



**Cambridge Assessment International Education**  
Cambridge Ordinary Level

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**BUSINESS STUDIES**

**7115/22**

Paper 2 Case Study

**October/November 2019**

MARK SCHEME

Maximum Mark: 80

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**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **15** printed pages.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1(a)	<p><b>Identify and explain two ways QC can create added value for its new service.</b></p> <p>Knowledge [2 × 1] – award one mark for each way            Analysis [2 × 1] – award one mark for a relevant explanation for each way            Application [2 × 2] – award two application marks for each way</p> <p>Answers are likely to include:</p> <ul style="list-style-type: none"> <li>• Reward ways of how to set higher prices such as               <ul style="list-style-type: none"> <li>– Improve quality</li> <li>– Provide extra services</li> <li>– Improve brand image</li> </ul> </li> <li>• Reward ways of how to reduce input costs such as               <ul style="list-style-type: none"> <li>– Buy cheaper ingredients by changing supplier/buying in bulk to gain a discount/negotiating cheaper price</li> <li>– Source cheaper ingredients from home country instead of importing ingredients</li> </ul> </li> </ul> <p>Indicative response:            Set a higher price (1) so that there is a larger difference between the input costs and price. (1) QC could add additional services to the catering such as silver service (ap) so that it provides a USP that makes the catering service better than competitors and therefore clients will be willing to pay a higher price. (ap)</p> <p>Possible application marks:            Catering services; 100 employees; rising incomes; well trained and experienced employees; good reputation; provides catering for businesses such as for conferences; imports food ingredients; birthday parties; wedding services; buy locally produced ingredients; increased spending on luxury goods.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer	Marks									
1(b)	<p><b>Consider the advantages and disadvantages of the following three ways QC could research the market for wedding catering. Which way will give the most accurate results about the market? Justify your answer.</b></p> <p><b>Relevant points might include:</b></p> <table border="1" data-bbox="316 450 1313 1469"> <tbody> <tr> <td data-bbox="316 450 651 824"> <ul style="list-style-type: none"> <li>Questionnaire about the wedding catering market carried out by QC</li> </ul> </td> <td data-bbox="651 450 979 824"> <ul style="list-style-type: none"> <li>Primary research so original research</li> <li>Gathered for QC specific purpose</li> </ul> </td> <td data-bbox="979 450 1313 824"> <ul style="list-style-type: none"> <li>QC is a small business and therefore could not afford a large sample</li> <li>Not experienced in carrying out primary research so may be less accurate</li> </ul> </td> </tr> <tr> <td data-bbox="316 824 651 1198"> <ul style="list-style-type: none"> <li>Questionnaire about the wedding catering market carried out by a market research agency</li> </ul> </td> <td data-bbox="651 824 979 1198"> <ul style="list-style-type: none"> <li>Large size sample size</li> <li>Carried out by experts in market research</li> <li>May include information not thought about by Neil and Jin</li> </ul> </td> <td data-bbox="979 824 1313 1198"> <ul style="list-style-type: none"> <li>Not specifically about QC target market</li> <li>The whole market might be very different to QC specific target market</li> <li>Expensive for QC to use</li> </ul> </td> </tr> <tr> <td data-bbox="316 1198 651 1469"> <ul style="list-style-type: none"> <li>Government statistics on the number of weddings in country Z</li> </ul> </td> <td data-bbox="651 1198 979 1469"> <ul style="list-style-type: none"> <li>Cheap and quick to carry out</li> <li>Easily accessible</li> <li>Gain an idea of overall trends in the market for weddings</li> </ul> </td> <td data-bbox="979 1198 1313 1469"> <ul style="list-style-type: none"> <li>May be out of date</li> <li>May not be helpful as not specific about wedding catering and may only gain numbers etc.