



# Cambridge IGCSE™

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**BUSINES STUDIES**

**0450/23**

Paper 2 Case Study

**October/November 2020**

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 October/November 2020 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 **14** 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.

Question	Answer	Marks
1(a)	<p><b>Explain <u>two</u> benefits and <u>two</u> limitations to a business of becoming a public limited company.</b></p> <p>Award 1 mark for each relevant benefit (maximum of two):</p> <p>Relevant benefits might include:</p> <ul style="list-style-type: none"> <li>• Able to sell shares to the public</li> <li>• Limited liability would encourage more people to invest in the plc</li> <li>• Rapid expansion possible by raising large sums of capital</li> <li>• Specialist managers may be appointed</li> <li>• Continuity</li> </ul> <p>Award 1 mark for each relevant limitation (maximum of two):</p> <p>Relevant limitations might include:</p> <ul style="list-style-type: none"> <li>• Legal formalities/more paperwork</li> <li>• Expensive to 'go public'</li> <li>• Accounts available to the public</li> <li>• Divorce between ownership and control</li> <li>• Risk of being taken over/original owners may lose control</li> </ul> <p>Award a maximum of 1 additional mark for <b>each</b> explanation of the benefits/limitations.</p> <p>For example:</p> <p>Able to sell shares to the public (1) so additional capital can be raised. (1)</p>	8

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1(b)	<p><b>Explain the objectives of the following <u>three</u> AD stakeholder groups. Which of these objectives are most likely to be in conflict with each other? Justify your answer.</b></p> <ul style="list-style-type: none"> <li>• <b>Shareholders</b></li> <li>• <b>Employees</b></li> <li>• <b>Customers</b></li> </ul> <table border="1" data-bbox="304 521 1326 1989"> <thead> <tr> <th data-bbox="304 521 413 589">Level</th> <th data-bbox="413 521 1211 589">Description</th> <th data-bbox="1211 521 1326 589">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 589 413 1055">3</td> <td data-bbox="413 589 1211 1055"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of the <b>two</b> or more stakeholder groups objectives.</p> <p>Well-justified conclusion.</p> <p>Candidates discussing three stakeholder groups objectives in detail, in context and with well-justified conclusion, including which objectives are likely to conflict and why the alternative objectives might not conflict, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 589 1326 1055">9–12</td> </tr> <tr> <td data-bbox="304 1055 413 1491">2</td> <td data-bbox="413 1055 1211 1491"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> stakeholder groups objectives.</p> <p>Judgement with some justification/some evaluation of choice made about the conflicts.</p> <p>Candidates discussing two or more stakeholder groups objectives in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 1055 1326 1491">5–8</td> </tr> <tr> <td data-bbox="304 1491 413 1928">1</td> <td data-bbox="413 1491 1211 1928"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the stakeholder groups objectives with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining all three stakeholder groups objectives in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 1491 1326 1928">1–4</td> </tr> <tr> <td data-bbox="304 1928 413 1989">0</td> <td data-bbox="413 1928 1211 1989">No creditable response.</td> <td data-bbox="1211 1928 1326 1989">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of the <b>two</b> or more stakeholder groups objectives.</p> <p>Well-justified conclusion.</p> <p>Candidates discussing three stakeholder groups objectives in detail, in context and with well-justified conclusion, including which objectives are likely to conflict and why the alternative objectives might not conflict, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> stakeholder groups objectives.</p> <p>Judgement with some justification/some evaluation of choice made about the conflicts.</p> <p>Candidates discussing two or more stakeholder groups objectives in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the stakeholder groups objectives with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining all three stakeholder groups objectives in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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2(a)	<p><b>Explain <u>four</u> responsibilities of AD's Operations Director.</b></p> <p>Award 1 mark for each relevant responsibility (maximum of four responsibilities):</p> <p>Relevant responsibilities might include:</p> <ul style="list-style-type: none"> <li>• Responsible for the work of everyone in their department/delegation of tasks – as factory workers have high productivity</li> <li>• Liaise with other directors – such as the Human Resources Director when more production workers are required due to expansion</li> <li>• Maintaining quality products – as AD's tractors have a reputation for being high quality</li> <li>• Overseeing production methods used – for the production of diggers and ploughs</li> <li>• Planning production to meet deadlines and satisfy consumer demand – as AD is planning to expand output and start selling in other countries</li> <li>• Communication/passing on information – for example, Managing Director to 100 production workers</li> </ul> <p>Award a maximum of 1 additional mark for <b>each</b> explanation of a responsibility, <b>which must be applied to this context.</b></p> <p>For example:</p> <p>The director is responsible for the production methods used (1) so that AD can meet demand for agricultural equipment. (app)</p> <p>Application could include: agricultural equipment; tractors; ploughs; sold through specialist agricultural shops; farmers; want to expand output by 30%; maintain a good reputation for diggers; 100 production workers; AD is planning to expand output; start selling in other countries.</p>	8

