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CAMBRIDGE
International Education

Cambridge O Level

BUSINESS STUDIES **7115/12**

Paper 1 Short Answer/Data Response **October/November 2025**

MARK SCHEME

Maximum Mark: 80

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 2025 series for most Cambridge IGCSE, Cambridge International A and 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 descriptions 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.

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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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point.
	Incorrect point.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague to be given credit.
REP	Indicates where content has been repeated.
NAQ	Used when the answer or parts of the answer do not answer the question asked.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates appropriate reference to the information in the stem.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation (part (e) questions only).

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Annotation	Meaning
OFR	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.

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Question	Answer	Marks	Guidance
1(a)	**Define 'quality assurance'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Checking for quality (standards) <u>throughout</u> production process / checking quality <u>at every stage</u> [2] • A method of improving quality by trying to prevent mistakes happening <u>in the production process</u> [2] Partial definition e.g. • Checking work done / checking quality multiple times [1] • Try to prevent mistakes [1]	**2**	To gain both marks, the answer must show the idea of: • Check quality / product • throughout/at every stage of the production process.
1(b)	**Identify <u>two</u> reasons why a business might reduce the size of its workforce.** Award one mark per reason (max 2). Points might include: • <u>Fall/decrease</u> in demand/sales/revenue / recession • Introduction of automation/machinery/technology / becoming capital intensive • Financial problems / (need) to reduce costs • Closure of factory/shop/office • Merger/takeover • Relocation / move its operations (to another part of country/world) Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
1(c)	**Outline, with reference to BEI, the difference between redundancy and dismissal.** Award 1 mark for showing understanding of redundancy (max 1). Award 1 mark for showing understanding of dismissal (max 1). Award 1 mark for each relevant reference to this business (max 2). Points might include: Redundancy: • The job is no longer needed/exists [k] as business is downsizing [app] • The worker has done nothing wrong [k] when making aeroplanes [app] • Being asked to leave because the skills/experience of the employee are no longer needed [k] Dismissal: • Employee is incompetent/cannot do the job / not meeting targets [k] at the multinational company [app] • Being asked to leave because of poor behaviour/conduct of employees [k] which may affect quality assurance [app] • Termination of employment by the employer / when employee is <u>told/made</u> to leave job against will of employee [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Multinational company / MNC • Aeroplanes • Quality assurance • Downsize/reduce size of its workforce • 5000 (employees) • <u>Employee A</u> is often late to work • <u>Employee A</u> worked for 1 year at BEI Other appropriate examples can be credited. Candidates must make it clear in the answer which term the point relates to. Max 1 [k] for points about redundancy and max 1 [k] for points about dismissal. Do not award: • Sacked / fired / laid off on own

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Question	Answer	Marks	Guidance
1(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of BEI making employee A redundant.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • May have to pay out less in compensation/redundancy payment [k] as only been there for 1 year [app] which could help lower cash outflows / use funds for other areas of the business [an] • Could improve productivity/efficiency [k] because they are often late for work [app] so orders are met on time [an] Disadvantages: • May lose a lot of experience [k] as worked at another business for 12 years [app] which could lead to more mistakes / less output [an] • May lose skills [k] as employee A can use most of the machinery [app] which may lead to production delays [an] • May lower motivation of other employees [k] as employee A is popular with them [app] which could increase labour turnover [an] • May have to train someone else [k] which can increase costs [an] • Lower output [k] Other appropriate responses should be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Multinational company / MNC • Aeroplanes • Quality assurance • Downsize (its workforce) • 1 year (at BEI) • 12 years (at other businesses) • Popular (with other employees) • Often late • Able to use (most of) the machinery • 2 IGCSEs • 5000 (employees) Other appropriate examples can be credited. Some points could be awarded as [k] or [an] but only award once. Some [an] could be used for different points but only award once. The following are [an] only: • Increase costs on its own. • Labour turnover/absenteeism.

