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Cambridge Assessment International Education

Cambridge IGCSE™ (9–1)

BUSINESS STUDIES **0986/12**

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 'specialisation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Way in which work is divided so each worker concentrates on a specific task so become expert at it [2] When people and businesses concentrate on what they are best at [2] Partial definition e.g. workers do only one job [1]	**2**
1(b)	**Identify <u>two</u> reasons why a government might introduce import controls.** Award 1 mark per reason. Points might include: • Protect jobs from cheap labour in other countries • To improve trade deficit • Protect newly started/infant industries • To earn more revenue from tariffs • Protect local businesses from low priced competition • Protect important national or strategic industries Other appropriate responses should also be credited.	**2**
1(c)	**Outline <u>two</u> ways DWT could try to ensure quality production.** Award 1 mark for each relevant way. Award 1 mark for each relevant reference to this business. Points might include: • Quality control [k] so check products before they are exported [app] • Quality assurance [k] when making solar panels [app] • Training/recruit skilled employees [k] to make full use of specialisation [app] • Use better quality materials [k] which could afford to pay for as it is a low-cost country [app] • Use new technology/CAM/CAD [k] Other appropriate responses should also be credited.	**4**

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Question	Answer	Marks
1(d)	**Explain <u>one</u> objective of each of the following stakeholder groups of DWT.** Award 1 mark for identifying the objective of each stakeholder group (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: Customers • would want high quality products [k] to achieve value for money [an] which is why quality production is important [app] • may want affordable prices [k] Pressure groups • encourage the use of sustainable methods [k] such as solar panels [app] to protect the environment [an] • reduce/limit amount of pollution/environmental damage [k] Other appropriate responses should also be credited.	**6**
1(e)	**Do you think that all businesses will benefit from operating in a country which is experiencing rapid economic growth? 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 all businesses will benefit from operating in a country which is experiencing rapid economic growth. Points might include: • Economic growth increases consumer incomes [k] which increases demand for most goods [an] • Rapid economic growth can lead to higher rate of inflation [k] which raises firms' costs/reduces profit margin [an] • Patterns of consumer demand might change [k] reducing revenue for some businesses [an] • Could lead to shortage of skilled workers [k] so have to offer pay to attract/retain employees leading to higher costs [an] Justification might include: • No - unlikely all businesses will benefit as it depends on what they sell as if they sell basic goods, customers may switch to more expensive items as their incomes increase leading to fewer sales for some businesses and higher sales for others. [eval] [eval] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
2(a)	**Define 'trade union'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Group of workers who join together to ensure their interests/rights are protected [2] Organisation which represents the workers and fights for improvements to pay and conditions [2] Partial definition e.g. A group who fight for workers' rights [1]	**2**
2(b)	**Calculate the average cost of one motorcycle. Show your working.** Award 2 marks for a correct calculation: 400 Award 1 mark for correct method e.g. 1 200 000/3000 OR total cost / total output	**2**
2(c)	**State <u>four</u> features of an income statement.** Award 1 mark for each relevant feature. Points might include: • Revenue • Cost of sales • Gross Profit • Profit (for the year) • Retained Profit • Expenses Other appropriate responses should also be credited.	**4**
2(d)	**Explain <u>two</u> possible problems for MLC of relocating its operations to another country.** Award 1 mark for identification of each relevant problem (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: • Access to suitable employees/not easy to find employees [k] as at new site will need 150 new employees [app] increasing recruitment/training costs [an] • Access to/cost of suitable land [k] as will need a big space[an] to make motorcycles [app] • Different legal controls/standards [k] in the new factory [app] which may mean have to change how/where operate [an] • Could be further away from market/suppliers/need to find new suppliers [k] which increases transport costs [an] • Communication problems [k] as may need to learn a new language [an] so takes longer to complete on-the-job training [app] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
2(e)	**Do you think on-the-job training is a better method of training for a manufacturing business to use than off-the-job training? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether on-the-job training is a better method of training for a manufacturing business to use than off-the-job training. Points might include: Off-the-job training: • Not necessarily tailored to individual business [k] • Have to pay more/high cost for specialists [k] which increases costs [an] • Skills might not be available in the business [k] so benefit from new techniques/ideas [an] • Allows for mistakes to be made when learning [k] so less likely to waste resources when working/lower risk of damaging business reputation [an] On-the-job training: • Can reinforce errors/bad habits of trainer [k] reducing sales/damage reputation [an] • Fewer new ideas/skills will be taught [k] • Control what is taught/employees learn exact way business wants things done [k] so workers only learn skills needed [an] • Employees can carry on working [k] so some output is still produced [an] • Cheaper (than off-the-job) [k] Justification may include: • No, as it depends what the training is for – if using new techniques/ machines the business may not have a suitable person to train others so on-the-job is not an option so it would have no choice and would have to use off-the-job training. [eval] [eval] Other appropriate responses should also be credited.	**6**

Question	Answer	Marks
3(a)	**Define 'business plan'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. A document containing the business aims/objectives and important details about the operations, finance and owners of a business [2] States aim and/or objectives and shows how business aims to achieve them [2] Partial definition e.g. a document showing what the business intends to do [1] Other appropriate responses should also be credited.	**2**