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2(b)	<p><b>Using Appendix 3, consider how the changes in profitability and liquidity might affect AD. Which change is likely to have the most effect on AD's objective of expansion? Justify your answer.</b></p> <table border="1" data-bbox="304 383 1326 1682"> <thead> <tr> <th data-bbox="304 383 413 448">Level</th> <th data-bbox="413 383 1214 448">Description</th> <th data-bbox="1214 383 1326 448">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 448 413 815">3</td> <td data-bbox="413 448 1214 815"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of profitability and liquidity. Well-justified conclusion.</p> <p>Candidates discussing profitability and liquidity in detail, in context and with well-justified conclusion, including why the alternative is less important, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 448 1326 815">9–12</td> </tr> <tr> <td data-bbox="304 815 413 1218">2</td> <td data-bbox="413 815 1214 1218"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least profitability or liquidity.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing at least profitability or liquidity in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 815 1326 1218">5–8</td> </tr> <tr> <td data-bbox="304 1218 413 1621">1</td> <td data-bbox="413 1218 1214 1621"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss profitability or liquidity with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining profitability and liquidity in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1218 1326 1621">1–4</td> </tr> <tr> <td data-bbox="304 1621 413 1682">0</td> <td data-bbox="413 1621 1214 1682">No creditable response.</td> <td data-bbox="1214 1621 1326 1682">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of profitability and liquidity. Well-justified conclusion.</p> <p>Candidates discussing profitability and liquidity in detail, in context and with well-justified conclusion, including why the alternative is less important, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least profitability or liquidity.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing at least profitability or liquidity in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss profitability or liquidity with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining profitability and liquidity in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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3(a)	<p><b>Explain <u>one</u> economy of scale and <u>one</u> diseconomy of scale for AD as it grows.</b></p> <p>Award 1 mark for each relevant economy of scale (maximum of one):</p> <p>Relevant economies of scale might include:</p> <ul style="list-style-type: none"> <li>• Purchasing</li> <li>• Marketing</li> <li>• Financial</li> <li>• Managerial</li> <li>• Technical</li> </ul> <p>Award 1 mark for each relevant diseconomy of scale (maximum of one):</p> <p>Relevant diseconomies of scale might include:</p> <ul style="list-style-type: none"> <li>• Poor communication</li> <li>• Lack of commitment from employees</li> <li>• Weak coordination</li> </ul> <p>Award a maximum of 3 additional marks for <b>each</b> explanation <b>one of which must be applied to this context.</b></p> <p>For example:</p> <p>Purchasing economies of scale (1) means AD can bulk buy components and gain a discount (1) to manufacture the agricultural equipment (app) which reduces the average cost (1).</p> <p>Application could include: agricultural equipment; tractors; diggers; ploughs; sold through specialist agricultural shops; farmers; output to increase by 30%; expand into other countries; capital investment of \$20m.</p>	8

