it is not a financial value.</p>



Question	Answer	Marks	Notes
3(c)	<p><b>Outline <u>two</u> ways CHW could increase its margin of safety.</b></p> <p>Award 1 mark per way (max 2).</p> <p>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• <b>Lower</b> fixed costs [k] from \$200 000 for the year [app]</li> <li>• <b>Lower</b> variable costs / variable cost per unit [k] from \$40 [app]</li> <li>• <b>Increase</b> price [k] of cameras [app]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>2</b>	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>• Factory</li> <li>• Cameras/electrical products</li> <li>• 500 (margin of safety)</li> <li>• 2500 (break even output)</li> <li>• Flow production</li> <li>• 200 000 (fixed costs)</li> <li>• \$120 (selling price)</li> <li>• \$40 (variable cost per unit)</li> </ul>

Question	Answer	Marks	Notes
3(d)	<p><b>Explain <u>two</u> ways in which the stage of the product life cycle might affect CHW's marketing decisions about promotion.</b></p> <p>Award 1 mark for identification of each relevant <b>stage and way</b> (max 2).</p> <p>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <p><b>Must name the stage and why or how much promotion to access the knowledge marks.</b></p> <p>Introduction:</p> <ul style="list-style-type: none"> <li>• High level/amount of promotional activity [k] to help raise awareness/inform/ attract/persuade new customers [an] about its cameras [app]</li> <li>• Attract/inform/persuade customers [k] to increase sales/revenue [an]</li> <li>• Establish brand image [k] to make business competitive [an]</li> </ul> <p>Growth:</p> <ul style="list-style-type: none"> <li>• High level/amount of promotion/promotional spending [k] to try to encourage brand loyalty [an] so it can sell 2500 to break even [app]</li> <li>• Attract/inform/persuade customers [k] to increase revenue [an]</li> </ul> <p>Maturity:</p> <ul style="list-style-type: none"> <li>• Likely to be less promotion [k] as product is well known / business wants to use its funds for other purposes [an] such as developing new products [app]</li> <li>• To <b>remind</b> customers about its products [k] so maintain sales/market share [an]</li> <li>• Spending might increase if use an extension strategy [k] to inform people that the product is worth buying again [an]</li> </ul>	6	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>• Cameras/electrical products</li> <li>• 500 / margin of safety</li> <li>• Develop new products</li> <li>• 2500 (break-even output)</li> <li>• \$120 (selling price)</li> <li>• \$200 000 (fixed costs)</li> <li>• \$40 (variable cost per unit)</li> <li>• Factory</li> </ul> <p>Other appropriate examples in context can still be credited.</p> <p><b>Do not</b> award answers which identify methods of promotion as this does not answer the question.</p>

Question	Answer	Marks	Notes
3(d)	<p>Decline:</p> <ul style="list-style-type: none"><li>• Limited promotion/spending [k] to reduce marketing costs [an]</li><li>• May only use to inform customers of price reductions [k] so no longer selling at \$120 [app] to encourage some sales [an]</li><li>• May decide to stop promotion during this stage [k]</li><li>• To clear out inventory [k]</li></ul> <p>Other appropriate responses should also be credited.</p>		

Question	Answer	Marks	Notes
3(e)	<p><b>Do you think flow production is the best method of production for a manufacturing business to use? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points.</p> <p>Award up to 2 marks for relevant development of points.</p> <p>Award up to 2 marks for a justified decision as to whether flow production is the best method of production for a manufacturing business to use.</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• High output [k] so able to meet demand (on time) [an]</li> <li>• Benefit from economies of scale [k] leading to lower unit costs [an]</li> <li>• More capital intensive [k] leading to lower labour costs [an]</li> <li>• Lower (employee) motivation [k] leading to lower productivity [an]</li> <li>• Can produce 24 hours a day [k]</li> <li>• If one machine breaks down whole production line stops [k] lose output/fewer sales [an]</li> <li>• Requires a large capital investment [k]</li> </ul> <p>Batch production [k]</p> <ul style="list-style-type: none"> <li>• More flexible / produce a variety of products [an]</li> </ul> <p>Job production [k]</p> <ul style="list-style-type: none"> <li>• Unique products so able to charge a higher price [an]</li> </ul> <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p> <p>Materials can be purchased in large amounts / benefit from economies of scale [k] leading to lower unit costs [an]. However, it requires a large capital investment [k] which the business might not be able to afford. [an] It might only be worthwhile if there is a large market for a standardised product [eval] which can cover the high initial costs [eval].</p>	6	<p>This is a general question so there are no marks for application.</p> <p>Can accept discussion of other methods such as batch production or job production but evaluation must focus on flow production.</p> <p>Advantages of one method could be presented as disadvantages of another method, but do not award the same point twice.</p>

Question	Answer	Marks	Notes
4(a)	<p><b>Define ‘entrepreneur’.</b></p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>A person who takes the risk for a new business venture [2] OR An individual who takes the financial risk of starting and managing a new business [2]</p> <p>Partial definition e.g. person who starts up a business [1]</p>	<b>2</b>	For both marks must have idea of a person <b>starting a new business</b> , and that they <b>take a risk</b> to do this [+1].
4(b)	<p><b>Define ‘opportunity cost’.</b></p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>The next best alternative given up by choosing another item [2] OR The benefit that could have been gained from an alternative use of the same resource [2] OR A benefit, profit or value that a firm has to give up in order to achieve something else [2]</p> <p>Partial definition e.g. what you have to give up / forgo [1]</p>	<b>2</b>	<b>Do not award</b> examples as this does not define the term.

