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Cambridge Assessment International Education

Cambridge IGCSE™ (9–1)

BUSINESS STUDIES **0986/11**

Paper 1 Short Answer/Structured Response **May/June 2020**

MARK SCHEME

Maximum Mark: 80

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

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

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

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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.

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Question	Answer	Marks
1(a)	**Define 'crowd-funding'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Asking a large number of people each for a small amount of money to raise finance for a project [2] Partial definition: asking general public/people to give money [1]	**2**
1(b)	**State <u>two</u> economies of scale.** Award 1 mark per economy of scale. Two from: • Purchasing/bulk buying • Marketing • Technical • Financial • Risk bearing • Managerial	**2**
1(c)	**Outline <u>two</u> reasons why a bank might want Kara to produce a business plan before agreeing to give a loan.** Award 1 mark for each relevant reason. Award 1 mark for each relevant reference to this business. Points might include: • Supports request for finance/shows ability to repay [k] increasing chance of getting finance for her candle business [app] • Shows planning/thought seriously about issues [k] such as recognising that cash-flow is a problem [app] • Provide (important) information about business [k] such as demand is increasing [app] • Shows what security/assets the business has which can be used to support any loan [k] Other appropriate responses should also be credited. Note: The focus of the question is from the viewpoint of the bank and not the business.	**4**

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Question	Answer	Marks
1(d)	**Explain <u>two</u> factors Kara should consider when deciding whether to increase prices.** Award 1 mark for identification of each relevant factor (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Level of competition/selling price of competitors [k] for candles [app] as a higher price could mean fewer customers [an] • Cost of production [k] as a higher price should improve her profit margin [an] especially as she does not benefit from economies of scale [app] • Price elasticity of demand [k] as if price elastic a higher price will result in a greater fall in demand [an] so revenue this year may not be $50 000 [app] • Brand image/reputation [k] as higher price might suggest better quality [an] Other appropriate responses should also be credited.	**6**
1(e)	**Do you think delaying payments to suppliers is the best way for a small business to improve its cash-flow? Justify your answer.** Award up to 2 marks for identification of relevant points or alternative ways. Award up to 2 marks for relevant development. Award 2 marks for justified decision as to whether delaying payments to suppliers is the best way for a small business to improve its cash-flow. Points might include: • Delaying payment will allow them to delay cash outflow [k] • Suppliers may be unwilling to supply materials [k] and without the necessary materials would not be able to generate any cash inflows [an] Other options might include: • Ask customers to pay more quickly [k] but could result in fewer customers leading to lower cash inflows [an] • Arrange an overdraft/short-term loan [k] but could be charged interest which would increase cash outflows [an] • Sell unwanted non-current assets [k] which would free up cash currently tied up in the business [an] • Buy cheaper materials [k] which would reduce cash outflows [an] Justification might include: • As the business is small suppliers may not be willing to offer credit as they are seen as too high a risk so this may not be an option for a small business. [eval] [eval] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
2(a)	**Define 'multinational company'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. A business with factories, production or service operations in more than one country [2] A business with production or service operation in another country outside its normal area of operation [2] Partial definition e.g. works/operates in more than one country [1]	**2**
2(b)	**State <u>two</u> ways of motivating employees.** Award 1 mark per way. Points might include: • financial bonuses • performance related pay • fringe benefits (or examples but allow only once) • profit share • provide opportunities for promotion • job rotation • job enrichment • job enlargement • training opportunities • increase rate of pay • employee of the month/award schemes • praise Other appropriate responses should also be credited.	**2**
2(c)	**State <u>four</u> factors that might affect the leadership style used by a manager.** Award 1 mark for each relevant factor. Points may include: • Personality of leader/manager • Skills of leader • Skills of employees • Work to be done • Size of business • Organisational structure Other appropriate responses should also be credited.	**4**

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Question	Answer	Marks
2(d)	**Explain <u>two</u> ways BCK could contribute to sustainable development.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Reduce output [k] of gold [app] so only extract amount required (to meet demand) [an] • Use renewable energy [k] so need to use fewer natural resources [an] when operating its mines [app] • Restore land to nature when finished [k] so land can be reused for other purposes [an] • Increase efficiency [k] of its 10 000 employees [app] so waste fewer resources [an] • Change methods of working [k] Other appropriate responses should also be credited.	**6**
2(e)	**Do you think using communication methods based on information technology (IT) is the best way for a large business to communicate with its suppliers? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether using communication methods based on information technology (IT) is the best way for a large business to communicate with its suppliers. Points might include: • Phone call as can obtain immediate feedback [k] but may not be able to contact the person when needed [an] • Emails allow the receiver to read the message when it's convenient to [k] but may not read it/see it as junk mail [an] but could contain lots of detailed information [an] • Choice could depend on location of supplier e.g. local or in another country/how much information need to include [k] Other methods • Meetings [k] allows for feedback [an] but can be difficult to arrange a suitable time when everyone can attend [an] • Letter [k] have a copy that can refer back to [an] but language used may not be clear if use technical language [an] Justification might include: • Yes, especially if its urgent as electronic methods are usually quicker – so action/changes can be made sooner so that operations are not delayed – which could be very costly especially for large business. [eval] [eval] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
3(a)	**Define 'brand image'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Unique name of a product that distinguishes it from other products or brands [2] Partial definition e.g. something that makes the product easy to recognise [1]	**2**
3(b)	**Calculate the break-even number of customers for a typical NWA flight. Show your working.** Award 2 marks for correct calculation. Break-even: 125 [2] Correct formula and incorrect answer e.g. 2000 / (40 – 24) [1] OR fixed cost/selling price – variable cost per unit [1]	**2**
3(c)	**Outline <u>two</u> possible problems for NWA of having a high level of debt.** Award 1 mark for each relevant problem. Award 1 mark for each relevant reference to this business. Points might include: • Difficult to arrange additional finance [k] especially as its main source of finance are bank loans [app] • High cost of repayment/high expenses [k] making it difficult to keep prices at $40 [app] • Increase financial risk [k] when buying planes [app] • Cash flow/liquidity problems [k] despite business being profitable [app] Other appropriate responses should also be credited.	**4**

