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Cambridge Assessment International Education

Cambridge IGCSE™ (9–1)

BUSINESS STUDIES **0986/21**

Paper 2 Case Study **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)	**Explain <u>four</u> characteristics that make Simon a successful entrepreneur.** Award 1 mark for each relevant characteristic (maximum of four): Relevant characteristics might include: • Self-confident – decision to leave full-time job 6 months ago • Creative – created new drinks to attract additional customers • Independent – willing to go with own ideas to produce new types of drinks • Hard worker – prepared to do all the work himself by making all the drinks at his home and selling them at a market stall • Risk taker – gave up a well-paid job and risked losing personal assets • Effective communicator – persuades others to buy his new drinks when he is selling them on a market stall • Optimistic – think positively about new business and wants to rapidly expand it • Innovative – creating a healthy alternative to mass produced drinks Award a maximum of one additional mark for each application of the characteristic to the context. Indicative response: Simon is a risk taker (1) as he risked giving up his well-paid job to start his own business (app).	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Explain the <u>three</u> main methods of production FJ could use to produce its products in the factory. Which method should FJ use? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more methods.

Well-justified recommendation.

Candidates discussing three methods in detail, in context and with well-justified recommendation including why the alternative methods were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one method.

Judgement with some justification/some evaluation of choice made.

Candidates discussing of two or more methods in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the methods with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining three methods in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Job</td><td>• Suitable for one-off drinks
• Needs exact requirements of customers
• Higher price charged for product</td><td>• Skilled labour may be required – higher wages – higher costs
• Costs higher as labour intensive and specially ordered fruits used
• Production takes longer than other two methods</td></tr>
<tr><td>Batch</td><td>• Flexible way of working – can easily change to produce different drinks
• Still some variety for workers in their jobs
• More variety of products produced – consumers will have more choice</td><td>• Can be expensive if semi-finished drinks need moving around the factory
• Machines have to be reset between batches
– delay in production
– lower productivity
• Warehouse space needed for fruits and finished batches of drinks – cost of space</td></tr>
<tr><td>Flow</td><td>• High output of standardised drinks
• Cost to make each drink is low
• Easier for capital intensive production methods to be used
• May use lower skilled workers as machines can be used in the production line
• May benefit from economies of scale as may buy the 2 types of fruit ingredients in bulk</td><td>• Can be boring for workers – less motivated
• Storage costs may be high unless use JIT
• Capital costs of setting up production line are high
• If one machine breaks down, then the whole production line may have to be halted with no fruit drinks produced</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer	Marks
1(b)	Recommendation: Justification might include: • Batch will be the best as different **types of healthy drinks** will be produced but not in large enough quantities to make flow production viable until the business has grown significantly. • Flow production will allow more automated machinery to be installed in the factory which will reduce unit costs than if job or batch production is used. Lower prices for the **fruit drinks** may then be charged leading to higher demand. Also supply to the additional **market stalls** can easily be met and the **business can expand quickly**.	

Question	Answer	Marks
2(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Simon of using crowd-funding as a source of finance for FJ.** Award 1 mark for each relevant advantage/disadvantage (maximum of two): Relevant advantages might include: • May have no initial fees to be paid to the crowd-funding platform • Allows public reaction to the new business venture to be tested • Can be a fast way to raise substantial sums of money • May be used when other more 'traditional' sources are not available Relevant disadvantages might include: • Crowd-funding platforms may reject Simon's proposal if it is not well thought through • If total amount required is not raised, then the finance promised will have to be repaid • Interest from the public will need to be generated to increase the chance of successfully raising the amount required • May allow competitors to steal the idea and reach the market first Award a maximum of 3 additional marks for each explanation of the advantage and disadvantage of using crowd-funding. – **one of which must be applied to this context.** For example: Crowd-funding will allow large amounts of capital to be raised (1) so Simon can start producing a large output of fruit drinks quickly (app). This will allow Simon to enter the new market before competitors can copy his drinks (1) and he will not have to pay back the money, unlike a bank loan. (1)	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Consider the following <u>three</u> methods of market research Simon used. Which do you think is the best method to use when deciding which product to produce? Justify your answer.

• Online questionnaire
• Accessing government population data
• Focus group

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more methods of market research.

Well-justified conclusion.

Candidates discussing the three methods in detail, in context and with well-justified conclusion including why the alternative methods were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one method.

Judgement with some justification/some evaluation of choice made.