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Question	Answer	Marks
3(b)	**Identify <u>two</u> reasons why a business might downsize its workforce.** Award one mark per reason (max 2). Points might include: • Economic crisis • Factory/shop/office closure • Merger or takeover • Need to reduce costs • Changes in management/strategy • Automation or replaced by machinery • Excess workforce • Relocation Other appropriate responses should also be credited.	**2**
3(c)	**Outline <u>two</u> reasons why Kala's business might need finance.** Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business. (max 2). Points might include: • Increase working capital/examples such as buy inventory or materials/pay day to day costs [k] so prevent cash flow problems [app] • To expand/buy more non-current assets [k] so she can enter different market segments [app] • To pay for market research and advertising [k] of her sportswear [app] Other appropriate responses should also be credited.	**4**

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Question	Answer	Marks
3(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Kala of using e-commerce to sell her products.** Award 1 mark for identification of each relevant advantage and disadvantage (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: Advantages: • Able to target customers [k] who are mainly women [app] so better able to attract attention of people most likely to buy her products [an] • Less rent/fewer employees needed [k] which can help reduce costs [an] for her sportswear [app] • Easy to update [k] so keep customers informed [an] about the ways the products can be customised [app] • Widen market/more potential customers [k] which can increase revenue [an] Disadvantages: • Difficult to stand out from competition [k] at a time when she is worried about increased competition [app] leading to lower sales [an] • Not everyone has access to internet [k] • No passing trade [k] so could mean fewer sales [an] • Increased costs of postage/distribution [k] as need to arrange for delivery/vans [an] • Need to pay for pop-ups to advertise on popular sites [k] • Lack of personal service [k] • Customers may want to try before buy [k] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
3(e)	**Do you think selling to different market segments is the best way for a small business to respond to increased competition? 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 selling to different market segments is the best way for a small business to respond to increased competition. Points might include: Targeting a new segment: • Wider market base [k] could increase sales revenue [an] • Spreads risk [k] as not reliant on one market for sales [an] • Need to know reaction/current level of competition [k] as customers may be loyal to other businesses so not easy to obtain sales [an] • High cost and time involved developing new products [k] • Cost of promotion [k] as need to attract customer's attention [an] Other issues or ways could be discussed such as: • Could change prices e.g. lower prices could lead to lower profit margin/seen as lower quality [k] which could lower sales [an] • Size of market could be a factor as if niche market [k] this will limit number of possible sales [an] Justification might include: • Yes, selling to other segments means spreading risk [k] as not reliant on one market for sales [an]. This is much better than charging lower prices [k] could reduce revenue [an] if they cannot generate enough extra sales to cover the price reduction which could be a major issue for especially for a small business who not have the sufficient funds to be keep lower prices [eval] so could struggle to remain competitive [eval] Other appropriate responses should also be credited.	**6**

Question	Answer	Marks
4(a)	**Define 'profit'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Profit is the amount of money that a business makes once costs have been subtracted from the revenue [2] Total revenue minus total costs [2]. Partial definition e.g. money left after costs paid [1] Note: For both marks must have idea that there is both sales and cost element to profit.	**2**

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Question	Answer	Marks
4(b)	**State <u>two</u> problems of using the number of employees to measure the size of a business.** Award 1 mark per problem. Points might include: • Might use a lot of machines, • Difficult to count part-time employees Other appropriate responses should also be credited.	**2**
4(c)	**Outline <u>two</u> possible ways ALB can try to reduce its costs.** Award 1 mark for each relevant way. Award 1 mark for each relevant reference to this business. Points might include: • Reduce number of employees [k] by making some of the 5000 employees redundant [app] • Close number of branches [k] from 300 [app] • Reduce amount of wastage [k] by using less paper when dealing with business customers [app] Other appropriate responses should also be credited.	**4**
4(d)	**Explain <u>two</u> ways ALB could improve customer loyalty.** 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: • Communicate with customers e.g. newsletters, social media [k] so that they remember your business [an] when they next need financial services/help from bank [app] • Offer good quality service [k] so customers want to return [an] to the 300 branches [app] • Train staff [k] so all 5000 employees [app] are able to offer a good quality service [an] • Ask for feedback e.g. surveys [k] to find out how/what they need to do to improve [an] • Resolve complaints quickly [k] so that customers don't change to another bank [an] as it is a competitive market [app] • Offer rewards/loyalty programs [k] such as discounts for business customers who also use them for its personal banking [an] • Offer extra services such as online/mobile phone app [k] Other appropriate responses should also be credited.	**6**

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Question	Answer	Marks
4(e)	**Do you think changes in legal controls over employment issues will always reduce business profits? Justify your answer.** Award up to 2 marks for identification of relevant issues. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to whether changes in legal controls over employment issues will always reduce business profits. Points might include: • Health and safety changes could mean needing to provide more training [k] increasing costs [an] but leading to more motivated/more efficient employees [an] • Can depend on how much the minimum wage increases [k] as may already pay above the new rate so may not affect them [an] • Can depend on the type of business [k] as health and safety may be more of an issue if it is a manufacturing business [an] Justification might include: • Yes, because any changes in legal control are likely to result in the business at least having to do something even if it is only to check they are compliant, which will cost time and money to do. [eval] [eval] Other appropriate responses should also be credited.	**6**