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Cambridge Ordinary Level

BUSINESS STUDIES

7115/11

Paper 1 Short Answer / Structured Response

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MARK SCHEME

Maximum Mark: 80

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This document consists of **16** printed pages.

Question	Answer	Marks	Guidance
1(a)	<p>What is meant by a joint venture?</p> <p>Clear understanding [2]: when two or more businesses agree to start a (new) project together so share risks OR capital OR profits OR resources.</p> <p>Some understanding [1]: two business agree to <u>work</u> together (on a project).</p>	2	Do not accept answers which describe a takeover or merger.
1(b)	<p>Identify two advantages to QCH of having objectives</p> <p>Application [2 × 1]: award 1 mark per advantage</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Have an aim OR target to work towards • Provide a sense of direction OR know what you have to do • Measure of success (to judge performance) • Help budgeting OR planning OR decision making • Motivate 	2	

Question	Answer	Marks	Guidance
1(c)	<p>Identify and explain two reasons why QCH might want to enter new markets.</p> <p>Knowledge [2 × 1]: award 1 mark for each reason identified</p> <p>Application [2 × 1]: award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Spread risk [k] of selling cars [app] • Economies of scale [k] buying factory stock [app] • Increase sales OR market share OR target market [k] as it is a fast growing economy [app] • Home market saturated [k] • Greater recognition OR brand awareness [k] • Access to cheaper labour OR resources [k] • Fewer trade restrictions [k] 	4	<p>Application marks may be awarded for appropriate use of the following: cars, luxury, factory, profits of \$700m, joint venture, multinational, customer needs, their objective, fast growing economy.</p>

Question	Answer	Marks	Guidance
1(d)	<p>Identify and explain two factors that QCH should consider when deciding the location of the new factory.</p> <p>Knowledge [2 × 1]: award 1 mark for each relevant factor.</p> <p>Application [2 × 1]: award 1 mark if relevant reference made to QCH.</p> <p>Analysis [2 × 1]: award 1 mark for each relevant explanation.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Demand / customers [k] in the new market [app] so generate revenue [an] • Amount of rent [k] if expensive fixed costs increase [an] using up its \$800m budget [app] • Lower cost of labour OR availability of labour OR access to suitable employees [k] which would decrease variable costs [an] • Lower raw materials cost OR availability of materials [k] so can get materials when needed [app] • Access to transport networks OR access to water OR power [k] or production will stop [an] • Access to subsidies or grants [k] which would reduce costs [an] • Possible external economies of scale [k] if they locate near to other factories [an] • Enough space [k] as need a large area [an] • Environmental considerations [k] therefore must be away from housing [an] • Legal considerations [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Cars or related words, new market, parts, \$800m, joint venture, profit of \$700m, fast growing economy, multinational.</p> <p>Do not award application for factory as stated in the question.</p> <p>Awareness of where competitors are located is a factor for knowledge but analysis must relate to production not retailing.</p>

Question	Answer	Marks	Guidance
1(e)	<p>The Finance Director thinks QCH’s expansion into country C could be good for other businesses there. Do you agree? Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2]: award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2]: justified decision made as to whether QCH's expansion into country C will be good for other businesses in country C. Either viewpoint is possible.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increased competition [k] can lead to lower prices [an] which could mean some car makers [app] go out of business [an] • Suppliers (local) may gain orders [k] leading to increased revenue [an] • Lose skilled employees [k] as attracted to work for the multinational [app] so become less competitive [an] • Gain new ideas [k] • Increased sales (for local businesses) [k] as more people are employed [an] 	6	<p>Application marks may be awarded for appropriate use of the following: Multinational, cars, luxury, use of numbers, factory, equipment, joint venture, meet customer needs, start producing, fast growing economy, \$800m, \$700m.</p> <p>The focus of the answer must be on other businesses not country C or QCH.</p> <p style="text-align: right;">[Total: 20]</p>

Question	Answer	Marks	Guidance
2(a)	<p>What is meant by ‘trade receivables’?</p> <p>Clear understanding [2]: amount of money owed by customers for (goods bought on credit terms)</p> <p>Some understanding [1]: money owed</p>	2	Do not award money owed by the business.
2(b)	<p>Calculate the following values: X, Y.</p> <p>Application [2×1]: award 1 mark for each correct answer</p> <ul style="list-style-type: none"> • X=30 • Y=50 	2	

