

**Location Entry Codes**

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](mailto:international@cie.org.uk)

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

International General Certificate of Secondary Education

**MARK SCHEME for the October/November 2008 question paper****0450 BUSINESS STUDIES****0450/11**Paper 11 (Short Answer/Structured Response),  
maximum raw mark 100

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- 1 (a) (i) Hourly wage rate implies that basis of pay earned is the time spent at work. High implies that it is large compared to other businesses. [any relative concept acceptable]  
Understanding showing appreciation of both elements (2)  
Limited understanding or understanding of one only (1)
- (ii) Clearly the change might benefit both parties but this is not inevitable. For the employees it will depend upon how the incentive scheme is calculated. Gives the opportunity to earn more if effort is shown [existing method does not provide this]. In this sense it is fairer because wage related to effort. However might be impossible to earn more and indeed the certainty of high pay if they attend work disappears. For the employer it should be of benefit because now pay is linked more closely to output, thus cost structures easier to calculate. Should also help increase productivity. Answers can be one sided showing either potential benefits or drawbacks to either party.  
Application and analysis 4–1 [per part 2–1]  
Evaluation 2–1 [1 per part]
- (b) (i) Simple answer is yes for some employees! Possible to argue that it does because it creates more job satisfaction and employees more in charge of their methods of working. However this assumes a positive work attitude is created. Reverse might occur because of opportunity for idleness etc without much control. Some people might not want responsibility.  
If no link between the two concepts established then maximum of 2 marks.  
Identification of issues 2–1  
Analysis of issues 2–1
- (ii) Management style is a laissez faire one with freedom to carry out activities with few guidelines and directions. Implications of style are that lack of leadership and positive direction which can lead to confusion and lack of action/control.  
Identification and description of features of style 2–1  
Analysis of style 2–1 [examples of what it entails or consequences and effects]
- (iii) Training involves employees being taught new skills or improving skills they already have. Thus training helps increase the productivity of employees [better at doing the job] and increases flexibility [able to do more jobs/tasks].  
Thus 2 marks for showing how training helps and further 2 marks for showing why it is of benefit to performance. No credit for identifying training methods. It is the outcome of training that is needed.  
Identify benefits 2–1  
Analysis of benefits 2–1
- 2 (a) (i) Accurate plot of line (2) – both gradient and scales correct.  
Price = \$4 per customer. This determines the gradient of the revenue line. Therefore 250 customers generate \$1000.  
Some meaningful attempt (1). This is represented by revenue drawn from origin but gradient inaccurate.
- (ii) 200 (1) OFR allowed for answer consistent with graph drawn.
- (iii) \$800 (1) \$ sign not needed. OFR allowed.

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**(b)** Price elastic implies that the demand is greatly influenced by the price. Thus a small change in price has a proportionally larger impact on demand. Thus if he raised his price his revenue and profits [probably] would decrease. If answer fails to address the concept of price elastic demand but just discusses price changes and general impact on demand then 2 maximum.  
Understanding of price elasticity 2–1  
Analysis/application 2–1

**(c) (i)** A marketing budget is an expenditure target to be met along with a quantifiable target for the market plan. Allocates expenditure between different aspects of marketing such as promotions/sales staff/advertising.  
Understanding of expenditure and target (2). Link to marketing needed for 2 marks.  
Simple understanding linked to cost (1)

**(ii)** They set targets that allow performance to be assessed. They help control expenditure. They assess how achievable the aims of a business really are. They are thus a planning tool and a method of control. Also acceptable are comments regarding controlling costs/prevents overspending/increases profits.  
Identifies merits of a marketing budget 2–1  
Applies these to assess why used 2–1

**(d) (i)** A name given by a business to one of its products as a means of identification by consumers.  
Understanding [2–1] perhaps demonstrated by an example or illustration  
Knowledge (1)

**(ii)** The aim of branding is to make products [services] stand out from rivals. It differentiates them in the market place. The brand name must project the right image and should be easy to identify and be remembered. It should convey a strong image in the minds of the customer. Thus a brand name helps make the business become better known and thus increases customer confidence. This should help boost sales.  
Identification of benefits of a brand name 2–1 [K and U]  
Application of branding to this business 2–1

**3 (a)** Niche market is usually a small segment of the market. In this case it is Indian females in a particular city. It is a specialised segment of a market with specific needs or requirements. Answers like small part of market gain 1 mark.  
Application and Knowledge 2–1

**(b)** The retailers would not have the contacts in other countries/they buy small individual amounts/the wholesaler holds stock and breaks bulk/can supply on demand. Thus it is more convenient and often cheaper to buy from the wholesaler. No credit for description of a wholesaler.  
Knowledge of reasons 2–1  
Analysis of reasons 2–1

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- (c) An appreciation in the value of the currency would mean that it was cheaper to import products than before. This should be of benefit to Sudhir because all his purchases are from country X. Thus he should be able to increase his profit margins or sell greater volume by offering lower prices. Either way profits should rise.

