



Cambridge Assessment
International Education

Example Candidate Responses

Paper 1

Cambridge IGCSE™ / IGCSE (9–1)
Business Studies 0450 / 0986

Cambridge O Level
Business Studies 7115

For examination from 2020



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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge IGCSE / IGCSE (9–1) Business Studies 0450 / 0986 and Cambridge O Level Business Studies 7115, and to show how different levels of candidates' performance (high, middle and low) relate to the syllabus requirements.

In this booklet candidate responses have been chosen from March 2020 exam series to exemplify a range of answers.

For each question, the response is annotated with a clear explanation of where and why marks were awarded or omitted. This is followed by examiner comments on how the answer could have been improved. In this way, it is possible for you to understand what candidates have done to gain their marks and what they could do to improve their answers. There is also a list of common mistakes candidates made in their answers for each question.

This document provides illustrative examples of candidate work with examiner commentary. These help teachers to assess the standard required to achieve marks beyond the guidance of the mark scheme. Therefore, in some circumstances, such as where exact answers are required, there will not be much comment.

The questions and mark schemes used here are available to download from the School Support Hub. These files are:

0450 March 2020 Question Paper 12
0450 March 2020 Paper 12 Mark Scheme

Past exam resources and other teaching and learning resources are available on the School Support Hub:

www.cambridgeinternational.org/support

How to use this booklet

This booklet goes through the paper one question at a time, showing you the high-, middle- and low-level response for each question. The candidate answers are set in a table. In the left-hand column are the candidate answers, and in the right-hand column are the examiner comments.

Example Candidate Response – high, continued	Examiner comments
<p>(d) Explain how each of the following could cause communication barriers within HSN.</p> <p>Language: The language used by the sender may be more technical and use advanced terms. As a result, the receiver may not be able to understand the instruction to be carried out. As a result, the 600 production workers may not be able to work effectively, resulting in a loss in potential output. Therefore HSN will not be able to meet its target.</p>	<p>8 The first barrier is identified.</p> <p>9 The candidate gives a clear explanation and states how the use of technical terms might lead employees to misunderstand the</p>

Answers are by real candidates in exam conditions. These show you the types of answers for each level. Discuss and analyse the answers with your learners in the classroom to improve their skills.

Examiner comments are alongside the answers. These explain where and why marks were awarded. This helps you to interpret the standard of Cambridge exams so you can help your learners to refine their exam technique.

How the candidate could have improved their answer

(d) The candidate demonstrated good contextual understanding of each barrier. The first part clearly explained how the use of technical language might create a communication barrier for this business. A shorter answer (missing out the final sentence) would still have earned full marks and the final sentence was not relevant to the question. There were no marks awarded for the attempted development of the second barrier, because 'distorted' and 'not clear' was the same point. To improve, the candidate needed to explain how the message being distorted could lead to misinterpretations and this could then result in errors.

This section explains how the candidate could have improved each answer. This helps you to interpret the standard of Cambridge exams and helps your learners to refine their exam technique.

Common mistakes candidates made in this question

(d)

- Some candidates recognised that workers would 'not understand', without identifying the reason why this would happen.
- Some candidates misread the question and focused on ways to overcome the communication barriers identified.
- Some candidates were not able to apply the points they made, to the given scenario.
- Some candidates explained the impact of the barrier on the business, rather than the reason why the barrier arose.

Often candidates were not awarded marks because they misread or misinterpret the questions.

Lists the common mistakes candidates made in answering each question. This will help your learners to avoid these mistakes and give them the best chance of achieving the available marks.

Question 1

Example Candidate Response – high

Examiner comments

- 1 HSN uses batch production to make breakfast cereals. The products are sold using several distribution channels. HSN employs 600 production workers. HSN has problems with many employees leaving. Following the dismissal of the Operations Manager, the Human Resources Director has to recruit a new manager. She said: 'The person must have good communication skills to help solve the communication barriers HSN has with employees.' The Human Resources Director has to decide whether to use internal recruitment or external recruitment for the new manager.

- (a) Define 'dismissal'.

Dismissal is when a worker is told to leave their job due to some aspect of their job being unsatisfactory. 1
Employees may be dismissed if they are caught stealing or due to poor performance. 2 [2]

- (b) State two distribution channels a business might use.

Distribution channel 1: purchase directly from a manufacturer
Distribution channel 2: purchase from a wholesaler 3 [2]

- (c) Outline two possible problems to HSN of many employees leaving.

Problem 1: Inefficient productivity. 4 If workers are leaving every now and then there might be a problem in production of breakfast cereals, which might reduce sales and profit margin. 5
Problem 2: If workers are leaving the job then HSN has to recruit new group of workers, which might increase the recruitment cost. 6
and training costs as well. 7 [4]

1 This is the correct definition.

2 The second sentence is not needed because a full definition has already been provided.

Mark for (a) = 2 out of 2

3 The candidate identifies two correct distribution channels.

Mark for (b) = 2 out of 2

4 A problem is outlined.

5 The candidate appropriately uses information from the scenario, so is awarded an application mark.

6 The second problem is outlined, but this needs to be linked to HSN's business to gain the application mark.

7 A third problem is identified but is not needed.

Mark for (c) = 3 out of 4

Example Candidate Response – high, continued

Examiner comments

- (d) Explain how each of the following could cause communication barriers within HSN.

Language: The language used by the sender may be more technical and use advanced terms. As a result, the receiver may not be able to understand the instruction to be carried out. As a result, the 600 production workers may not be able to work effectively, resulting in a loss in potential output. Therefore, HSN will not be able to satisfy consumer demand, forcing them to make some of the 600 workers redundant.

Medium of communication: If the message passes through a large number of levels before reaching the intended recipient, it is likely to be distorted. As a result, information will not be clear, resulting in an increase in administrative costs and an increase in the number of errors. As a result, the quality of the breakfast cereal will decline due to this communication barrier.

[6]

8 The first barrier is identified.

9 The candidate gives a clear explanation and states how the use of technical terms might lead employees to misunderstand the instruction, and how this could cause a communication barrier.

10 The candidate appropriately uses information from the stem, which shows good application.

11 This comment about loss of potential output and the last sentence can be omitted because there is no need to explain the impact on the business.

12 A second barrier is identified.

13 This point needs more development because 'distorted' and 'not clear' are the same.

14 The attempt at analysis has the wrong focus and does not explain how the barrier might arise.

15 The candidate is awarded one application mark for a relevant reference to this business.

Mark for (d) = 5 out of 6

Example Candidate Response – high, continued

Examiner comments

- (e) Do you think external recruitment is better than internal recruitment when recruiting a new manager for a large business? Justify your answer.

External recruitment is when a vacancy is filled by employing someone outside the firm. External recruitment will enable transfer of ideas. Employees outside the business may have learnt more techniques or better production methods in producing breakfast cereals. Therefore, they will be able to increase output and reduce average costs as efficiency will be higher. It will enable HSN to recruit the new manager. However, using internal recruitment may cause jealousy among rivals. If one of the 600 employees was promoted, the remaining employees may feel demotivated if their hard work is not being rewarded. As a result,

16 The question does not ask for a definition, so no marks are awarded for the definition in this answer.

17 The candidate is awarded one mark for recognising a relevant advantage of external recruitment.

18 'Transfer of ideas' and 'more techniques' are the same point, so the candidate can only be awarded a mark for one of these.

19 Part (e) is a general question, so no marks are awarded for application.

20 This is a good example of extended development and the candidate is awarded two analysis marks. An increase in efficiency could help reduce average costs.

21 The candidate is awarded a second knowledge mark for stating a disadvantage of internal recruitment. Although the work has been crossed out, no alternative is provided so the principle of positive marking applies.

22 The candidate has not made a decision, so cannot be awarded any evaluation marks.

Mark for (e) = 4 out of 6

**Total mark awarded =
16 out of 20**

How the candidate could have improved their answer

- **(a)** The definition was correct, but the second sentence was not needed because the candidate provided a full definition in the first sentence.
- **(b)** This was a succinct answer which identified two different distribution channels.
- **(c)** The candidate correctly outlined two possible problems of many employees leaving. However, the second problem was more generic and could apply to any business. Following 'increased recruitment costs', the candidate could have referred to the fact that the business had 600 employees. This would have helped them link their point to the context. The final sentence identified another problem, however, because the question only asked for two problems this was unnecessary as all available knowledge marks had already been awarded. This would have saved the candidate time for other questions.
- **(d)** The candidate demonstrated good contextual understanding of each barrier. The first part clearly explained how the use of technical language might create a communication barrier for this business. A shorter answer (missing out the final sentence) would still have earned full marks and the final sentence was not relevant to the question. There were no marks awarded for the attempted development of the second barrier, because 'distorted' and 'not clear' was the same point. To improve, the candidate needed to explain how the message being distorted could lead to misinterpretations and this could then result in errors.
- **(e)** The advantage of transfer of ideas was well explained. The candidate also identified a disadvantage of internal recruitment, but the explanation incorrectly focused on the impact on employees, rather than the business. However, as both analysis marks had already been awarded, this error did not affect the overall mark. The candidate needed to make a decision to be awarded the evaluation marks. The candidate could have discussed the advantages and disadvantages of each method and then this could form the basis for a balanced decision. For example, they might have pointed out that internal recruitment is cheaper than external recruitment and then provided a justified reason why the benefits of better production methods might outweigh the additional costs of recruiting a manager familiar with these ideas. For the second evaluation mark the answer should have referred to large businesses. Part (e) questions are general questions, so linking points to the context was unnecessary.