Question	Answer	Marks	Guidance
2(c)	<p>Identify and explain one advantage and one disadvantage to Josh of using text (SMS) messages as a method of internal communication.</p> <p>Knowledge [2×1] : award 1 mark for each advantage / disadvantage identified</p> <p>Application [2×1] : award 1 mark for each explanation in context</p> <p>Points might include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> • Quick to send [k] which helps as always busy [app] • Can send at any time [k] so can finish cleaning before having to respond [app] • Can be sent simultaneously [k] to all 6 employees [app] • Can be read when receiver has time [k] • Able to refer back to it later [k] so can check details of the cleaning job [app] <p>Disadvantage:</p> <ul style="list-style-type: none"> • Only contain limited information OR might not understand [k] so cleaners may not have all details [app] • Might not receive the message OR no power on the phone OR may not have a signal [k] leading to poor service [app] 	4	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, businesses, busy (always sending texts), full time, 6 employees, phone, additional work.</p> <p>Do not award cheap or expensive in isolation unless explained.</p> <p>Do not award ‘does not own a phone’ as messages would not be sent to employees without a phone.</p>

Question	Answer	Marks	Guidance
2(d)	<p>Identify one advantage and one disadvantage to Josh of using off-the-job-training.</p> <p>Knowledge [2 × 1] : award one mark for each relevant advantage / disadvantage identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Other workers not affected [k] so able to do more cleaning jobs [app] to keep up with demand [an] • Worker has access to skilled trainers [k] so know what needs to do to provide a quality service [app] helping maintain reputation [an] • Workers do not learn bad habits [k] • Workers focus 100% on training [k] <p>Disadvantages:</p> <ul style="list-style-type: none"> • Expensive OR high cost [k] which increases costs for the business [an] to train all 6 workers [app] • Not necessarily tailored to individual company [k] so might not cover the equipment Josh uses [app] • Workers are training rather than cleaning [k + app] and so less output is produced [an] 	6	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, full-time, added value, 6.</p> <p>Do not award points that apply to both on or off the job training.</p> <p>The focus of the answer must be the effect on Josh not the workers.</p>

Question	Answer	Marks	Guidance
2(e)	<p>Do you think a bank loan is the best source of finance for Josh to use for the new equipment? Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] : award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether a bank loan is the best source of finance for Josh to use for the new equipment</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increased liabilities OR must be repaid [k] by \$60 000 [app] • Loan would give him time to repay [k] • Has cash available [k] of \$30 000 [app] so he would not need to borrow the full amount [an] • Doesn't have enough cash available [k] to pay the \$60 000 [app] • Cost of repayments OR interest [k] • Leasing is a method Josh can use [k] so the latest equipment is always available [app] • Banks may not be willing to lend the money [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, \$60 000, correct use of table 1, added value, latest equipment, Josh has a small business.</p> <p>Candidates may analyse other suitable sources of finance.</p> <p>Do not award overdraft as it is not a suitable source of finance to purchase fixed assets.</p> <p style="text-align: right;">[Total: 20]</p>

Question	Answer	Marks	Guidance
3(a)	<p>Identify two ethical issues for a business.</p> <p>Knowledge [2 × 1]: award one mark for each issue</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Paying a fair price to suppliers • Paying a fair wage to workers • Not price fixing • Charging a fair price to customers • Not employing child labour • Source environmentally friendly products • Not harming the environment 	2	
3(b)	<p>What is meant by a focus group?</p> <p>Clear understanding [2] e.g. customers OR people who have similar characteristics to the target market who give their opinions on a product / service</p> <p>Some understanding [1] that this is a form of market research e.g. provide comments OR opinions about the product</p>	2	<p>For 2 marks it must be clear who makes up the focus group.</p> <p>Do not award answers which simply explain what a group is OR references to secondary market research.</p>

Question	Answer	Marks	Guidance
3(c)	<p>Identify and explain two advantages to WSS of selling its franchise</p> <p>Knowledge [2 × 1] : award 1 mark for each advantage identified</p> <p>Application [2 × 1] : award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Cheaper way to expand [k] the 10 franchisees pay some costs [app] • Each franchisee pays money [k] so may be able to open more shops in future [app] • Can expand more quickly [k] • Widen brand awareness [k] as logo is seen in more places [app] • Franchisees responsible for day to day management [k] WSS has time to focus on extending its product range [app] • Retain control of the image [k] so it can ensure the business remains ethical [app] 	4	<p>Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 30, shops.</p>