Reference to increased sales gains up to 3 marks [showing how this comes about]. Link to profit gains 4 marks.

Knowledge of currency appreciation 2–1

Application and analysis 2–1

- (d) (i) Ethical problem for the business. If he stops buying then costs rise and supply source lost. Other companies may still buy from these firms so he is at a competitive disadvantage. However if he continues to buy he knows he is supporting such activities and he might feel uncomfortable with this. He may also get bad publicity in his own country. Thus problem of principles v economics.

Awareness of issues 2–1

Analysis of issues 2–1

Evaluative judgement 2–1

- (ii) Such laws would mean compliance with stricter standards. Thus Sudhir needs to be sure that the quality of the merchandise sent to him meets the required specifications. He might need to find new suppliers. Certainly he needs to communicate with the suppliers. It might increase his costs. It is of course possible that existing materials used already comply but this seems unlikely.

Understanding of issues 2–1

Analysis of possible impact on the company 2–1

- 4 (a) Consequences of this action would include access to much greater capital/capital does not need to be repaid/carries no interest charges/change of ownership/control implications/disclosure of information/possibility of longer term takeover/limited liability.

Identification of factors 3–1

Analysis of factors 3–1

- (b) (i) Technology will have an impact on working practices [methods] within the business. It probably will reduce labour costs/increased efficiency/generate greater output and thus overheads spread reducing unit costs/e-commerce impact on marketing costs.

Knowledge 2–1

Analysis 2–1

- (ii) Problems might include breakdowns/installation costs creating cash shortages elsewhere in the business/training for staff/soon becomes out of date and hence costs are not recovered.

Identification of possible problems 2–1

Analysis 2–1

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- (c) Examples of the impact of such legislation might include min/max temperature/hygiene rules/protection from dangerous machinery/max hours that can be required to work.  
 Yes, employees benefit because it reduces the risks of exploitation. It forces all employers to adopt minimum standards. However if wage rates [or costs] are forced up then jobs might be lost. Furthermore the opportunity to work long hours to earn more money might also be reduced. Protection against dangerous or unhygienic conditions must however benefit employees. So, generally the employee gains, but under certain circumstances they may not.  
 Knowledge of how they benefit 2–1  
 Analysis of benefits 2–1  
 Evaluation 2–1 [this involves consideration of always]

- 5 (a) (i) \$30m i.e. 20% of \$150m (2) needed for 2 marks. \$ not needed.  
 Marks are (1) for method and (1) for accuracy. Method marks available for 20% of incorrect total.
- (ii) 12.5% The sales of Aglahor in 2007 are \$150m. The total market sales are \$1200m. Market share is company sales/total market sales % (1). Thus market share is 1/8 or 12.5%.  
 Thus 1 mark for formula for calculating market share/1 mark for substituting in/1 mark for accuracy.  
 Full 3 marks for correct answer even if no working. % needed for full marks.
- (b) (i) Batch production is when a method is used which involves completing one operation at a time on all units before performing the next. Production can be flexible because batches can be made to individual specifications. It is similar to a limited run. Group of products (1)  
 1 mark per feature identified
- (ii) Flow generates mass production with all the potential for unit cost reductions. Economies of scale and large volumes. It often leads to increased specialisation resulting in productivity gains. Also acceptable are uniform quality/identical products with same specifications.  
 Identification of benefits 2–1  
 Explanation of benefits 2–1
- (c) (i) Time (1)
- (ii) Extension strategies usually involve new uses/new features/revamped image/new users targeted/repositioned in market/new points of sale.  
 To be credited the points must clearly be extension strategies and not just selling [marketing] strategies. Thus no credit for lower prices or more advertising.  
 Identification of methods 2–1  
 Analysis/application of methods 2–1
- (d) Sales forecasts are useful because they allow production levels to be planned/they allow capital needs to be anticipated/they allow budgeting to be carried out/they allow resource requirements to be calculated e.g. manpower needs/stock purchases. Other potential benefits to be judged on merits.  
 Identification of benefits 2–1  
 Analysis of benefits 2–1