Example Candidate Response – middle

Examiner comments

1 HSN uses batch production to make breakfast cereals. The products are sold using several distribution channels. HSN employs 600 production workers. HSN has problems with many employees leaving. Following the dismissal of the Operations Manager, the Human Resources Director has to recruit a new manager. She said: 'The person must have good communication skills to help solve the communication barriers HSN has with employees.' The Human Resources Director has to decide whether to use internal recruitment or external recruitment for the new manager.

(a) Define 'dismissal'.

Dismissal is when an employee is fired from the job due to poor behaviour (also if there are a lot of employees in the company).

[2]

(b) State two distribution channels a business might use.

Distribution channel 1: manufacturer to the customers.

Distribution channel 2: manufacturer to the customers to the retailers.

[2]

(c) Outline two possible problems to HSN of many employees leaving.

Problem 1: If HSN's many employees will, then the p then the production level will decrease and less products will be produced. This can hamper the reputation of HSN.

Problem 2: As many employees will be leaving the existing workforce of HSN might be demotivated as their colleagues will be going.

[4]

1 Using the word 'fired' does not demonstrate an understanding of dismissal.

2 Although the word 'fired' is too vague, the reason is valid and shows some understanding of the term.

Mark for (a) = 1 out of 2

3 The first distribution channel is identified.

4 Where candidates describe the whole channel, the answer is classed as a single response. Although the candidate identifies the retailer, the stages are in the wrong order so the answer is incorrect.

Mark for (b) = 1 out of 2

5 This is repetition and is the same as 'production level will decrease'.

6 The candidate outlines two separate issues 'decrease in production' and 'hamper the reputation' in this section, but makes no reference to this business.

7 The candidate outlines the impact on the employee and not the business, which is not the focus of the question.

Mark for (c) = 2 out of 4

Example Candidate Response – middle, continued

Examiner comments

(d) Explain how each of the following could cause communication barriers within HSN.

✓ Language: It is likely to happen that the manager of HSN might have not been clear while communicating with his employees or must have used a language which is difficult to understand by a few employees. Due to this, some employees wouldn't have understood the important messages. 8

Medium of communication: If the manager has sent an email to the employees, it will be difficult for him to keep a track of who has read the e-mail and knows about the important message or task which is being circulated. Since it is a large company, it is difficult to know who has received the message and who hasn't. 9

(e) Do you think external recruitment is better than internal recruitment when recruiting a new manager for a large business? Justify your answer. [6]

Internal recruitment is the type of recruitment where an existing employee fills the vacant job position in the business. 11 When recruiting a new manager for a large business, it is advisable to recruit an existing employee mainly because he/she knows a lot about the company and is comparatively more experienced than someone who will be externally recruited. If HSN decides to recruit a manager externally, it will take a lot of 12 13 14 time for the new manager to get adapted to the environment and get a hang of how things take place in the business. Therefore, recruiting an ~~new~~ existing manager is the better option. 15 [6]

8 The effect of using a language which is difficult to understand is well explained, but there is no contextual reference.

9 It is not clear how sending an email creates the communication barrier that the candidate suggests.

10 This repeats the earlier point, rather than identifying the barrier.

Mark for (d) = 2 out of 6

11 It is not necessary to start with definitions and no marks can be awarded for this.

12 The first issue is identified.

13 The comment about experience is vague and needs further explanation to show why this is helpful to the business.

14 The second issue is identified.

15 The candidate makes a decision, but this statement is not supported.

Mark for (e) = 2 out of 6

**Total mark awarded =
8 out of 20**

How the candidate could have improved their answer

- **(a)** Use of the word 'fired' was incorrect as it did not explain the term, however the candidate understood that it was linked to workers leaving due to poor behaviour, so was awarded one mark. The answer could have been improved by referring to the employees being told to leave by the employer. Definitions need to be accurate to be awarded full marks.
- **(b)** Where candidates described the entire channel, the response was classed as a single answer. Although the candidate did refer to retailer, this could not be awarded because it formed part of an incorrect answer, rather than a separate response.
- **(c)** Two problems were outlined: 'production level decreased' and 'hamper the reputation', but there was no application. The candidate needed to include appropriate use of the information provided in the stem, to contextualise the answers. For example, they could have connected the decrease in production to what the business made, or shown how the reputation being hampered might make it more difficult to recruit a new manager. The sentence about motivation was not relevant because it did not outline the impact on the business.
- **(d)** The candidate was awarded two marks for explaining the effect of using a language which is difficult to understand. However, the answer was generic and could be applied to any business. Instead of saying 'few', the answer would have benefited from stating the actual number of employees the business has and this could have linked the point to the context.
The comment about 'sending an email' needed to be clearer. The candidate needed to add that without asking for feedback the business would find it difficult to keep track of messages, and then could explain why they would not know who had or had not received the message.
- **(e)** The candidate identified two issues, but these were not developed. The candidate should have developed this point further and justified their decision as to whether external recruitment is better than internal recruitment. To achieve evaluation marks the candidate should have clearly related to a large business.

Example Candidate Response – low

Examiner comments

- 1 HSN uses batch production to make breakfast cereals. The products are sold using several distribution channels. HSN employs 600 production workers. HSN has problems with many employees leaving. Following the dismissal of the Operations Manager, the Human Resources Director has to recruit a new manager. She said: 'The person must have good communication skills to help solve the communication barriers HSN has with employees.' The Human Resources Director has to decide whether to use internal recruitment or external recruitment for the new manager.

(a) Define 'dismissal':

dismissal is when employees leave the job with their own will. 1

[2]

(b) State two distribution channels a business might use.

Distribution channel 1: ~~through advertisements in a local newspaper~~ The product can be sold in a shopping mall. 2

Distribution channel 2: the product can be sold in a mall. 3

[2]

(c) Outline two possible problems to HSN of many employees leaving.

Problem 1: Lower output due to less less worker's avail.

Problem 2: Brand image might get affected as a result of many employees leaving may lead to people believe something is wrong with the company. 4

[4]

1 Although the phrase 'leave the job' might have been awarded a mark, here, the reference to 'with their own will' is incorrect. This suggests that it is the employee's choice to leave, and not that they are made to leave by the employer.

Mark for (a) = 0 out of 2

2 This is too vague to be awarded any marks.

3 No marks are awarded because 'shopping mall' is too vague and is the same point as stated in distribution channel 1.

Mark for (b) = 0 out of 2

4 The second problem is not clearly outlined. The candidate needs to show that brand image might be affected, for example, it is likely to damage HSN's reputation.

Mark for (c) = 1 out of 4

Example Candidate Response – low, continued

Examiner comments

- (d) Explain how each of the following could cause communication barriers within HSN.

Language: Employees might not clearly understand the language ⁵ used by HSN. ⁶ HSN might not be able to use the language which is understood by the employee. This could lead to issue with production of cereals. ⁷ Employee might provide incorrect quantity of cereals or flavour of cereal. ⁸ This Medium of communication: ⁹ used by HSN might not be able to deliver message on time, this would slower the decision making process. Message might not get delivered at all. ⁹

[6]

⁵ The first point is too vague as the candidate needs to state why the employee might not clearly understand the language. If they had given a reason such as 'use of jargon' or 'technical language', they could have been awarded an analysis mark for explaining how it creates the barrier mark.

⁶ This sentence repeats the earlier point made.

⁷ This is an appropriate reference to this business, however, an application mark cannot be awarded if there is no evidence of relevant knowledge.

⁸ This sentence explains the impact on the business, rather than identifying the communication barrier.

⁹ 'Message might not be delivered' is accepted as an alternative to the idea that the message may be lost or distorted, and is awarded a mark. The candidate should have linked this point to the fact that HSN had 600 employees in order to be awarded an application point.

Mark for (d) = 1 out of 6

Example Candidate Response – low, continued

- (e) Do you think external recruitment is better than internal recruitment when recruiting a new manager for a large business? Justify your answer.

External recruitment is hiring manager for HSN from outside the company. Which would waste time with interviews for the best possible manager and ~~may~~ will have to provide training which would increase cost. Internal recruitment is hiring manager from from the HSN itself. This might not waste time and will make motivate the worker and other workers to work hard for promotion. And might not need to pay extra.

[6]

Examiner comments

10 Here the answer simply defines the term and does not answer the question. The focus should be on discussing the advantages and disadvantages of each method of recruitment.

11 The reference to training is too vague to be awarded a mark. Reference to 'induction training', would have gained a knowledge mark.