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3(b)	<p><b>Consider the following <u>three</u> problems for AD when entering new markets in other countries. Which problem will be the easiest to overcome? Justify your answer.</b></p> <ul style="list-style-type: none"> <li>• <b>Language differences</b></li> <li>• <b>Lack of knowledge of the market</b></li> <li>• <b>Changes in exchange rates</b></li> </ul> <table border="1" data-bbox="304 521 1326 1823"> <thead> <tr> <th data-bbox="304 521 413 589">Level</th> <th data-bbox="413 521 1212 589">Description</th> <th data-bbox="1212 521 1326 589">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 589 413 954">3</td> <td data-bbox="413 589 1212 954"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more problems. Well-justified conclusion.</p> <p>Candidates discussing the three problems in detail, in context and with well-justified conclusion, including why the alternative problems were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1212 589 1326 954">9–12</td> </tr> <tr> <td data-bbox="304 954 413 1357">2</td> <td data-bbox="413 954 1212 1357"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> problem.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing two or more problems in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1212 954 1326 1357">5–8</td> </tr> <tr> <td data-bbox="304 1357 413 1760">1</td> <td data-bbox="413 1357 1212 1760"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the problems with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining three problems in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1212 1357 1326 1760">1–4</td> </tr> <tr> <td data-bbox="304 1760 413 1823">0</td> <td data-bbox="413 1760 1212 1823">No creditable response.</td> <td data-bbox="1212 1760 1326 1823">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more problems. Well-justified conclusion.</p> <p>Candidates discussing the three problems in detail, in context and with well-justified conclusion, including why the alternative problems were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> problem.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing two or more problems in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the problems with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining three problems in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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4(a)	<p><b>Explain <u>one</u> advantage and <u>one</u> disadvantage to AD of selling to a niche market.</b></p> <p>Award 1 mark for each relevant advantage/disadvantage (maximum of two):</p> <p>Relevant advantages might include:</p> <ul style="list-style-type: none"> <li>• Meets the specific needs of customers – more satisfied customers – increases demand</li> <li>• Higher customer loyalty and good customer relations</li> <li>• Easier for relatively small business to remain competitive in the overall global market</li> <li>• Able to charge a higher price</li> </ul> <p>Relevant disadvantages might include:</p> <ul style="list-style-type: none"> <li>• Overall size of the market is relatively small – limit to growth</li> <li>• Specialise in a narrow range of products – more vulnerable to the effects of changes in demand/technological change – losing sales and market – higher risk of failure as a result of changes in the market</li> </ul> <p>Award a maximum of 3 additional marks for <b>each</b> explanation – <b>one of which must be applied to this context.</b></p> <p>For example:</p> <p>A disadvantage might be that it specialises in a narrow range of products only selling its products in country Z (1). If farmers change the type of crops grown in country Z (app) then AD could find it has a large fall in demand for its equipment (1) and it might be at risk of failure if it cannot sell to other export markets. (1)</p> <p>Application could include: agricultural equipment; tractors; diggers; ploughs; sold through specialist agricultural shops; farmers; want to expand output by 30%; good quality products.</p>	<b>8</b>

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4(b)	<p><b>Consider how the following <u>three</u> changes may affect AD. Which change will have the greatest effect on AD's profit? Justify your answer.</b></p> <ul style="list-style-type: none"> <li>• <b>Increase in the rate of inflation</b></li> <li>• <b>Increase in government grants to farmers</b></li> <li>• <b>Decrease in tariffs on imported food</b></li> </ul> <table border="1" data-bbox="304 488 1329 1758"> <thead> <tr> <th data-bbox="304 488 413 553">Level</th> <th data-bbox="413 488 1211 553">Description</th> <th data-bbox="1211 488 1329 553">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 553 413 920">3</td> <td data-bbox="413 553 1211 920"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more changes. Well-justified conclusion.</p> <p>Candidates discussing the three changes in detail, in context and with well-justified conclusion, including why the alternative changes were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 553 1329 920">9–12</td> </tr> <tr> <td data-bbox="304 920 413 1323">2</td> <td data-bbox="413 920 1211 1323"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> change.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing two or more changes in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 920 1329 1323">5–8</td> </tr> <tr> <td data-bbox="304 1323 413 1691">1</td> <td data-bbox="413 1323 1211 1691"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss changes with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining the three changes in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 1323 1329 1691">1–4</td> </tr> <tr> <td data-bbox="304 1691 413 1758">0</td> <td data-bbox="413 1691 1211 1758">No creditable response.</td> <td data-bbox="1211 1691 1329 1758">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more changes. Well-justified conclusion.</p> <p>Candidates discussing the three changes in detail, in context and with well-justified conclusion, including why the alternative changes were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> change.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing two or more changes in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss changes with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining the three changes in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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