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## **MARK SCHEME for the October/November 2008 question paper**

### **0450 BUSINESS STUDIES**

**0450/12**

Paper 12 (Short Answer/Structured Response),  
maximum raw mark 100

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- 1 (a) Clearly the change could benefit both parties but this is not inevitable. For the employees it depends upon the size of the increase compared to the average level of tips earned. It does however give them a greater level of certainty and stability in their earnings. The staff might not have to work as hard to gain their money. From Jomo's viewpoint it will increase his costs but this is offset by the fact that he now receives the tips. So could go either way. However incentive for staff to perform is reduced so control might need to be even tighter. Argument can be one sided or either way i.e. benefits or not.  
Application and analysis 4–1 [2 times 2]  
Evaluation 2–1 [1 times 2]
- (b) (i) Autocratic style of management. Jomo gives orders and expects employees to follow. He does not encourage discussion, generation of ideas or participation in decision making (2). A simple level answer which just repeats information given gains 1 mark.
- (ii) Consultation might increase motivation and job satisfaction. However in a small business such as this it would be unusual for the owner to consult often much younger and inexperienced staff. So probably not a good idea. Adverse impact of style can also be credited.  
Identification of issues 2–1  
Evaluation of issues 2–1
- (c) (i) Job description outlines the tasks, functions and responsibilities of the job holder. Features will reflect a waiters/waitresses job and might include taking customer orders, setting tables, serving at tables, clearing etc. Four specific elements in context gains 4 marks.  
Knowledge 2–1  
Application 2–1
- (ii) By producing a job description the features of the job become clear. Thus it helps the selection process because requirements that job holder needs to carry out are explicit and hence qualifications/experience/skills/qualities needed can be identified. Therefore it is easier to match the applicant to the demands of the job. Focus should be on showing why it helps to gain top marks.  
Knowledge 2–1  
Explanation 2–1
- 2 (a) (i) Content. Weekly overheads refer to those costs that occur weekly as a result of the business being in existence. They are unrelated to the volume of trade carried out. Examples might include office expenses, marketing costs, telephone costs.  
Understanding of concept 2  
Simple understanding 1 [e.g. fails to focus on link with output or volume of trade]  
Simple statement plus correct example 2
- (ii) Accurate plot of line (2). Total cost line starts at \$400 and at 200 hours will be \$1600. Break even point is 100 hours work.  
Some meaningful attempt (1) [drawn appropriately but scale errors occur and hence accuracy marks are lost].  
Correct starting point but wrong gradient (1)  
Correct gradient but wrong starting point (1)
- (iii) 150 hours work have to be carried out (2)  
Some attempt to use chart to generate an answer (1)

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- (b) (i) Various methods could be used to include
- reduce prices to make it better value for money
  - advert the service more widely
- Identification of a method (1)  
Explanation of method in context 3–1
- (ii) Content. Much depends on how it is achieved. If price cuts are used then profit [contribution] per hour is reduced so significant increase in number of customers needed to increase profits. [Price elasticity of demand]. If advertising used then overheads rise and obviously have to be covered. However, usually an increase in customers leading to increases in revenue generate increased profit.  
Identification of issues 2–1  
Discussion of issues including balance of extra revenue compared to extra costs generating an evaluation comment 2–1
- (c) Content. Problems of a growing business to include:
- raising of extra finance
  - recruitment of staff
  - organisation and control
  - lack of demand producing cash flow difficulties
- Identification of problems 3–1  
Explanation of problems 3–1 i.e. showing explicitly why this represents a problem
- 3 (a) Niche market is usually a small segment of the market. In this case it is Indian females in a particular city. It is a specialised segment of a market with specific needs or requirements. Answers like small part of market gain 1 mark  
Application and knowledge 2–1
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Evaluative judgement 2–1

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Knowledge 2–1  
Analysis 2–1
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- (c) Examples of the impact of such legislation might include min/max temperature/hygiene rules/protection from dangerous machinery/max hours that can be required to work. Yes, employees benefit because it reduces the risks of exploitation. It forces all employers to adopt minimum standards. However, if wage rates [or costs] are forced up then jobs might be lost. Furthermore the opportunity to work long hours to earn more money might also be reduced. Protection against dangerous or unhygienic conditions must however benefit employees. So generally the employee gains but under certain circumstances they may not.  
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Identification of benefits 2–1  
Analysis of benefits 2–1