12 This comment is too vague because it is not clear how time is being wasted.

13 This is a relevant advantage of internal recruitment.

14 This point is not valid because it is based on unknown assumptions about pay.

Mark for (e) = 1 out of 6

**Total mark awarded =
3 out of 20**

How the candidate could have improved their answer

- **(a)** The candidate did not demonstrate an understanding of dismissal. The comment about 'leave the job' needed further explanation, and the subsequent reference to 'own will' was incorrect because the definition of 'dismissal' is that employees are made to leave the business against their will.
- **(b)** Both examples were not detailed enough to be awarded any marks. The candidate needed to show greater precision when identifying distribution channels and needed to use the correct terminology, for example 'retailer' instead of 'shopping market'. A clearly different second distribution channel was also needed, such as 'wholesaler' or 'direct to customer' as the same point could only be awarded once.
- **(c)** The candidate outlined one problem, 'lower output', but did not apply the answer to the scenario. The candidate could have mentioned that the business produced breakfast cereal. The second problem needed to show how brand image might have been affected. The candidate would have been awarded the second knowledge mark if they had added that it would make it difficult to recruit a new manager, so it is harder to use external recruitment.
- **(d)** The first barrier was vague. The candidate needed to state why the language might not be clearly understood, for example the managers might speak a different language, or might have used technical language. The reference to cereals could then have been awarded a mark for application. Candidates must show relevant knowledge in order to access marks for application and analysis.
The candidate correctly identified a practical example, by showing that not being able to deliver a message might represent a communication barrier. However, the development did not focus on how the barrier arose, instead the candidate explained the impact on the business. The final sentence was ignored because it repeated the earlier knowledge point. There was no contextual reference which would be necessary to be awarded the application marks. They could have added that messages needed to be sent on time to help ensure that batch production operates effectively.
- **(e)** One relevant issue was identified: 'motivate other workers to work hard for promotion' but this point was not explained. The comments about 'waste time with interviews' and 'provide training which would increase costs' were not detailed enough to be awarded marks. All employees are likely to be offered some form of training, so they needed to state that the additional cost was related to induction training, which is only given to new employees. The response did not include an evaluative comment. To access evaluation marks, the candidate needed to provide a justified reason as support for whichever method they would recommend.

Common mistakes candidates made in this question

- (a)**
 - Some candidates confused dismissal with redundancy.
 - Answers lacked detail when making statements such as the 'employee would no longer be needed' or 'fired', which did not explain the term given.
- (b)**
 - Some candidates made vague statements such as 'distributor' or 'supermarket'.
- (c)**
 - Some candidates misread the question and incorrectly identified the reasons why people might leave a business.
 - Giving two points which were actually the same point expressed in two different ways.
 - Ignoring the context of the question.
- (d)**
 - Some candidates recognised that workers 'would not understand', without identifying the reason why this would happen.
 - Misreading the question and focusing on ways to overcome the communication barriers identified.
 - A common mistake was not applying the points made to the given scenario.
 - Explaining the impact of the barrier on the business, rather than the reason why the barrier arose.
- (e)**
 - Some candidates linked the answer to the scenario, but this was not required because there were no marks available for application on part (e) questions.
 - Listing additional points instead of developing points already made.
 - Some candidates offered no justification at all, or repeated earlier statements in the evaluation.

Question 2

Example Candidate Response – high

Examiner comments

- 2 Gomez is a sole trader. He provides painting and decorating services to business customers. His business does not benefit from any economies of scale because it is small. Gomez has to pay his suppliers within 1 month. However, he gives customers 3 months to pay. Gomez uses an old van he has borrowed from his father to travel to his customers' offices and shops. As the van often breaks down, Gomez is thinking of buying a new van. A cash-flow forecast for the next 3 months is shown in Table 2.1.

Table 2.1

Cash-flow forecast for Gomez's business (\$)			
	April	May	June
Cash in	3 000	2 800	2 600
Cash out	2 600	3 000	Y
Net cash flow	X	(200)	200
Opening balance	200	600	400
Closing balance	600	400	600

- (a) Define 'economies of scale'.

Reduction in average cost when there is an increase in the scale of operation. ¹
 Ex- Bulk-buying economies of scale. ² [2]

- (b) Calculate X and Y.

X: \$ 400
 Y: \$ 2400. ³ [2]

- (c) Outline **two** factors Gomez should consider when choosing a source of finance for the new van.

Factor 1: Does the business want to buy the van using cash or they want to lease/hire purchase. If the business has to consider whether they want to borrow cash or lease the van. ⁴
⁵
⁶
 Factor 2: Amount of finance they need. As Gomez is a sole trader it's difficult for him to borrow huge amount of money. ⁷ so the business has to decide if the need small amount they can use loan or else debenture or share issue. ⁸ [4]

¹ This is a correct definition.

² The example is unnecessary and does not clarify the term.

Mark for (a) = 2 out of 2

³ Both values are correctly calculated.

Mark for (b) = 2 out of 2

⁴ The first factor is identified. The second sentence is not needed as it repeats the point already made.

⁵ The reference to the van is not classed as application, because this repeats material from the question.

⁶ The second factor is outlined.

⁷ The reference to 'sole trader' shows good contextual understanding.

⁸ This sentence is not necessary and does not answer the question.

Mark for (c) = 3 out of 4

Example Candidate Response – high, continued

Examiner comments

(d) Explain one advantage and one disadvantage to Gomez of being a sole trader.

Advantage: Can make all decisions ^{quicker} **9**

Explanation: As Gomez will make all the decision, he can choose which painting and decorating service **10** he has to use. He can be his own boss. So there will not be any conflicts **11**

Disadvantage: Unlimited liability **12**

Explanation: As they are planning to borrow a finance for the van **13**, if they do not have enough money to repay then Gomez has to repay the loan with his personal assets **14**

[6]

(e) Do you think asking customers to pay more quickly is the best way for a small business to improve its cash-flow? Justify your answer.

Help Asking customers to pay ^{quicker} could increase cash inflow, but Gomez could lose customers to his competitors who give more credit. This decreases demand as well as revenue **15**. Gomez could acquire bank ^{increase cash inflow} overdrafts **16** as these are more easily acceptable **17** and has less impact on customers which are very important as the business is small. ^{and provides painting and decorating service} Also bank overdrafts are payable on request **18** to customers. So I think asking customers to pay more quickly is not the best way to ~~to increase~~ improve cash flow **19** **20**

[6]

9 This response is awarded one mark for knowledge.

10 Reference to what the business does is sufficient to be awarded an application mark.

11 It is not clear why not having any conflicts is an advantage to the business. The candidate could add here that this can lead to quicker decision making.

12 This is a relevant disadvantage.

13 The candidate is awarded a second application mark for the appropriate use of the word 'van'.

14 The comment linking the effect on personal assets to unlimited liability shows good analysis.

Mark for (d) = 5 out of 6

15 The candidate demonstrates an understanding of one consequence of asking customers to pay more quickly.

16 The candidate is explaining the impact on revenue and not cash-flow.

17 The effect on cash-flow is explained here.

18 Candidates can discuss alternative ways to improve cash-flow.

19 References to the context are unnecessary as this is a general question.

20 A decision is made, but this is not supported with a reasoned explanation.

Mark for (e) = 3 out of 6

Total mark awarded = 15 out of 20

How the candidate could have improved their answer

- **(a)** The first sentence provided a clear and precise definition. The question did not ask for examples, and these suggestions could have been omitted.
- **(b)** Both calculations were correct. It would be useful, although not always necessary, to include the dollar sign or units for calculation questions.
The candidate identified two factors. The first factor was not well outlined, but was still clear. The answer could have been improved by acknowledging that the business only had \$600 in cash which may not have been sufficient to buy a new van. The second factor (amount of finance) was developed in context. The last sentence could have been omitted because the question did not require candidates to identify possible sources of finance.
- **(c)** The candidate demonstrated good knowledge of relevant theory and made effective use of the material in the stem to show good application. The answer was awarded all three marks for the disadvantage, because the reference to personal assets being at risk demonstrated good analysis of unlimited liability.
- **(d)** The candidate clearly understood that a sole trader can make all the decisions, but needed further explanation. To improve the answer, the candidate could have said that without any conflicts, this might allow for quicker decisions to be made.
- **(e)** Good knowledge was evident in this response. However, only one way (bank overdraft) was developed to show the effect on cash-flow. The first point could have been improved by stating that losing customers could result in lower cash inflow. The candidate made a decision, but this statement was not supported by a reasoned argument. One possible basis for an evaluative comment would be to compare the two ways discussed, and then explain why one option would be better than the alternative.

Example Candidate Response – middle

Examiner comments

- 2 Gomez is a sole trader. He provides painting and decorating services to business customers. His business does not benefit from any economies of scale because it is small. Gomez has to pay his suppliers within 1 month. However, he gives customers 3 months to pay. Gomez uses an old van he has borrowed from his father to travel to his customers' offices and shops. As the van often breaks down, Gomez is thinking of buying a new van. A cash-flow forecast for the next 3 months is shown in Table 2.1.

Table 2.1

Cash-flow forecast for Gomez's business (\$)			
	April	May	June
Cash in	3 000	2 800	2 600
Cash out	2 600	3 000	Y
Net cash flow	X	(200)	200
Opening balance	200	600	400
Closing balance	600	400	600

- (a) Define 'economies of scale'.

Economies of scale are the advantages that are gained by the business by growing or expanding from small firm to a larger one. Eg: purchasing economies.

- (b) Calculate X and Y.

X: \$400
Y: \$2 800

- (c) Outline two factors Gomez should consider when choosing a source of finance for the new van.