</li> </ul> </td> </tr> </tbody> </table> <p><b>Conclusion might include:</b></p> <ul style="list-style-type: none"> <li>Up to date information</li> <li>Expertise used/skill of researchers</li> <li>Sample size</li> <li>Effective questions on questionnaire</li> <li>Specific to QC target market</li> </ul>	<ul style="list-style-type: none"> <li>Questionnaire about the wedding catering market carried out by QC</li> </ul>	<ul style="list-style-type: none"> <li>Primary research so original research</li> <li>Gathered for QC specific purpose</li> </ul>	<ul style="list-style-type: none"> <li>QC is a small business and therefore could not afford a large sample</li> <li>Not experienced in carrying out primary research so may be less accurate</li> </ul>	<ul style="list-style-type: none"> <li>Questionnaire about the wedding catering market carried out by a market research agency</li> </ul>	<ul style="list-style-type: none"> <li>Large size sample size</li> <li>Carried out by experts in market research</li> <li>May include information not thought about by Neil and Jin</li> </ul>	<ul style="list-style-type: none"> <li>Not specifically about QC target market</li> <li>The whole market might be very different to QC specific target market</li> <li>Expensive for QC to use</li> </ul>	<ul style="list-style-type: none"> <li>Government statistics on the number of weddings in country Z</li> </ul>	<ul style="list-style-type: none"> <li>Cheap and quick to carry out</li> <li>Easily accessible</li> <li>Gain an idea of overall trends in the market for weddings</li> </ul>	<ul style="list-style-type: none"> <li>May be out of date</li> <li>May not be helpful as not specific about wedding catering and may only gain numbers etc.</li> </ul>	12
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Question	Answer	Marks
2(a)	<p><b>Neil and the part-time employees are both stakeholders in QC. Identify and explain:</b></p> <ul style="list-style-type: none"> <li>• <b>one objective that will be the same for both these stakeholders</b></li> <li>• <b>one objective for Neil that will conflict with an objective of the part-time employees.</b></li> </ul> <p>Knowledge [2 × 1] – award one mark for stakeholder objectives that are the same/are conflicting            Analysis [2 × 1] – award one mark for a relevant explanation of why the objective is the same/why it is conflicting            Application [2 × 2] – award two application marks for explanation of each stakeholder objective in context</p> <p>Answers are likely to include:</p> <ul style="list-style-type: none"> <li>• Owners and employees both want the business to make profits – to pay higher wages and higher dividends/ more likely to survive and employees more likely to keep their jobs.</li> <li>• Owner wants to keep costs lower and may reduce wages but employees want higher wages that will put costs up.</li> </ul> <p>Likely shareholder/Owner objectives:</p> <ul style="list-style-type: none"> <li>• To increase profit/make a profit</li> <li>• To expand/grow the business</li> <li>• To increase sales</li> <li>• To maintain brand image/high reputation/customer satisfaction</li> <li>• To reduce costs</li> <li>• To increase productivity/efficiency</li> <li>• To survive</li> </ul> <p>Likely employee objectives:</p> <ul style="list-style-type: none"> <li>• To receive higher wages</li> <li>• To have job security</li> <li>• To have improved working conditions</li> <li>• To work sociable hours</li> <li>• To be motivated and happy at work</li> </ul> <p>Indicative response:            Owner wants to make a high profit (1) but this could keep down the wages of the employees. (1) There are 90 part-time employees and they may feel unhappy about this. (ap) These employees may be less willing to work additional catering jobs when QC is busy. (ap)</p> <p>Possible application marks:            Catering services; two shareholders; wants to expand; Weddings; Birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; maintain good reputation.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer			Marks												
2(b)	<b>Consider the advantages and disadvantages of the following three leadership styles Jin and Neil could use. Recommend which one they should use as QC expands further. Justify your answer.</b>			<b>12</b>												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;"></th> <th style="width: 40%;">Advantages</th> <th style="width: 40%;">Disadvantages</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: top;">Autocratic</td> <td> <ul style="list-style-type: none"> <li>• Clear direction given to employees</li> <li>• Employees know what is expected from them</li> <li>• Decisions can be made quickly</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Communication is only one way</li> <li>• Cannot know the views or suggestions of employees</li> <li>• May be demotivating as employees are not included in any decision making</li> </ul> </td> </tr> <tr> <td style="text-align: center; vertical-align: top;">Democratic</td> <td> <ul style="list-style-type: none"> <li>• May be motivating as employees may be asked before decisions made</li> <li>• Feel as though can contribute to the business – feel valued</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• May take a long time to consult employees</li> <li>• Decisions may need to be made quickly and this leadership style is too slow</li> </ul> </td> </tr> <tr> <td style="text-align: center; vertical-align: top;">Laissez-faire</td> <td> <ul style="list-style-type: none"> <li>• Give decision making to employees</li> <li>• Motivating as employees feel they have control over their work</li> <li>• Managers