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Question	Answer	Marks	Guidance
1(e)	**Explain <u>two</u> possible benefits to a country of a multinational company locating there. Which benefit is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which benefit is likely to be the most important to a country. Points might include: • Increase jobs/employment opportunities [k] increasing people's income [an] AND/OR reducing unemployment [an] AND/OR improve standard of living/reduce poverty [an] • Generate taxes [k] which may be used to improve public services [an] • More competition [k] which could increase choice/quality of products / may lead to lower prices [an] • Increase reputation/recognition of country [k] which could encourage other businesses to set up/invest in the country [an] • Knowledge sharing / increase skills / gain technical knowhow [k] which could help improve production methods / increase efficiency/output [an] • Improve infrastructure/new investment [k] Other appropriate responses should be credited. Justification might include: One benefit to the country is increased competition [k] which could increase the choice of products available [an]. It could also increase the number of jobs [k] reducing unemployment. [an] The extra jobs are likely to be the most important because this could improve the standard of living for many families [eval] who may then be able to afford to buy the wider choice of goods [eval].	**6**	This is a general question so there are no marks for application. To access evaluation marks, candidates must identify two valid benefits. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points could be awarded as [k] or [an] but only award once. Some [an] can be used for different points but only award once.

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Question	Answer	Marks	Guidance
2(a)	**Define 'cash flow forecast'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Estimate of future cash inflows and outflows of a business (usually on a month-by-month basis) [2]. Partial definition e.g. • Shows the cash inflows and outflows of a business [1].	**2**	First mark for understanding it refers to cash/money in(flows) and out(flows). Second mark is for idea that it is an estimate or future values [+1].
2(b)	**Identify <u>two</u> reasons why cash is important for a business**. Award 1 mark per reason (max 2). Points might include: Examples of day-to-day costs/expenses include: • Pay employees/wages/salary • Pay suppliers/trade payables / raw materials / inventory • Pay rent • Pay insurance • Pay utilities e.g. heating/lighting/water/power • Pay advertising • Pay interest (on loans) / repay loan Other answers include: • For use in an emergency / to pay unexpected costs • Ensure survival / business may be forced to close if cannot pay its debts Other appropriate responses should be credited.	**2**	Only award the first two responses given. Can award pay expenses / short-term debts / day-to-day costs when no specific examples given.

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Question	Answer	Marks	Guidance
2(c)	**Identify <u>four</u> functions of management.** Award 1 mark per function (max 2). Four from: • Control • Coordinate • Plan • Organise • Command	**4**	Only award the first four responses given. Do not award alternative words.
2(d)	**Explain <u>two</u> ways OTK could overcome a short-term cash flow problem.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Overdraft [k] as this would allow the business to spend more than it has in its current account [an] for this jewellery business [app] • Ask suppliers for longer to pay [k] which would delay/decrease cash outflows [an] for more than 30 days [app] • Short-term bank loan [k] for the shop [app] increasing cash inflows quickly [an] • Delay purchase of non-current assets [k] keeping more cash in the business [an] • Sell (non-current) assets [k] generates cash inflows [an] • Ask customers to pay sooner / offer discounts to customers <u>to pay more quickly</u> [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Small (business) • Jewellery • Shop • Centre of Main City • (No) ecommerce • 30 days (later) • <u>Local</u> suppliers Other appropriate examples can be credited. Analysis must show effect of method on cash inflow/outflow. Can award: • Increase cash inflows as [k] or [an] • Decrease cash outflows as [k] or [an]

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Question	Answer	Marks	Guidance
2(e)	**Explain <u>two</u> threats to a business of using ecommerce. Which threat is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which threat is likely to be most important to a business. Points might include: • <u>Increased/more</u> competition [k] so may have to set lower prices (to compete) / may have to spend more on advertising/promotion [an] • Need to design/build website [k] which increases costs [an] • Time/cost for maintenance/updating of the website [k] so may need to employ someone to do this [an] • No face-to-face contact with customer / suppliers / lack of personal service [k] so difficult to gain feedback [an] AND/OR may be difficult to build customer loyalty / supplier relationships / [an] • Need to deliver the products to customers [k] increasing transport/postage costs [an] leading to lower profit margin [an] • Technical problems/no power [k] so may lose potential sales [an] • Security threats / risk of hacking / computer viruses / data theft/fraud / scams [k] which could damage its reputation [an] AND/OR reduce customer loyalty [an] • Risk of bad reviews [k] lowering sales AND/OR revenue [an] • High level of returns [k] Other appropriate responses should be credited. Justification might include: One threat is an increase in competition [k] so may have to set lower prices (to compete) [an]. Another threat is technical problems [k] so the business may lose potential sales [an]. Technical problems are likely to be the most important threat because if customers cannot access the website setting a lower price may be ineffective [eval] so gaining any revenue could be difficult to achieve. [eval].	**6**	This is a general question so there are no marks for application. To access evaluation must discuss two valid threats. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points can be [k] or [an] but only award once e.g. high transport costs. Some analysis could be awarded for different threats, but only award once. Points must focus on the impact on business and not on customers.