Factor 1: One factor would be that whether he can repay the money. He will consider the purpose and the time period required for him to repay the money.

Factor 2: Second factor would be that how highly geared will the business get after choosing the source of finance and whether he will get the money or not.

1 The 'economies of scale' definition is not particularly precise. However, the candidate shows understanding by acknowledging that these are advantages gained as the business increases the scale of its operations.

Mark for (a) = 1 out of 2

2 The correct calculation is awarded one mark.

3 This answer is incorrect because the candidate adds the two values instead of subtracting the net cash-flow figure from the cash in figure.

Mark for (b) = 1 out of 2

4 The first factor is not awarded any marks because the purpose is stated in the question.

5 A factor is identified but with no context.

6 The candidate identifies a relevant factor but no context is provided. The candidate uses appropriate references from the scenario, such as recognising this is a sole trader so the level of gearing could be an important factor for Gomez to consider, to improve the application in their answer.

Mark for (c) = 2 out of 4

Example Candidate Response – middle, continued

Examiner comments

- (d) Explain **one** advantage and **one** disadvantage to Gomez of being a sole trader.

Advantage: Can keep all profits to himself. 7

Explanation: Gomez can keep his profits and as he does not have workers, his wage cost is cancelled out. Gomez can reinvest his profits ^{more finance and profits} back into the business so he can expand the business for a 9

Disadvantage: unlimited liability. 10

Explanation: If Gomez does not clear out his debts in time, his assets are at risk as his collateral will be his ~~shop~~ home 11 as he is a sole trader. 12

[6]

- (e) Do you think asking customers to pay more quickly is the best way for a small business to improve its cash-flow? Justify your answer.

Gomez will get his money quickly if he asks the customers to pay faster. 13 The cash flow will be in liquid but the customers may be unhappy as they do have less time for credit and some of them will clear and move to his competitors 14 if they give more time for credit. Gomez can take trade credit and instead of 1 month he can pay the suppliers after 2 15 or 3 months but suppliers may not trust Gomez as his business is small. Gomez can pay suppliers a little later than one month 16 and he can increase prices for his services. If Gomez's services ^{may increase and as he is a sole trader he can buy a van from his profits} are of high quality many customers will come and profits 17

7 The candidate identifies an advantage and is awarded one mark.

8 This sentence is ignored as it explains how the business might make a profit.

9 The candidate appears to confuse profit and revenue here. Explanations need to clearly refer to the relevant concept to be awarded a mark.

10 A disadvantage is identified.

11 The candidate demonstrates analysis by stating the consequences for Gomez' personal assets.

12 No application is shown here because saying 'sole trader' is just repeating material from the question.

Mark for (d) = 3 out of 6

13 The candidate does not demonstrate any understanding because they mostly repeat words from the question.

14 The candidate demonstrates a good knowledge of the impact of asking customers to pay more quickly.

15 Delaying payment to suppliers is an alternative way and is awarded a second knowledge mark.

16 This sentence simply repeats the knowledge point. The candidate needs to develop the point to show effect on cash-flow.

17 From this point onwards, the candidate lacks focus in their answer. The candidate discusses ways to increase sales and the impact on profit, but this does not answer the question.

18 The candidate does not make a final decision about whether asking customers to pay more quickly is the best way to improve cash-flow.

Mark for (e) = 2 out of 6

Total mark awarded = 9 out of 20

How the candidate could have improved their answer

- **(a)** The candidate could have developed their definition by stating that it would lead to lower average costs, rather than adding an example which did not explain the term.
- **(b)** The candidate only correctly calculated one of the values. To improve, the candidate needed to use the correct formula for cash-flow forecast.
- **(c)** Although the candidate showed good knowledge of factors, there was no contextual reference to link the points to the scenario. The candidate could have improved their application in this answer if they had used appropriate information provided in the stem, such as 'it was a painting and decorating business' or 'as a sole trader he was personally liable for the business debts', which would then link to why the level of gearing needed to be considered when choosing a source of finance.
- **(d)** The candidate needed to develop both points and make appropriate references to the context. The attempted development of the advantage is vague and appeared to be confused about the difference between profit and revenue. To improve, the candidate could have explained how profit could act as an incentive to encourage him to do better or as a way to measure the success of his small business or linked the possible loss of his home to the debts of his painting and decorating business.
- **(e)** The candidate was awarded two marks for knowledge, but both points lacked the necessary development to show the impact on cash-flow. The candidate could add that extending the time before the business had to pay its suppliers to three months could delay cash outflow. The answer then lost focus and made vague statements about the impact on sales and profit. The question asked for a decision, but the candidate did not offer one. This limited the number of marks that the candidate could be awarded.

Example Candidate Response – low

Examiner comments

- 2 Gomez is a sole trader. He provides painting and decorating services to business customers. His business does not benefit from any economies of scale because it is small. Gomez has to pay his suppliers within 1 month. However, he gives customers 3 months to pay. Gomez uses an old van he has borrowed from his father to travel to his customers' offices and shops. As the van often breaks down, Gomez is thinking of buying a new van. A cash-flow forecast for the next 3 months is shown in Table 2.1.

Table 2.1

Cash-flow forecast for Gomez's business (\$)			
	April	May	June
Cash in	3 000	2 800	2 600
Cash out	2 600	3 000	Y
Net cash flow	X	(200)	200
Opening balance	200	600	400
Closing balance	600	400	600

- (a) Define 'economies of scale'.

Economies of scale is when there are techniques factors which the business can use to increase profits and save capital. 1 [2]

- (b) Calculate X and Y.

X: -400 \$ (400) 2
Y: 2800 3 [2]

- (c) Outline two factors Gomez should consider when choosing a source of finance for the new van.

Factor 1: Cost of the van. If the van is very expensive he should take a long term loan from the bank. This is because he would not be able to afford to pay it with his sales returns. 4 5 6

Factor 2: Profits being made. If profits are low, he should take a long term loan. This way he would be able to slowly collect enough profits to fully pay off the bank. 7 [4]

1 The candidate does not demonstrate an understanding of 'economies of scale': the term should refer to the impact on average costs, and not profit.

Mark for (a) = 0 out of 2

2 This is incorrect because X is not a negative value.

3 The candidate has incorrectly added the two values together rather than subtracting \$200 from \$2600.

Mark for (b) = 0 out of 2

4 The first factor is identified.

5 The reference to the van is not classed as application, because this repeats material from the question.

6 This is ignored because the question does not ask candidates to identify possible sources of finance.

7 The comment about profits made is not clear and the following sentence implies that the candidate is identifying a source of finance, rather than a factor.

Mark for (c) = 1 out of 4

Example Candidate Response – low, continued

Examiner comments

- (d) Explain one advantage and one disadvantage to Gomez of being a sole trader.

Advantage: His ^{Plans} ~~ideas~~ are ~~is~~ followed. **8**

Explanation: With a ~~partnership~~ or a ^{private} ~~public~~ limited company, there are many people involved in every decision made. The final decision due to vote or power may not be ~~be~~ Gomez's choice.

Disadvantage: Less finance. **9**

Explanation: Gomez's only source of finance is his own money or bank loans. Both are very risky to use. If he had partners or a private limited company, there would be more money invested as there are partners or shares. **10** [6]

- (e) Do you think asking customers to pay more quickly is the best way for a small business to improve its cash-flow? Justify your answer.

By insisting and asking customers to pay more quickly will definitely improve the cash flow ^{status} ~~status~~ of the business and will be an advantage for Gomez. But if Gomez insist to pay more quickly so the consumers might shift to other businesses **12** who gives more credit month as compared to the business of Gomez and also by this, Gomez will ~~lose~~ ^{lose} the market share he acquired. By this, we can say that Gomez should ask his customers to pay more quickly **13** when the business's cash flow status is weak **14** and can damage it financial ~~accounts~~ ^{accounts}. **11** [6]

8 This answer does not clearly identify what the advantage is.

9 The candidate correctly identifies a disadvantage, so is awarded one mark.

10 The candidate repeats the knowledge point so is not awarded a mark for development.

Mark for (d) = 1 out of 6

11 A decision is made, but is unsupported at this point.

12 The candidate identifies a disadvantage of asking customers to pay more quickly, so is awarded one mark.

13 In this part of the answer, the candidate is largely repeating points already made.

14 This statement adds nothing to the answer because it is unclear what the candidate means by 'cash flow status is weak' or how it can 'damage it financial accounts'.

Mark for (e) = 1 out of 6

Total mark awarded = 3 out of 20

How the candidate could have improved their answer

- (a)** The candidate did not demonstrate an understanding of economies of scale.
- (b)** The candidate tried to calculate net cash-flow (X), but presented the answer as a negative value. The calculation for Y was also incorrect, because the candidate added the value of net cash-flow to cash inflow, rather than subtracting it to calculate cash outflow. The candidate needed to check all calculations to ensure the correct formula was used.
- (c)** The candidate correctly outlined one factor (cost) for Factor 1, but application marks could not be awarded because the reference to 'van' just repeated words from the question. The candidate could have linked their answer to the financial data in Table 2.1, such as the value of net cash-flows each month to highlight why cost had to be considered.
The answer given for Factor 2 lacked clarity. The second sentence discussed whether profit should be used as the source of finance, but this was not what the question asked. The answer could have been improved if the candidate had added that profit was the amount of money available to invest.
- (d)** The candidate identified a disadvantage and was awarded one mark for this, however, it lacked application and analysis. Instead of development, the candidate repeated the knowledge point. They could have explained

how having less finance could make it difficult for the business to fund their expansion. The candidate could add that the business needed finance because it was planning to replace the old van, and then they could have been awarded an application mark. The advantage was not clear enough, because the answer attempted to discuss who was involved in decision-making in other forms of business organisation. The answer could have been improved if the candidate had added specific features of a sole trader, such as 'freedom to choose his own holidays' or 'having total control over decisions'.