have more time for other tasks as can delegate more</li> <li>• Employers feel more trusted</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Employees may make bad decisions</li> <li>• May lead to lower productivity or lower profit from bad decisions</li> <li>• Difficult to have a clear direction for the business</li> <li>• Managers may lose day to day control of decision making</li> </ul> </td> </tr> </tbody> </table>						Advantages	Disadvantages	Autocratic	<ul style="list-style-type: none"> <li>• Clear direction given to employees</li> <li>• Employees know what is expected from them</li> <li>• Decisions can be made quickly</li> </ul>	<ul style="list-style-type: none"> <li>• Communication is only one way</li> <li>• Cannot know the views or suggestions of employees</li> <li>• May be demotivating as employees are not included in any decision making</li> </ul>	Democratic	<ul style="list-style-type: none"> <li>• May be motivating as employees may be asked before decisions made</li> <li>• Feel as though can contribute to the business – feel valued</li> </ul>	<ul style="list-style-type: none"> <li>• May take a long time to consult employees</li> <li>• Decisions may need to be made quickly and this leadership style is too slow</li> </ul>	Laissez-faire	<ul style="list-style-type: none"> <li>• Give decision making to employees</li> <li>• Motivating as employees feel they have control over their work</li> <li>• Managers have more time for other tasks as can delegate more</li> <li>• Employers feel more trusted</li> </ul>	<ul style="list-style-type: none"> <li>• Employees may make bad decisions</li> <li>• May lead to lower productivity or lower profit from bad decisions</li> <li>• Difficult to have a clear direction for the business</li> <li>• Managers may lose day to day control of decision making</li> </ul>
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Question	Answer	Marks
3(a)	<p><b>Neil and Jin need to tell employees about the new service.</b></p> <p><b>Identify and explain one advantage and one disadvantage of using email for this communication.</b></p> <p>Knowledge [2 × 1] – award one mark for each advantage / disadvantage            Analysis [2 × 1] – award one mark for a relevant explanation for each advantage/ disadvantage            Application [2 × 2] – award two application marks for each advantage/disadvantage</p> <p>Answers are likely to include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> <li>• Written record – can refer back to the details</li> <li>• Cheap to send to all employees</li> <li>• Quicker to send to large number of people at once</li> <li>• Able to provide detailed information</li> </ul> <p>Disadvantage:</p> <ul style="list-style-type: none"> <li>• Message may not have been understood/language barriers</li> <li>• No chance for clarification by employees</li> <li>• No internet access</li> <li>• No body language/cannot see the reaction</li> <li>• Not sure if the message has been received</li> </ul> <p>Indicative response:            Emails are cheap to send (1) and can easily be sent to all employees. (1)            They can be told about the new catering service (ap) and the email can include all the details about offering catering for weddings or birthday parties. (ap)</p> <p>Possible application marks:            Catering services; two shareholders; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; noticeboard; food.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer		Marks
3(b)	<p><b>Using Appendix 3 and other information provided, consider the costs, revenue and profit of the <u>two</u> options. Which is the best option for QC to choose? Justify your answer.</b></p>		<b>12</b>
		Level 1	Level 2
	<p>Option 1 – (Weddings)</p>	<p>Growing market as increased spending on weddings</p> <p>Price is higher for Option 1 events</p> <p>Variable costs are higher for weddings than birthday parties</p> <p>Price per event is \$30 higher for weddings</p> <p>250 more people attending each event than birthday parties</p>	<p>TR per event = \$25 000</p> <p>Variable costs per event = \$10 000</p> <p>Gross profit per event = \$15 000</p> <p>TC per event = \$11 000</p> <p>Profit per event = \$14 000</p> <p>TR per month = \$250 000</p> <p>Gross profit per month = \$150 000</p> <p>TC per month = \$110 000</p> <p>Profit per month = \$140 000</p>
	<p>Option 2 - (Birthday parties)</p>	<p>Spending on birthday parties has remained the same</p> <p>90 more birthday parties per month than weddings</p> <p>Fixed costs lower by \$500 for birthday parties</p> <p>Variable cost \$10 cheaper than weddings per person</p>	<p>TR per event = \$5000</p> <p>Variable cost per event = \$2500</p> <p>Gross profit per event = \$2500</p> <p>TC per event = \$3000</p> <p>Profit per event = \$2000</p> <p>TR per month = \$500 000</p> <p>Gross profit per month = \$250 000</p> <p>TC per month = \$300 000</p> <p>Profit per month \$200 000 per month</p>