Question	Answer	Marks	Notes
4(c)	<p><b>Identify <u>four</u> reasons why a new business might be at greater risk of failure than an established business.</b></p> <p>Award 1 mark for each relevant reason (max 4).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Lack of / cannot get finance / cash flow problems / lack of liquidity</li> <li>• Level of competition / lack customer loyalty / lack of customers / demand / sales</li> <li>• Poor planning / no business plan / lack of objectives</li> <li>• Lack of (managerial/business) experience/skills/knowledge</li> <li>• Inadequate/no market research</li> <li>• No reputation / low brand awareness / no brand image</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>4</b>	Only award the first four points given.

Question	Answer	Marks	Notes
4(d)	<p><b>Explain <u>two</u> suitable sources of start-up capital Tom's business might use.</b></p> <p>Award 1 mark for identification of each relevant source of start-up capital (max 2).</p> <p>Award 1 mark for each relevant reference made to this business (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Own savings [k] from his time working in his other job [app] as no need to repay/no interest to pay [an]</li> <li>• Borrow from friends/family [k] such as his sister [app] as may give long time to repay [an]</li> <li>• (Bank) loan [k] for this window cleaning business [app] as could provide all the money at once [an]</li> <li>• Overdraft [k] can arrange quickly/only pay interest when used [an]</li> <li>• Government grant [k] as may be willing to support entrepreneurs [app] as no interest/no need to repay [an]</li> <li>• Crowdfunding [k] to raise the \$700 [app] so no interest to repay [an]</li> <li>• Micro-finance [k] as does not need security to obtain [an]</li> </ul> <p>Other appropriate responses should also be credited.</p>	<b>6</b>	<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> <li>• Window cleaning</li> <li>• \$700</li> <li>• Wants to leave his job/other job</li> <li>• Sister</li> <li>• Partnership</li> <li>• Opportunity cost</li> <li>• Entrepreneur</li> </ul> <p>Other appropriate examples in context can still be credited.</p> <p><b>Do not</b> award answers such as retained profit/profit or sell shares as these are not appropriate/available to a start-up.</p>

Question	Answer	Marks	Notes
4(e)	<p><b>Do you think a partnership is the best form of business organisation for a new business? Justify your answer.</b></p> <p>Award up to 2 marks for identification of relevant points.</p> <p>Award up to 2 marks for relevant development of points.</p> <p>Award up to 2 marks for justified decision as to whether a partnership is the best form of business organisation for a new business.</p> <p>Points might include:</p> <p>Partnership:</p> <ul style="list-style-type: none"> <li>• Share workload/responsibility [k] which could allow time for each partner to focus on different business activities [an]</li> <li>• More ideas/skills [k] which could help make the business more competitive [an]</li> <li>• Can share any potential loss/risks [k]</li> <li>• Unlimited liability [k] personal possessions at risk if unable to pay business debts [an]</li> <li>• Risk of disagreements / slow decision making [k] so less responsive to changes in customer demand [an]</li> <li>• Must share any profits made [k]</li> </ul> <p>Other options might include:</p> <p>Sole traders [k]</p> <ul style="list-style-type: none"> <li>• It's simple/very little paperwork required to set up [an]</li> <li>• Require limited start-up capital [an]</li> <li>• Make all the decisions / has total control of business [an]</li> <li>• Keep all the profit [an]</li> <li>• Limited access to finance [an]</li> </ul>	6	<p>This is a general question so there are no marks for application.</p> <p>Candidates can discuss other forms of business organisation, but evaluation must focus on whether a partnership is the best form.</p>



Question	Answer	Marks	Notes
4(e)	<p>Private limited company [k]</p> <ul style="list-style-type: none"> <li>• Benefit from limited liability</li> <li>• More paperwork/legal requirement to set up/operate [an]</li> </ul> <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p> <p>A partnership allows owners to share workload [k] which could allow time for each partner to specialise on certain activities to improve the business [an]. The main problem is unlimited liability [k] which means they could lose personal possessions if unable to pay business debts [an]. However, partnership is a better choice than starting up as a sole trader. While there is still unlimited liability, it is possible to share some of the risk with others if you can work together, then extra skills can help reduce potential problems [eval] which could increase the chances of success [eval].</p>		