- **(e)** The candidate stated their decision at the beginning of this answer. There is nothing wrong with doing this, however, because they hadn't yet justified their decision, it could not be awarded any marks. The candidate was awarded one mark for identifying a disadvantage of asking customers to pay more quickly. However, the development was not awarded any marks because it discussed the potential impact on market share, and not cash-flow. The rest of the answer repeated the earlier point, or made vague statements about the status of the cash-flow of the business.

Common mistakes candidates made in this question

(a)

- Some candidates were not precise enough when writing definitions.
- Some candidates stated 'it would result in lower average costs' without providing an explanation about how this would be achieved.
- Giving vague statements about the advantages of the business being big, rather than it increasing in size.
- Identifying examples instead of giving a definition of 'economies of scale'.

(b)

- Not representing the values as positive numbers in this calculation.
- Adding the value of net cash-flow to cash inflow, instead of subtracting it.

(c)

- Some candidates used the same references from the stem of the question as their application to support the points made.
- A common mistake was that candidates identified possible sources of finance, but this did not answer the question.

(d)

- Some candidates did not link their answers to the context, so could not be awarded the application marks.
- Some candidates did not develop the points they made to show how these represented an advantage or disadvantage to the business.
- Instead of developing a point they had made, some candidates instead identified another point, or repeated the knowledge point.

(e)

- Some candidates stated ways which would improve cash-flow, without explaining the direct effect on cash inflow or cash outflow.
- Discussing the impact on sales or profit, rather than on cash-flow.
- Discussing the reasons why cash-flow was important, but this was not what the question asked for.
- Some decisions were unsupported, or just reiterated the points previously made in their answer.
- Some candidates answered the question based on the scenario, rather than from the viewpoint of small businesses in general.

Question 3

Example Candidate Response – high	Examiner comments
<p>3 Globalisation has changed the way many businesses operate. VKW makes cell (mobile) phones. It uses just-in-time inventory control. VKW exports 40% of its products. It imports most of its raw materials to help reduce total costs. All 800 of VKW's employees understand the importance of quality assurance. The Operations Director has asked all suppliers to ensure they do not use child labour. She is also concerned that many governments are planning to increase import controls such as quotas.</p> <p>(a) Define 'globalisation'.</p> <p>Globalisation is the increase of interdependence and international trade between countries. 1</p> <p>..... [2]</p> <p>(b) State two advantages to a business of using quality assurance.</p> <p>Advantage 1: There is less chance of wastages as the product would be checked at every stage. 2</p> <p>Advantage 2: There is low cost because an inspector is not needed to be hired and product is checked by employees itself. 3 [2]</p> <p>(c) Outline two ways VKW might be affected by increased import controls.</p> <p>Way 1: Production of cell phones will decrease may decrease or increased demand may not be satisfied as import controls will increase costs to the business. They may, in result, have to increase their prices, which could help them uncompetitive. 4 5</p> <p>Way 2: VKW may have to increase their prices to maintain their profit. This may cause customers to start buying from competitors and reduce VKW's sales. In result, they could lose market share in their market too. 6 7 [4]</p>	<p>1 This is a clear and precise definition.</p> <p>Mark for (a) = 2 out of 2</p> <p>2 The candidate identifies the first advantage.</p> <p>3 Although stating 'lower costs' could be seen as a repetition of Advantage 1, the statement about an inspector not being needed clearly means that this is a different issue.</p> <p>Mark for (b) = 2 out of 2</p> <p>4 The first way is outlined. The reference to cell phones shows good contextual understanding.</p> <p>5 This part of the answer is unnecessary and adds nothing to the mark already gained.</p> <p>6 A second way is stated but is not applied.</p> <p>7 This sentence is not needed as the question does not assess analysis.</p> <p>Mark for (c) = 3 out of 4</p>

Example Candidate Response – high, continued

Examiner comments

(d) Explain **one** advantage and **one** disadvantage to VKW of using just-in-time inventory control.

Advantage: Reduces the storage costs of inventory. **8**

Explanation: By using just-in-time inventory control VKW could save the storage costs of raw materials components and the finished product. This will also save space in the factory and reduces chance of damaging occurring while in storage. **9** **10** **11**

Disadvantage: Without a reliable supply system and delivery system, business is harmed. **12**

Explanation: To use just-in-time inventory control, reliable suppliers and delivery systems are required. Without these, production could be delayed resulting in delayed deliveries which can make customers unhappy and reduce future orders. **13** **14**

(e) Do you think that businesses should be concerned about ethical issues such as child labour? Justify your answer.

Child labour is not a good thing and taking a stand against it can be good for a business – we feel good about it. VKW could also advertise that it does not tolerate child labour and this could help gain a positive company image and lead to more customer loyalty and sales as they may prefer VKW over competitors. VKW could charge higher prices without hurting sales as consumers will be fine with paying higher prices to an ethical company. However, the supplier using child labour may provide raw materials and components at lower prices so it will be more profitable to buy from them. **14** **15** **16** **17** **18** **19**
~~But~~ VKW will have to spend more to advertise its ethicality to customers and this may not be worthwhile. Not all customers think about ethicality if they want cheaper prices so sales could lower. **18**
 In conclusion, I think VKW should be ethical as it is the right thing to do. **19**

8 The candidate shows knowledge of an advantage here.

9 This sentence repeats the advantage given previously.

10 Reference to raw materials is vague. The candidate could acknowledge that these materials are imported to be awarded an application mark.

11 Additional advantages are identified but not needed because the knowledge mark is already awarded.

12 The candidate identifies a relevant disadvantage.

13 Explaining the impact on production shows good analysis, but without application.

Mark for (d) = 3 out of 6

14 The candidate identifies an advantage of being ethical.

15 The candidate gives a clear explanation which shows that the company could gain a positive image by not using child labour, which could lead to more sales.

16 A second issue (price) is identified.

17 It is unclear what the candidate means by this statement. They need to explain why it might not be worthwhile.

18 This sentence builds on the earlier point about price and discusses the negative effect of setting higher prices. The candidate shows good understanding of the issues.

19 The candidate makes an unsupported decision.

Mark for (e) = 4 out of 6

Total mark awarded = 14 out of 20

How the candidate could have improved their answer

- **(a)** This was a good example of a clear and precise definition.
- **(b)** The candidate identified two advantages. The comment about low cost was not very precise, but the candidate demonstrated their understanding when they referred to 'inspection'. A simple statement such as 'reduce inspection costs' would have been enough to be awarded the mark.
- **(c)** Although the candidate showed a good knowledge of the effects of an increase in import controls, only one of the answers was in context. Application could have been improved if the candidate had used the information given in the stem. For example, 'increasing their prices might make it difficult for a business that exports 40% of its products to compete in other markets'.
A succinct answer which briefly outlined two ways in context was all that was required for this question. There was no requirement to extend the answer to include analysis.
- **(d)** The candidate was awarded one mark for the advantage, but was awarded no marks for application or analysis. They could have shortened their answer: the comments about 'saving space' and 'reducing damage' were not needed because the question only asked for one advantage.
To improve their answer, the candidate could have developed it to explain how using 'just-in-time inventory control' might allow the business to operate with a smaller warehouse, and this might result in lower storage costs. The reference to raw materials was vague. If the candidate had said that the raw materials were imported, then this would have been an appropriate use of the case study information.
The candidate explained their chose disadvantage well: the effect of not having a reliable supplier on a business, but they gave no context.
- **(e)** The candidate produced some good analysis of possible advantages (positive image) and disadvantages (high price) of being ethical. They made a decision, but there gave no supporting reasons to back up this statement. There were a number of vague statements such as 'worthwhile', 'more profitable' and 'do the right thing', which needed further explanation. The candidate could have linked some of these ideas together to form a basis for an evaluative comment, for example, 'doing the right thing could further enhance a business' image. This might help offset any potential loss of customers due to the high price, and this might help businesses remain profitable'.

Example Candidate Response – middle

Examiner comments

- 3 Globalisation has changed the way many businesses operate. VWK makes cell (mobile) phones. It uses just-in-time inventory control. VWK exports 40% of its products. It imports most of its raw materials to help reduce total costs. All 800 of VWK's employees understand the importance of quality assurance. The Operations Director has asked all suppliers to ensure they do not use child labour. She is also concerned that many governments are planning to increase import controls such as quotas.

- (a) Define 'globalisation'.

Increase in worldwide trade of goods and services 1

1 The candidate gives a partial definition and is awarded one mark for understanding that globalisation involves worldwide trade.

[2]

Mark for (a) = 1 out of 2

- (b) State two advantages to a business of using quality assurance.