Question	Answer	Marks
3(b)	<p><i>Note: Do not reward an answer that is just copied from the table in Appendix 3 without any comment</i></p> <p>Recommendations might have points that include:</p> <ul style="list-style-type: none"> <li>• Total cost of Option 2 is \$8000 per event less than Option 1 so Option 2 is easier to finance</li> <li>• Option 2 – the profit for birthday parties per month is \$60 000 higher than Option 1 – weddings</li> <li>• Option 2 has the highest profit per month</li> <li>• Option 1 has the highest profit per event</li> <li>• Birthday parties have the highest profit per month but the market appears to be not increasing</li> <li>• Option 1 has the higher growth in sales and the highest profit per event</li> </ul>	

Question	Answer	Marks								
3(b)	<p>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.</p> <table border="1" data-bbox="316 344 1310 913"> <thead> <tr> <th data-bbox="316 344 453 409"></th> <th data-bbox="453 344 1310 409">Knowledge/Analysis/Evaluation</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 409 453 680">Level 3</td> <td data-bbox="453 409 1310 680">           There must be at least 2 × L2 correct calculations of profit before L3 awarded            9–10 marks for well justified conclusion of which option to choose compared to the other option.             7–8 marks for some limited judgement shown in conclusions as to the best option to choose.         </td> </tr> <tr> <td data-bbox="316 680 453 779">Level 2</td> <td data-bbox="453 680 1310 779">           4–6 marks            Calculations of costs, revenue and/or profit for each option.         </td> </tr> <tr> <td data-bbox="316 779 453 913">Level 1</td> <td data-bbox="453 779 1310 913">           1–3 marks            Limited statements comparing the costs, revenue and/or profit for each option.         </td> </tr> </tbody> </table> <p>Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Weddings are \$30 higher per person.</p> <p>Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Weddings will give a profit per event of \$14 000. (L2)</p> <p>Level 3 – For level 3 to be awarded there must be 2 × L2 correct calculations of profit then a well justified conclusion of which option to choose.</p> <p><b>Award up to 2 additional marks for relevant application</b></p> <p>Possible application marks:            Catering services; two shareholders; wants to expand; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; has a cash flow problem; imports food ingredients.</p> <p>There may be other examples in context that have not been included here.</p>		Knowledge/Analysis/Evaluation	Level 3	There must be at least 2 × L2 correct calculations of profit before L3 awarded 9–10 marks for well justified conclusion of which option to choose compared to the other option.  7–8 marks for some limited judgement shown in conclusions as to the best option to choose.	Level 2	4–6 marks Calculations of costs, revenue and/or profit for each option.	Level 1	1–3 marks Limited statements comparing the costs, revenue and/or profit for each option.	
	Knowledge/Analysis/Evaluation									
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Level 1	1–3 marks Limited statements comparing the costs, revenue and/or profit for each option.									