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Question	Answer	Marks
3(d)	**Explain how <u>two</u> methods of sales promotion could increase sales for NWA.** Award 1 mark for identification of each relevant method (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Sponsorship (of events or clubs) [k] can help boost its reputation [an] thereby helping further improve its brand image [app] • Short-term price discounts/special offers [k] aimed at tourists [app] as more people are able to afford/willing to buy as its cheaper [an] • Loyalty schemes [k] such as frequent flying programme [app] to encourage customers to return many times [an] • Competitions [k] as people may buy more to increase their chances of winning the prize [an] • Gifts [k] • After sales service [k] Other appropriate responses should also be credited.	**6**
3(e)	**Do you think that having many levels of hierarchy is the best type of organisational structure for a large business? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether having many levels of hierarchy is the best type of organisational structure for a large business. Points might include: • Having levels of hierarchy (tall hierarchy) means a long chain of command [k] which can slow down communication as messages have to pass through many levels to reach the intended person [an] which could slow down decision making [an] • Senior managers are more remote from employees [k] which can demotivate employees and lower efficiency/output [an] • Managers have fewer employees to supervise [k] which could result in fewer opportunities for delegation [an] • Can provide more opportunities for promotion [k] • Having a wider structure would lead to a short chain of command/each manager having to be responsible for more people [k] which could mean managers lose control [an] Justification might include: • No as it could depend on the leadership style of the manager – if they have an autocratic style – a tall structure may be better as this will allow them to have greater control over what all the employees in a large organisation do [eval] [eval] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
4(a)	**Identify <u>two</u> reasons why a government might support business start-ups.** Award 1 mark per reason. Points might include: • reduce unemployment • increase competition • increase output • benefit society • small businesses can grow Other appropriate responses should also be credited.	**2**
4(b)	**State <u>two</u> types of business organisation (other than partnership).** Award 1 mark for each type of business organisation. Points might include: • sole trader • private limited company • public limited company • franchise • social enterprise • charity • public corporation Other appropriate responses should also be credited.	**2**
4(c)	**Outline <u>two</u> disadvantages of BMT being a business partnership.** Award 1 mark for each relevant disadvantage. Award 1 mark for each relevant reference to this business. Points might include: • Unlimited liability/ each responsible for debts of other [k] so if business cannot pay its debts there is risk to the personal assets of each brother [app] • Fewer sources of finance (than limited company) [k] restricting plans to expand the watch business [app] • Possible disagreements/slower decision making [k] such as whether to import parts [app] • Have to share profits [k] Other appropriate responses should also be credited.	**4**

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Question	Answer	Marks
4(d)	**Explain <u>two</u> ways BMT could achieve lean production.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Just in Time [k] ordering parts as and when needed for the watches [app] which reduces storage costs [an] • Kaizen [k] helps to eliminate mistakes and errors [an] when making these high-quality products [app] • Cell production/team working [k] of its 30 employees [app] • Kanban [k] Other appropriate responses should also be credited.	**6**
4(e)	**Do you think the exchange rate is the most important factor for a business to consider when deciding whether to import parts for a high quality product? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether the exchange rate is the most important factor for a business when deciding whether to import parts for a high quality product. Points might include: Exchange rates • Appreciation in own exchange rates would mean have to pay less to import materials [k] which lowers costs [an] so may be able to lower prices or improve profit margin [an] • Changing rates are difficult to plan for [k] may result in having much higher costs than budget [an] • Exchange rate depreciate [k] lead to higher cost of imported materials [an] could mean have to increase prices which could lower sales [an] Other factors might include: • The quality of parts/materials [k] as it may not be possible to obtain the resources locally [an] • Import tariffs [k] this would increase the price [an] • Import quotas [k] this could limit the amount of parts that can be brought into the country [an] Justification might include: • As it is for a high-quality product, exchange rate is not as important as the materials because customers may be willing to pay the higher price to get the right quality which could cover the financial impact of any changes in the exchange rate. [eval] [eval] Other appropriate responses should also be credited.	**6**