Advantage 1: Notifies errors instantly so can change on the spot.

Advantage 2: Reduced wastage 2

2 The candidate is awarded one mark for giving a relevant advantage.

Mark for (b) = 1 out of 2

- (c) Outline two ways VWK might be affected by increased import controls. 3

Way 1: Less products will be imported ~~but~~ which will reduce supply as taxes are increased which means VWK has to pay more taxes than before.

Way 2: Demand will decrease as less supply will make prices high to meet equilibrium, so less sales revenue earned. 4

3 The candidate outlines Way 1, however, the development is vague and does not connect the point to the scenario.

4 The candidate outlines Way 2. As before, there is no link to the context, although the development could form part of an explanation.

Mark for (c) = 2 out of 4

[4]

Example Candidate Response – middle, continued

Examiner comments

- (d) Explain **one** advantage and **one** disadvantage to VKW of using just-in-time inventory control.

Advantage: Decreased storage cost **5**

Explanation: As inventories are purchased when order is placed, it decreases storage cost. **6**

Disadvantage: Delay in delivery of product **7**

Explanation: Transportation of inventories may take time and for manufacturing the product too may take time. **8** **9** **[6]**

- (e) Do you think that businesses should be concerned about ethical issues such as child labour? Justify your answer.

Being ethical increase reputation of the business. This is why have more people to buy products from this business. Government might charge or put up fine on employing child which can even damage reputation, or even make companies to close down because of not following the rules and regulations. Thus by to maintain reputation and preventing fines or closed down of the company to happen it's better to be concerned about ethical issues. **10** **11** **12** **13**

5 The candidate identifies a relevant advantage.

6 The point is not developed, because the candidate repeats the advantage which has already been awarded a mark.

7 The candidate states a disadvantage.

8 The explanation mostly repeats the point already made.

9 There is no contextual reference in the answer, so the candidate is not awarded any application marks.

Mark for (d) = 2 out of 6

10 The explanation is not very precise, but the candidate demonstrates understanding when they refer to the effect of an increased reputation on sales.

11 The reference to fines is not relevant because this is a legal issue and does not answer the question.

12 The second part mostly repeats points already made and so is awarded no further marks.

13 The candidate makes a decision which restates points already made.

Mark for (e) = 2 out of 6

Total mark awarded = 8 out of 20

How the candidate could have improved their answer

- **(a)** This answer showed some understanding of the term 'globalisation'. The candidate could have improved their answer by adding that it involved trade between countries.
- **(b)** The candidate correctly identified one advantage (reduce wastage). The comment about 'notify errors instantly' needed to be clearer because it implied less wastage, which is a repetition of the second advantage identified. Although 'know what stage mistakes may be happening' is classed as a separate point, it was not clear that this was the point being made. While it is not necessary to match the exact wording used in the mark scheme, it is important that the meaning is clear.
- **(c)** The candidate correctly identified two relevant ways, but made no application. A reference to the case study was needed in each response. For example, the candidate had needed to link the point about 'less products' back to the '800 employees who might have less work to do as a result of the business having fewer raw materials'.
- **(d)** Although the candidate showed a good understanding of 'just-in-time inventory control', analysis and application were not developed in their answer. Both of the attempted explanations repeated the knowledge points. The analysis could have been improved by showing how reduced storage costs and delay in delivery might benefit or disadvantage the business. The candidate could have contextualised the points they made by making appropriate references to the scenario, such as 'the business makes cell phones'.
- **(e)** The candidate was awarded two marks for demonstrating analysis in their point about the advantage of having an increased reputation, but this is the only relevant point discussed. The candidate could have explained how this improved reputation could help attract investors, or discussed problems such as increased costs associated with being ethical. There was some irrelevant material in the response, but this was ignored. The point about fines identified a legal issue. As every country has different legal controls, these sort of answers were not allowed. The candidate made a decision in the last sentence, but this simply repeated the points they had already made.

Example Candidate Response – low

Examiner comments

3 Globalisation has changed the way many businesses operate. VWK makes cell (mobile) phones. It uses just-in-time inventory control. VWK exports 40% of its products. It imports most of its raw materials to help reduce total costs. All 800 of VWK's employees understand the importance of quality assurance. The Operations Director has asked all suppliers to ensure they do not use child labour. She is also concerned that many governments are planning to increase import controls such as quotas.

(a) Define 'globalisation'.

Globalisation is when the entire world is the ~~the whole world brought together~~ ^{one} market. This has been made possible by increased transportation & communication. ①

[2]

(b) State two advantages to a business of using quality assurance.

Advantage 1: less likely to be sued. ②

Advantage 2: more customers. ③

[2]

(c) Outline two ways VWK might be affected by increased import controls.

Way 1: Import controls may lead to pay expensive taxes to the government, which may be a problem for VWK as it would be difficult to get raw materials. ④

Way 2: They may have restriction on the quantity of their raw materials so they may not get enough raw materials. Hence would not be able to produce much goods. ⑤

[4]

① The candidate does not show an understanding of globalisation in the first sentence. The second sentence is not necessary because it identifies reasons, rather than a definition.

Mark for (a) = 0 out of 2

② No marks are awarded here because the candidate confuses quality assurance with the reasons why quality might be important.

③ This statement is vague. There are many reasons for having more customers. The candidate needs to clearly link this point to quality assurance.

Mark for (b) = 0 out of 2

④ The candidate shows knowledge of a relevant issue, but no application because the point is not linked to the context.

⑤ This answer is incorrect because the candidate confuses two different types of import controls here. Tariffs affect the price and not the quantity.

Mark for (c) = 1 out of 6

Example Candidate Response – low, continued

Examiner comments

(d) Explain one advantage and one disadvantage to VWK of using just-in-time inventory control.

Advantage: Will reduce Inventory cost and Storage cost of VWK. 6

Explanation: As this process concerns with the development of products according to the number of orders. Hence would find less or no defects in product before customer receives it. 7

Disadvantage: Would be time consuming for VWK. 8

Explanation: As if the consumer would need the products in urgent they won't get as it is not produced from before. Will lead to fewer customer demands. Hence reduced sales. 9 10 [6]

(e) Do you think that businesses should be concerned about ethical issues such as child labour? Justify your answer.

i) Being ethical, will attract many new consumers, will have good name in market. VWK will meet increased demands of consumers. Hence increasing the brand loyalty and building good consumer relationship. 11

ii) Would turn out to be expensive, as goods will be needed to be produced of good quality, also there would be some consumers sensitive to high prices. Also would be held to be. Therefore being ethical is a good thing or else the owner may be held behind the bar. 12 13 14 [6]

6 The candidate identifies two advantages. This is unnecessary because there is only one knowledge mark available in this part of the question.

7 The focus here should be on explaining the advantage of lower inventory costs or lower storage costs, not on the quality or quantity of products made.

8 This point is not clear enough. The candidate needs to state why this method could be time consuming. Statements such as faster / slower / cheaper / expensive need further explanation to be awarded any marks.

9 This sentence implies the impact on customers and not the business.

10 To improve the answer, the candidate needs to show a clear link between the lack of stock to meet unexpected orders and reduced sales.

Mark for (d) = 1 out of 6

11 The candidate identifies a relevant advantage of being ethical, but the answer lacks clear development. The candidate could suggest that the increased brand loyalty may result in higher sales and increased revenue, then this answer would have show good analysis.

12 This point needs to be clearer to show how, or why, it would be expensive.

13 This statement alone is not enough to be awarded a mark because it is unclear whether this is a benefit or limitation of being ethical.

14 The candidate's decision in this statement is not supported by the points they make earlier in the answer.

Mark for (e) = 1 out of 6

**Total mark awarded =
3 out of 20**

How the candidate could have improved their answer

- **(a)** The candidate showed that they knew some possible reasons for globalisation, but this was not enough to be awarded a mark. The candidate needed to define globalisation to be awarded a mark.
- **(b)** The candidate did not answer the question and appeared to be confused about quality assurance. They identified some reasons why quality was important, but this was not what the question asked for. The second answer given was vague: there are many reasons for having more customers. The candidate needed to link this point to quality assurance.
- **(c)** The candidate confused two different types of import controls in Way 1. To gain knowledge marks, they could have added that a tariff could increase prices, or that a quota would limit the number of goods the business was allowed to import. The candidate was awarded one mark for Way 2, but the answer did not link to the scenario. The candidate could have added context to their answer by stating that the restriction was due to an import quota.
- **(d)** The candidate identified two advantages: reduced inventory cost, and reduced storage cost, however this was unnecessary because the question only asked for one. To improve their answer, the candidate needed to develop their explanation of one of the points they included. For example, a lower inventory cost might help improve working capital. The comments about quality and number of products did not link back to either cost issue, and an appropriate reference to the case study was also needed.
The disadvantage given was not clear enough: the candidate needed to state why this method could be time consuming. Vague statements about time and cost needed further explanation to be awarded marks. To improve their answer, the candidate could have made it clear why this method would be time consuming, or explained the reason why the business would not get the urgent products (because just-in-time inventory control means the business does not hold extra stock, and as a result this leads to reduced sales).
- **(e)** The candidate gave a relevant advantage of being ethical, but the development needed to be clearer. To improve their answer, and show good analysis, the candidate could have added that the increased brand loyalty might result in higher sales and increased revenue.
The second part of the answer contained some vague statements, for example 'would turn out to be expensive' and about consumers being sensitive to high prices, although further explanation would have improved the answer. For example, the candidate could have added that customers may not be able to afford to pay higher prices so the ability to charge higher prices may depend on what and to whom they are selling to. The candidate needed to explain the points they made in a clear way, because some points may seem incorrect without this.