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Question	Answer	Marks	Guidance
3(a)	**Define 'partnership'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Two (or more) people agree to jointly own a business (together) [2] • A business formed by two or more people [2] Partial definition e.g. • A business run/operated/managed/controlled/lead by two (or more) people [1]	**2**	For two marks need the idea of owned/formed and it involves at least two people.
3(b)	**Identify <u>two</u> ways to measure the size of a business.** Award 1 mark per way (max 2). Points might include: • (Number of) employees / size of workforce / (amount of) labour • Value of sales/revenue • Number/amount of customers / volume of output / number of sales • Value of output • (Value of) capital employed Other appropriate responses should be credited.	**2**	Only award the first two responses given. Do not award: • Profit • Capital on its own

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Question	Answer	Marks	Guidance
3(c)	**Outline <u>two</u> pricing methods Miguel could use.** Award 1 mark for each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Cost-plus pricing [k] to cover the costs of the gym [app] • Penetration pricing [k] as it is a new business [app] • Competitive / competition pricing [k] based on the location [app] • (Price) skimming [k] for some of the classes [app] • Promotional pricing [k] based on its market research results [app] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Gym / sports club / club • Fitness / classes / yoga or related words e.g. instructors • (Business) partnership / sister • (Remain) small • New/start-up business • Secondary/market research • (Suitable) location Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
3(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Miguel of using secondary market research.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Low cost/free [k] which is important for a new business [app] so has funds for other activities [an] • Readily available [k] so saves time / has time to focus on other issues [an] such as deciding a pricing method [app] • More/wide(r) range of information [k] about classes/yoga [app] which could help increase demand/sales [an] Disadvantages: • Out-of-date information [k] for the gym [app] leading to wrong decisions being taken [an] • Data is available for all businesses [k] so may not help create competitive advantage [an] so may not help the partnership [app] • May not be relevant/specific to business needs [k] for this small business [app] which could result in customer needs not being met <u>reducing customer loyalty</u> [an] • May not be reliable [k] as not up to date [an] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Gym / sports club / club • Fitness / classes / yoga or related words e.g. instructors • (Business) partnership / sister • (Remain) small • Method of pricing • (Suitable) location • New/start-up business Other appropriate examples can be credited. Some points can be [k] or [an] but only award once e.g. lower cost, saves time.

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Question	Answer	Marks	Guidance
3(e)	**Do you think access to employees is the most important factor for a new business to consider when deciding on a suitable location? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether access to employees is the most important factor for a new business to consider when deciding on a suitable location. Points might include: Access to employees: • Availability/number of employees [k] as if high employment may be difficult to find enough employees / if many available could pay lower wages [an] helping to lower costs [an] • Distance/proximity from workers/workplace [k] as if far may <u>increase</u> transport costs / if many close it may be easier to recruit [an] • May need skilled/trained workers [k] to provide a good level of service/high(er) output / may not be suitable workers nearby [an] • Level of wages/salary (in local area) [k] if high wages need to be paid it could increase costs [an] Other factors might include: • Access to customers/demand / proximity to market [k] to increase sales [an] AND/OR revenue [an] • Availability of suitable premises/rent [k] as high rent will increase fixed costs [an] • Number of competitors [k] may lead to high/low footfall [an] • Distance to/from suppliers/transport links [k] which could increase transport costs [an] • Access to raw materials [k] • Legal controls [k] • Government grants [k] • Local infrastructure e.g. internet/water/electricity [k] • Personal preference [k]	**6**	This is a general question so there are no marks for application. Evaluation can only be awarded if candidates discuss access to employees. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points could be [k] or [an] but only award once. Some [an] could be used for different points but only award once. Answers must be from the business viewpoint, not the employee.

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Question	Answer	Marks	Guidance
3(e)	Other appropriate responses should be credited. Justification might include: Availability of employees as if high employment may be difficult to find enough employees [k] reducing level of output [an]. Another factor is government grants [k] which could help pay the start-up costs [an]. The grant is likely to be the most important factor for a new business because without enough finance, there may be no business [eval] and there would be no need to worry about recruiting employees [eval].		