Candidates discussing two or more methods in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the methods of market research with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining the three methods of market research in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><td>Online questionnaire</td><td>• Faster with quicker replies than other forms of survey
• Cheaper to collect quantitative data about customer purchases of drinks than interviews
• Can collate results about customer consumption of healthy drinks saving Simon time
• But with no interviewer questions may not be understood and answers less valid
• May not gain a wide range of views if people do not have the internet</td></tr>
<tr><td>Accessing government population data</td><td>• Quicker to collect than primary sources
• Gives an idea of age groups in the local area and total size of the market for fruit drinks
• But this does tell Simon which fruit juices people will like
• May be out of date
• Data is available to all drink's businesses including competitors</td></tr>
<tr><td>Focus group</td><td>• Qualitative data so opinions on different fresh fruit drinks can be gathered
• Questions can be explained so opinions on which fruits to include in drinks is more reliable
• Quicker and cheaper than individual interviews
• Primary research is up to date and relevant
• But expensive and time consuming to collect
• Discussion could be biased if some of panel members have strong opinions on which fruits to include in drinks</td></tr>
<tr><td>Conclusion</td><td>Justification might include:
• If opinions are required, then focus group or online questionnaire may be better as gain this data directly from potential customers. Also, if the budget for market research is high then a focus group will gather more qualitative data that may be more useful in developing the most successful new fruit drinks.
• If only data on the total market is required, then accessing government population data might be best as it is cheap to collect and readily available giving details of the total size of the market for fruit drinks. It also does not take much time to collect unlike a focus group that will need to be set up, participants selected and invited to attend. Then the focus group will need to be led by an experienced market researcher or the data may be less accurate. An online questionnaire will still also need to have a suitable sample of respondents for it to be useful.</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer	Marks
3(a)	**Explain <u>four</u> ways an increase in government spending may affect a business.** Award 1 mark for each relevant way (maximum of four ways). Relevant ways might include: • Government may increase purchases from other businesses – increasing demands for its products • May lead to higher inflation - increase business costs • May reduce unemployment - increase consumer spending • May lead to a need to increase taxes - reducing consumer spending Award a maximum of 1 additional mark for explanation of how an increase in government spending may affect a business. For example: Government may increase purchases from other businesses (1) increasing the revenue of these businesses (1).	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Referring to Appendix 2, consider the suitability of the <u>three</u> applicants for the position of manager. Which applicant should Simon select? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more applicants.

Well-justified recommendation.

Candidates discussing all three applicants in detail, in context and with well-justified recommendation including why the alternative applicants were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one applicant.

Judgement with some justification/some evaluation of choice made.

Candidates discussing two or more applicants in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the applicants with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining all three applicants in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><td>Joe</td><td>• Inexperienced as only worked part-time
• Doesn't want to work long hours so may not work hard for Simon
• Has experience of the food and drink industry and already trained in hygiene regulations so saving time and money
• But cheapest at $6 hourly wage of the three so costs will be lower</td></tr>
<tr><td>Zabeen</td><td>• Experience of management – may be skilled to manage the market stalls without training
• No qualifications so may not have much ability to learn – training less effective
• Ambitious so may be keen to do well and impress Simon
• But the most expensive at $15 per hour to employ so costs will be higher
• May leave if better job comes along to higher costs of recruitment as need to replace her</td></tr>
<tr><td>Jim</td><td>• Has experience of the food industry and already trained in hygiene regulations so saving time and money
• Enthusiastic and wants to do more challenging work – will work hard to impress Simon
• Has already worked as a manager so no need to train him in what to do – do the job quicker and cheaper</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• Joe is probably youngest and cheapest (at $6 per hour) of the three applicants to employ but has the least experience and Simon needs someone reliable to make the stall successful.
• Zabeen most experience but not on a food or drinks stall. Also has no formal qualifications and is the most expensive of the three applicants to employ. As FJ is a new business it will need to keep costs down.
• Jim has hygiene certificate and so lower costs than Zabeen as training not required. Has more experience than Joe of working in a food and drinks establishment. He is ambitious so will try hard and more likely to help make the market stall successful.</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer	Marks
4(a)	**Explain <u>two</u> reasons why profit is important to FJ.** Award 1 mark for each relevant reason (maximum of 2). Relevant reasons might include: • Return on investment • Source of retained profit for investment • Attracts business partners • Enables Simon to pay a bonus to employees Award a maximum of 3 additional marks for each explanation of why profit is important to FJ – **one of which must be applied to this context.** For example: As a return on his investment (1) as Simon gave up his job and risked his own money in starting FJ (app). If no profit is made, then Simon could have put his money elsewhere and gained a return on it (1) and he may decide to close down FJ and start up another business. (1)	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Consider the <u>two</u> products outlined in Appendix 3. Which product should FJ produce? Justify your answer using relevant calculations.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both products.

Well-justified recommendation.

Candidates discussing both products in detail, in context and with well-justified recommendation including why the alternative product was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one product.

Judgement with some justification/some evaluation of choice made.

Candidates discussing both products in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss each product with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining both products in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant reasons might include:
<table>
<tr><td>Drink A</td><td>• Selling price is $3.00 higher than Drink B
• Targeted at higher income consumers so may be willing to pay the higher price
• Revenue = $10 000
• Total cost = $8500
• Profit = $1500 per week
• Gross Profit $2000
• Gross profit per drink = $1.00
• GPM = 20%
• PM = 15%
• Average cost = $4.25
• Highest quality with more fruits in the drink
• More variety of drinks available as uses 6 different fruits</td></tr>
<tr><td>Drink B</td><td>• Revenue = $10 000 same as Drink A
• Total cost = $5500
• Profit = $4500 per week
• Gross profit = $5000
• Gross profit per drink = $1.00
• GPM = 50%
• PM = 45%
• Average cost = $1.10
• Only two fruits in each drink will make the drink lower quality
• Highest sales - forecast demand is 3000 higher than Drink A
• Break-even = 500 same as break-even for Drink A = 500</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• Choose Drink A as although Drink B will give the highest profit of the two drinks it is the lowest quality of drink with only two fruits. As incomes increase customers may prefer the higher quality drinks and so drink A may become more popular and drink B lose sales. The sales figures are only predictions anyway and may be different.
• Drink B may be best to choose as it has the highest gross and profit margins and also makes the highest profit per week. Even though incomes are rising, and it targets lower income customers, they may still have high sales as customers may just buy more of these drinks. Also, more likely to have higher sales than Drink A which will make it easier to expand and sell the drinks after opening more fruit drink market stalls.</td></tr>
</table></td><td></td></tr>
</table>