Common mistakes candidates made in this question

- (a)**
 - Some candidates lacked precision when providing definitions.
 - Confusing the term 'globalisation' with a multinational company or an export business.
- (b)**
 - Identifying general advantages of why quality was important.
 - Discussing the advantages to customers, and not the business.
 - Some candidates defined the term 'quality assurance', which did not answer the question set.
- (c)**
 - Ignoring the context of the questions, so answers could refer to any business.
- (d)**
 - Repeating the same application for both points, so were only awarded one mark.
 - Some candidates identified, but did not explain the points they made to show the effect (how or why) of this on the business.
 - Some candidates based their development points on unsupported assumptions about the possible impact on profit.
- (e)**
 - Confusing legal and ethical issues.
 - Discussed the ways a business could behave more ethically, or why using child labour was unethical.
 - Some candidates did not develop their points to show the effect (how or why) of this on the business.
 - Some candidates did not offer a final decision. If they did, their final decision needed to be supported.

Question 4

Example Candidate Response – high	Examiner comments
<p>4 WFG is a private limited company in country X. It owns 120 supermarkets, of which 20 are operated as franchises. One of WFG's objectives is to expand by opening 30 more shops in the next 18 months. The Managing Director said: 'Market research shows that fewer people are going to the local markets every day to buy their food. It is important for us to set prices at the right level.' The Managing Director is thinking about whether to introduce new technology into the business.</p> <p>(a) Define 'market research'.</p> <p>Market research involves gathering, analyzing, and interpreting information about a particular good or service in the market. The two types of market research are primary and secondary methods.</p> <p>[2]</p> <p>(b) State two objectives (other than expansion) a business might have.</p> <p>Objective 1: Profit</p> <p>Objective 2: Survival</p> <p>[2]</p> <p>(c) State four factors a business should consider when deciding the price of a product.</p> <p>Factor 1: Nature of the product</p> <p>Factor 2: Target market</p> <p>Factor 3: Demand of product</p> <p>Factor 4: Potential Nature Nature of the market (eg. monopolistic, no competition, very competitive, etc.)</p> <p>[4]</p>	<p>1 The candidate gives a correct definition.</p> <p>2 The second sentence is not needed because examples do not define the term.</p> <p>Mark for (a) = 2 out of 2</p> <p>3 The candidate identifies two relevant objectives.</p> <p>Mark for (b) = 2 out of 2</p> <p>4 The answer to Factor 1 is not clear enough: the candidate needs to clarify what they mean by this statement.</p> <p>5 Factor 2 is correct.</p> <p>6 The candidate shows relevant knowledge.</p> <p>7 'Nature of the market' is not detailed enough, however, the candidate demonstrates an understanding of the factors with their reference to competition.</p> <p>Mark for (c) = 3 out of 4</p>

Example Candidate Response – high, continued

Examiner comments

- (d) Explain **two** factors WFG should consider when deciding whether to introduce new technology into its business.

Factor 1: Returns of the investment into technology ⁸

Explanation: Whether by involving a technical aspect into the supermarket, ⁹ WFG will lower down average cost by technical economies of scale, ¹⁰ or cause job insecurity and demotivate workers.

Factor 2: How expensive the technology is ¹¹ and whether it can break down.

Explanation: The value of output ¹² being influenced by the technology will matter. ~~For~~ How much would it cost WFG, as to how will the purchase be financed. Technology ¹³ keeps on updating and will be outdated very soon, which may cause an adverse effect to WFG. ¹⁴

⁸ Factor 1 is identified.

⁹ The candidate makes a good contextual reference.

¹⁰ Good analysis is shown.

¹¹ A second factor is identified but not applied. No marks are awarded for the development of the answer because the reference to output suggests that the business is a manufacturer and not a retailer.

¹² The use of 'value of output' is not detailed enough because it suggests that the business is a manufacturer. The development repeats the knowledge point and does not explain why the factor needs to be considered.

Mark for (d) = 4 out of 6

¹³ The first knowledge mark is awarded.

¹⁴ This sentence makes a similar point, so no further marks can be awarded.

¹⁵ The candidate makes a simple analysis of how the fee received by selling franchise licences benefits the franchisor.

¹⁶ All the references to WFG were ignored because this question does not assess application.

¹⁷ The second knowledge mark is awarded.

¹⁸ This part of the analysis repeats a point already made earlier in the answer.

¹⁹ The candidate makes a decision, but this is not supported. The candidate does not show why selling franchises has a reduced risk of failure.

Mark for (e) = 3 out of 6

**Total mark awarded =
14 out of 20**

- (e) Do you think selling franchises is a better way for a retail business to expand than opening more of its own shops? Justify your answer.

Selling franchisees may be a better method

¹³ as franchisors have to purchase a license in order to operate it.

¹⁴ In addition, a percentage of the annual turnover will be received by the WFG. As a result, WFG will receive more money which

¹⁵ could be used to open up the additional 30 ¹⁶ shops. However, a retail business may open more of its shops in order to expand. Opening more supermarkets will result in an increase in the total revenue. In addition, all of the profits ~~to~~ earned from the 100 supermarkets will be fully retained by WFG. ¹⁷

As a result, they will have increased funds to open up the ¹⁸ additional shops in the 18 countries. Selling franchisees is the better way as it has reduced risk of failure ¹⁹ compared to opening up more shops. ²⁰

How the candidate could have improved their answer

- **(a)** The first sentence was enough for a full definition. The answer could have been shorter because examples are not needed when the question asks for a definition.
- **(b)** Two objectives were identified, so the candidate was awarded two marks. This was a good example of a quick answer. There would be no need to offer any further detail for this type of question.
- **(c)** The first answer given, 'nature of the product' needed to be more specific. For example, the candidate could add that if the product was unique or had a brand image this could help decide its price.
- **(d)** The candidate showed good context and analysis of Factor 1. Factor 2 (how expensive the technology is) was not developed because the reference to the value of output implied that the business was a manufacturer, and not a retailer. The candidate could have improved their answer if they had explained that the technology was to be used in its 120 outlets, and that the business might not be able to afford the technology at the same time as trying to fund expansion. This would have shown good analysis and application.
- **(e)** The candidate showed good knowledge of the advantages of selling franchises. However, only the point about purchasing a licence was developed in their answer. The references to WFG were ignored. To improve their answer, the candidate could also have considered the possible advantages of opening more of its own shops, as well as the disadvantages of selling franchises. Having a balanced discussion could also have helped form the basis for their final decision. The candidate made a decision but it was not supported by the points discussed in the answer. They needed to build on the earlier analysis, and show why selling franchises is a better option than the alternative.

Example Candidate Response – middle

Examiner comments

- 4 WFG is a private limited company in country X. It owns 120 supermarkets, of which 20 are operated as franchises. One of WFG's objectives is to expand by opening 30 more shops in the next 18 months. The Managing Director said: 'Market research shows that fewer people are going to the local markets every day to buy their food. It is important for us to set prices at the right level.' The Managing Director is thinking about whether to introduce new technology into the business.

(a) Define 'market research'.

Market research is researching about all the customer needs and wants. So that they can get informations of then change in trend, demand, preferences, etc. 1

[2]

(b) State **two** objectives (other than expansion) a business might have.

Objective 1: Maximize the profit 2

Objective 2: Increase in economies of scale 3

[2]

(c) State **four** factors a business should consider when deciding the price of a product.

Factor 1: Is this price which consumers are willing to pay ~~pay~~ it? 4

Factor 2: Consumers are having high demand or low demand 5

Factor 3: Competitive pricing 6
if other business of product is low, then we need to keep price just

Factor 4: Price skimming 7

[4]

1 The candidate gives a partial definition and understands that market research involves finding out about 'customer needs and wants'. The second part of the definition adds nothing to the answer.

Mark for (a) = 1 out of 2

2 The candidate identifies Objective 1.

3 This answer is not detailed enough. 'Economies of scale' implies growth, which the question does not allow.

Mark for (b) = 1 out of 2

4 Factor 1 is stated.

5 Factor 2 is a repetition of Factor 1.

6 The candidate is awarded a mark because they understand that competitors are a factor when deciding the price of a product.

7 Factor 4 identifies a pricing method which does not answer the question.

Mark for (c) = 2 out of 4

Example Candidate Response – middle, continued

Examiner comments

(d) Explain two factors WFG should consider when deciding whether to introduce new technology into its business.

Factor 1: How much would the machinery cost. 8

Explanation: when introducing new technology WFG should consider ~~the~~ how much money would be needed to finance the new machinery; and would WFG have to look for sources of finance to 9 10

Factor 2: Train workers to use the machinery. 11

Explanation: WFG would have to train workers to use the new ~~technology~~ technological equipment; as they might have very few knowledge about it; and train them to use it ~~safely~~ safely, following health and safety laws. 12 13 16

8 The candidate identifies the first factor.

9 The explanations repeat the knowledge point already made. The candidate should show why the cost might be important, when deciding whether to introduce new technology.