Question	Answer	Marks	Guidance
4(a)	**Define 'fixed costs'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Costs that do not change with the level of output/sales [2] • Costs that do not vary in the short run with the number of items sold/produced [2] Partial definition e.g. • Costs that do not change [1]	**2**	Do not award: • Answers which confuse the term with variable costs. • Examples.

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Question	Answer	Marks	Guidance
4(b)	**Calculate DJU's average cost per week. Show your working.** Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: $7 or 7 [2] Correct method but incorrect answer e.g. • Total cost (of production) / total output [1] • $595000 / 85000 [1] If correct answer given with no working shown, award 2 marks.	**2**	Award only 1 mark if $7 is written as part of the answer but is not given as the final answer. $ sign not required. Max 1 if answer refers to 7 units.
4(c)	**Outline <u>two</u> ways lower interest rates might affect DJU.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increased demand/sales [k] for its clothing [app] • Lower costs / cheaper to <u>borrow</u> money [k] for the factory [app] • Encourage <u>DJU to invest</u> (more) in the business / more likely to apply for a loan [k] as the business is considering ways to grow [app] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Clothing or examples such as jeans/trousers • 90 (employees) • Factory • Use specialisation • Grow/expand the business / takeover a competitor • $595000 (total costs per week) • $400000 (fixed costs per week) • 85000 (units per week) • $7 (average cost) OFR applies Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
4(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to DJU of using specialisation when making its products.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Higher output/quantity produced [k] of clothing [app] so able to meet orders (on time) [an] • Quicker/cheaper to train employees [k] so does not increase total cost costs [an] above $595 000 (per week) [app] • Increased efficiency [k] which can increase output / lead to less waste [an] in the factory [app] • Employee should become a skilled/expert / employee can specialise <u>in what they are good at</u> [k] becoming more efficient in that task [an] • Easier to use machinery to perform tasks [k] which can speed up production [an] • Fewer mistakes/errors made / better quality [k] leading to fewer customer complaints / lower costs of production / better reputation / less waste [an] Disadvantages: • Workers less motivated [k] of the 90 employees [app] so maybe more likely to leave the business / more errors [an] • Workers cannot cover for absent colleagues / may be the only person who can do that task/job [k] which could mean manufacturing may stop / slow down [an] • Need to train employees [k] increasing training costs / increased cash outflows [an] • Not spread risk [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Clothing or examples such as jeans and trousers • 90 (employees) • Factory • $595000 (total costs per week) • $400000 (fixed costs per week) • 85 000 (units per week) • (Different ways a) business can grow/takeover a competitor • Reduction in interest rates • $7 (average cost) OFR applies Other appropriate examples can be credited. Some points could be awarded as either [k] or [an] but do not award the same point twice e.g. higher quality, efficient, fewer mistakes. Some [an] can be used for different points but only award once. More sales/customers is [an] only. Can award points about a business specialising in producing a single product.

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Question	Answer	Marks	Guidance
4(e)	**Do you think the advantages of taking over a competitor are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether the advantages of taking over a competitor are greater than the disadvantages. Points might include: Advantages: • Reduced/less competition [k] increasing sales [an] AND/OR increase revenue [an] • Gain brand name/image of competitor / better reputation [k] leading to increasing customer loyalty [an] AND/OR more sales [an] • Economies of scale [k] leading to lower average/unit costs [an] • Access new skills/expertise/resources/ideas (from other business) [k] • More capacity/output [k] leading to possible economies of scale [an] Disadvantages: • Increased costs [k] which the business might not be able to afford [an] • Possible clash of management styles [k] leading to wrong decisions being taken [an] • Could demotivate employees [k] lowering efficiency [an] • Difficult to coordinate [k] could lead to mistakes/errors [an] • Poor communication [k] which could demotivate employees [an] • Less choice for customers [k] Other appropriate responses should be credited. Justification might include: One advantage of a taking over a competitor is less competition [k] which could allow the business to increase prices [an]. However, there could be a high cost [k] which the business might not be able to afford [an]. The advantages are greater because the combination of less competition and higher prices may lead to higher revenue [eval] which may help cover the costs of the takeover [eval].	**6**	This is a general question so there are no marks for application. To access evaluation must refer to both an advantage and disadvantage. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Some points could be awarded as [k] or [an], but only award once. Can accept economies and diseconomies of scale where no specific examples given. Do not award: • Answers about monopolies. • Answers about forward/backward integration.

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