Question	Answer	Marks	Guidance
3(d)	<p>Identify and explain one advantage and one disadvantage to WSS of changing its brand image.</p> <p>Knowledge [2 × 1] : award one mark for each relevant advantage/ disadvantage identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <p>Advantages</p> <ul style="list-style-type: none"> • Reflect new product range [k] as now offering cakes and curries [app] can help attract a wider target market / range of people [an] • Image might be out of date [k] as soup bowl is simple design [app] so need to change it to remain competitive [an] • Customers like something new [k] therefore they are more likely to try [an] the curries [app] • Attract new customers [k] <p>Disadvantage</p> <ul style="list-style-type: none"> • Damage customer loyalty [k] as existing customers do not like the new logo created [an] • Customers might not recognise the new logo OR be confused [k] so might miss the shop [app] therefore reducing sales [an] • Time / cost (to change the logo) [k] as may need to ask focus group for their opinion [app] increasing expenses [an] 	6	<p>Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 40 shops, franchise, focus group.</p> <p>The focus of the answer must be the effect on WSS.</p>

Question	Answer	Marks	Guidance
3(e)	<p>Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] :award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether WSS should use sponsorship or newspaper advertising as the main method of promotion</p> <p>Points might include:</p> <p>Sponsorship</p> <ul style="list-style-type: none"> • Can target the intended market [k] attracting more customers [an] for the cakes [app] • The business will be linked to the event sponsored [k] • Actions of the sponsored person or group could damage WSS's reputation [k] reducing sales [an] <p>Newspaper advertising</p> <ul style="list-style-type: none"> • Can be seen by a lot of people [k] • Falling readership of newspapers [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Use of numbers, soup or references to food or ingredients, change logo, expand product range, ethical, brand image.</p> <p>The focus of the answer must be on WSS as the sponsor.</p> <p>Do not award sponsorship or newspaper is cheaper as this is not known.</p> <p style="text-align: right;">[Total: 20]</p>

Question	Answer	Marks	Guidance
4(a)	<p>What is meant by ‘chain of command’?</p> <p>Clear understanding [2]: structure within an organisation through which orders are passed from senior management to the lower levels</p> <p>Some understanding [1]: ‘shows who gives orders’</p>	2	For 2 marks must have idea of ‘orders OR instructions OR authority’ and ‘who between’.
4(b)	<p>Identify two Government economic objectives.</p> <p>Knowledge [2 × 1]: award 1 mark per objective</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • Lower unemployment • Economic growth OR increase GDP OR improve standards of living • Low inflation • Improve balance of payments 	2	
4(c)	<p>Identify and explain two benefits to GKK of increasing efficiency.</p> <p>Knowledge [2 × 1]: award 1 mark for each benefit identified</p> <p>Application [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increase output OR quicker production [k] of plastic bottles [app] • Lower average costs [k] so can keep prices low [app] • Fewer workers needed [k] • Better able to compete [k] in this competitive market [app] • Less waste [k] need for less raw materials [app] • Fewer errors [k] 	4	Application marks may be awarded for appropriate use of the following: Plastic bottles, raw materials, environment OR pollution, competitive market, prices are important.

Question	Answer	Marks	Guidance
4(d)	<p>Identify and explain two ways in which new legal controls to protect the environment might affect GKK.</p> <p>Knowledge [2 × 1] : award one mark for each relevant way identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Change OR stop using certain materials [k] moving away from plastic [app] changing production [an] • Increase cost [k] because they may have to pay more fines [an] • May need to change supplier [k] so stop using the low cost country [app] increasing variable costs [an] • Reduced demand [k] as customers look for alternative ways to package food [app] so lose revenue [an] • May have to change location [k] as not allowed to operate in certain places [an] 	6	<p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, low cost country, low prices.</p>

Question	Answer	Marks	Guidance
4(e)	<p>Explain one lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s) [max 1]</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] : award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether GKK should introduce this technique</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Just in Time inventory control [k] which would help reduce storage costs [an] • Kaizen /continuous improvement [k] by using delegation [app] • Cell production [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, delegation, low cost country, low prices, competitive market, short chain of command, wide structure.</p> <p style="text-align: right;">[Total: 20]</p>