10 The answer doesn't give any context for this statement.

11 Factor 2 is identified, but not developed.

12 This answer is not awarded an application mark because there is no attempt to link the answer to the scenario.

13 The candidate focuses on why the employees might need training, which is not really what the question is looking for. They could develop the point to explain how either the time, or cost, of training might affect the business.

Mark for (d) = 2 out of 6

Example Candidate Response – middle, continued	Examiner comments
<p>(e) Do you think selling franchises is a better way for a retail business to expand than opening more of its own shops? Justify your answer.</p> <p>when selling a franchise, WFG would have to provide all the materials to the franchiser ¹⁴ and any unsatisfactory work of the franchiser would lower WFG's brand image ¹⁵ and satisfy consumers. The franchiser would keep all the profits to himself ¹⁶ but however, WFG would not have to look for finance to purchase shops; WFG would get some ¹⁷ amounts on the profits earned; and ¹⁸ the responsibility of running the business would become the franchisers. WFG can save on cost ¹⁹ and is likely to ²⁰ attract many profit so due to successfully running ²⁰ supermarkets. Therefore is a good way ²⁰ ^[6] of than opening own shops.</p>	<p>¹⁴ This part of the answer is ignored because the candidate confuses the role of franchisor and franchisee.</p> <p>¹⁵ This statement is not detailed enough, because it doesn't explain why WFG's brand image would lower.</p> <p>¹⁶ This statement needs further clarification. Keeping all the profits can be an advantage of opening more of its own shops, however, the candidate does not make this link.</p> <p>¹⁷ The candidate demonstrates knowledge of relevant issues, but instead of developing these, they identify another point.</p> <p>¹⁸ A second knowledge point is made, but the candidate does not develop this with an explanation.</p> <p>¹⁹ It is not clear how or what costs would be saved.</p> <p>²⁰ No marks are available for linking points to the scenario in the part (e) questions.</p> <p>Mark for (e) = 2 out of 6</p> <p>Total mark awarded = 8 out of 20</p>

How the candidate could have improved their answer

- (a) The candidate needed to provide a full definition of 'market research'. They needed to develop their answer to show that they understood it is a process of gathering, analysing and interpreting information about customer needs and wants.
- (b) The first objective given (maximise profit) was correct. The second answer (increase economies of scale) was vague because it implied growth, and this type of answer was excluded by the question. It is important that candidates read the question carefully.
- (c) The candidate was awarded two marks for identifying two factors. Factor 2 repeated the answer given in Factor 1, and marks had already been awarded for this. It is important that all answers clearly discuss different factors. The answer given for Factor 4 was incorrect because the candidate gave a pricing method, which is not what the question asked for.
- (d) Two factors were identified: cost and training. However, these were not explained and there was no attempt to link the points to the context. Following 'new technological equipment' the candidate could have acknowledged that the business had 120 shops, and therefore training every employee could significantly increase its expenses.
- (e) The candidate confused the role of the franchisor and franchisee, so the first part of the answer was ignored. The candidate also made some unnecessary references to the context. They did identify two relevant issues, but development of these two points was needed to be awarded the analysis marks. They could have referred to the fact that because the franchisor did not have to look for as much finance, this could help a retail business expand more quickly. The decision offered an opinion, but this needed to be a reasoned judgement.

Example Candidate Response – low

Examiner comments

- 4 WFG is a private limited company in country X. It owns 120 supermarkets, of which 20 are operated as franchises. One of WFG's objectives is to expand by opening 30 more shops in the next 18 months. The Managing Director said: 'Market research shows that fewer people are going to the local markets every day to buy their food. It is important for us to set prices at the right level.' The Managing Director is thinking about whether to introduce new technology into the business.

(a) Define 'market research'.

market research means researching about the market whether market is going down or high people are happy or not [2]

(b) State **two** objectives (other than expansion) a business might have.

Objective 1: More local shops [2]

Objective 2: [3]

(c) State **four** factors a business should consider when deciding the price of a product.

Factor 1: See what price does the customer want [4]

Factor 2: See if the customers like discount or not [5]

Factor 3: See how much if we are going in a loss or profit [6]

Factor 4: Price should be suitable as the product is made [7]

1 The first part of this answer reuses the words 'market' and 'research'. The candidate needs to show that they know what the term means. The comments about the market 'going down' and 'people are happy' are not detailed enough to be awarded any marks as a partial definition.

Mark for (a) = 0 out of 2

2 This answer is not detailed enough and is an example of growth, which is excluded by the question.

3 The candidate does not provide an answer for the second part of this question. This automatically limits the marks that can be accessed.

Mark for (b) = 0 out of 2

4 The candidate understands that the idea of how much people are willing to pay is relevant, so is awarded one mark for this point.

5 Factor 2 is too similar to Factor 1, so cannot be awarded a further mark.

6 It is unclear which factor is being suggested here.

7 The answer is not detailed enough. The candidate could say that the pricing needs to take account of the cost of making the product.

Mark for (c) = 1 out of 4

Example Candidate Response – low, continued

Examiner comments

- (d) Explain **two** factors WFG should consider when deciding whether to introduce new technology into its business.

Factor 1: Introducing new technology can increase the output with less cost **8**

Explanation: In the country local market there is many people who are buying WFG products. To increase output and less cost of producing will bring more profit to the business.

Factor 2: Whether it will be more efficient or not **9**

Explanation: when the introducing new technology but if there is a decrease in demand it will ~~also~~ cause the decrease in total cost for the company **10**

[6]

- (e) Do you think selling franchises is a better way for a retail business to expand than opening more of its own shops? Justify your answer.

Yes, because it helps to expand a business, it also has low cost other than opening a new shop which might cost more **12** and if franchisees help to gain brand image **13**, it will be help to company also, sales will increase. New styles and ideas **14** will be introduced in company by different franchises.

[6]

8 This is not a detailed enough answer to cover the idea of efficiency. The candidate discusses the same point in both Factor 1 and Factor 2. This part of the answer is not as strong, because it lacks the correct terminology.

9 The candidate identifies a relevant factor and is awarded the knowledge mark.

10 The candidate could have stated 'average cost' instead of 'total cost', and then could have been awarded a further mark for this answer.

11 The candidate does not link the answer to the scenario, so the answer misses out an application mark here.

Mark for (d) = 1 out of 6

12 The candidate demonstrates their knowledge of a relevant issue, but this is not explained further.

13 In the second part of the answer the candidate makes some vague comments about franchising, so does not demonstrate an understanding of the topic.

14 'New ideas' is not a recognised benefit of franchising.

Mark for (e) = 1 out of 6

Total mark awarded = 3 out of 20

How the candidate could have improved their answer

- **(a)** The candidate needed to accurately define the term 'market research'. The first part of the answer reused the words 'market' and 'research', but the candidate needed to show that they know what the term means. The candidate included examples of the type of information gathered, but these needed to be more precise. Sometimes, examples can help show understanding, but often, as in this case, only clear knowledge will gain marks.
- **(b)** The first answer attempted to identify an example of expansion (more local shops). However, this objective was excluded by the question. The candidate did not attempt to identify a second objective, so this response was awarded no marks. It is always better to make an educated guess than not attempt a question at all.
- **(c)** This candidate was awarded one mark for Factor 1. Factor 2 mostly repeated Factor 1 because it seemed to suggest that price could depend on how much customers are willing to pay. The answer given for Factor 4 needed to be clearer about what could be considered a suitable price. To improve their answer, the candidate could have added that the business might want to take the cost of production into account.
- **(d)** The candidate identified the same point for both factors. The second factor was the stronger answer so this was where the knowledge mark was awarded, but there was no development or application of this. The candidate could have been awarded an analysis mark if they had said that efficiency could have resulted in lower average (or unit) costs. The candidate needed to refer to the number of shops, or recognise that the business sold food to improve application marks.
- **(e)** The comment about 'open a new shop which might cost more' was the only relevant issue identified. The candidate needed to include more detailed points and show their understanding of franchising, this response included vague statements about brand image and new ideas. The candidate could have improved their answer by referring to specific advantages and disadvantages of franchising. For example, the franchise having to pay a fee to use the brand name, while wrong decisions made by a franchisee can damage the reputation of the whole business. The candidate needed to develop each point before making a decision, which directly answered the question.

Common mistakes candidates made in this question

(a)

- Rather than defining the term 'market research', some candidates identified why market research was collected.
- Some candidates gave examples, but these did not explain what market research is.

(b)

- Giving similar points that were expressed in two different ways.

(c)

- Rather than identify four different factors, some candidates repeated similar points.

(d)

- Instead of providing an analysis, some candidates repeated the knowledge point they had made, or identified another factor.
- Some candidates misread the question, and incorrectly assumed that the business was a food manufacturer, or that the supermarket was selling the technology to its customers.

(e)

- Some candidates did not develop the points they made to show the effect of them on the business.
- Answering the question from the viewpoint of a franchisee.
- Some candidates did not reach a final decision in their answer. Others offered a final decision but didn't support it in the rest of their answer.

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