Question	Answer	Marks
4(a)	<p><b>Identify and explain two ways Neil and Jin could improve QC's cash flow.</b></p> <p>Knowledge [2 × 1] – award one mark for each way            Analysis [2 × 1] – award one mark for a relevant explanation for each way            Application [2 × 2] – award two application marks for each way</p> <p>Answers are likely to include:</p> <ul style="list-style-type: none"> <li>• Arrange trade credit for ingredients – delay outflows of cash for payments of ingredients so improves cash flow as money held in account for longer.</li> <li>• Reduce trade credit for clients – speeds up inflow of money as payment for catering services are made more quickly so increases speed at which cash flows into account.</li> <li>• Arrange an overdraft facility / short term bank loan</li> <li>• Change to local supplier as ingredients are cheaper</li> <li>• Get deposits from customers before the events</li> <li>• Sell off unwanted non-current assets/Sell unused capital asset</li> <li>• Increase cash inflows</li> <li>• Reduce cash outflows</li> </ul> <p><i>Note: Do not reward advertising unless part of an explanation</i>  <i>Note: Bank loan is TV - should be short-term bank loan</i></p> <p>Indicative response:            Neil can arrange trade credit (1) for ingredients purchased from abroad. (ap)            This will delay outflow of cash for payments of ingredients so improves cash flow as money held in account for longer. (1) So QC will keep money in its account for longer and make it easier to pay the wages of the 90 part-time employees. (ap)</p> <p>Possible application marks:            Catering services; wants to expand; weddings; birthday parties; events; provides catering for businesses such as for conferences; 90 part-time employees; 10 full-time employees; imports food ingredients; offers trade credit; pays cash for ingredients; plans to expand; two shareholders; may run out of working capital.</p> <p>There may be other examples in context that have not been included here.</p>	8

Question	Answer	Marks						
4(b)	<p><b>Consider the possible effects on QC of the following three changes. Which change is likely to have the biggest effect on QC's profit? Justify your answer.</b></p> <p><b>Relevant points might include:</b></p> <table border="1" data-bbox="316 450 1313 1059"> <tbody> <tr> <td data-bbox="316 450 568 689"> <ul style="list-style-type: none"> <li>Increase in income tax</li> </ul> </td> <td data-bbox="568 450 1313 689"> <ul style="list-style-type: none"> <li>Increase tax – lower disposable income – reduce amount spent on weddings and birthday parties – lower demand for catering services</li> <li>May need to reduce prices to attract customers</li> <li>Employees may ask for an increase in wages as disposable income has gone down</li> </ul> </td> </tr> <tr> <td data-bbox="316 689 568 857"> <ul style="list-style-type: none"> <li>Appreciation of country Z's currency</li> </ul> </td> <td data-bbox="568 689 1313 857"> <ul style="list-style-type: none"> <li>Local ingredients may still be cheaper than imported ingredients – difference is narrowed</li> <li>Imported ingredients are cheaper – effect is lower prices of services or improved profit margins</li> </ul> </td> </tr> <tr> <td data-bbox="316 857 568 1059"> <ul style="list-style-type: none"> <li>Country Z's business cycle enters the boom stage.</li> </ul> </td> <td data-bbox="568 857 1313 1059"> <ul style="list-style-type: none"> <li>Boom leads to increased economic growth – increased incomes from higher employment levels – increased demand for catering services – easier for employees to find alternative jobs – may experience increased competition</li> </ul> </td> </tr> </tbody> </table>	<ul style="list-style-type: none"> <li>Increase in income tax</li> </ul>	<ul style="list-style-type: none"> <li>Increase tax – lower disposable income – reduce amount spent on weddings and birthday parties – lower demand for catering services</li> <li>May need to reduce prices to attract customers</li> <li>Employees may ask for an increase in wages as disposable income has gone down</li> </ul>	<ul style="list-style-type: none"> <li>Appreciation of country Z's currency</li> </ul>	<ul style="list-style-type: none"> <li>Local ingredients may still be cheaper than imported ingredients – difference is narrowed</li> <li>Imported ingredients are cheaper – effect is lower prices of services or improved profit margins</li> </ul>	<ul style="list-style-type: none"> <li>Country Z's business cycle enters the boom stage.</li> </ul>	<ul style="list-style-type: none"> <li>Boom leads to increased economic growth – increased incomes from higher employment levels – increased demand for catering services – easier for employees to find alternative jobs – may experience increased competition</li> </ul>	12
<ul style="list-style-type: none"> <li>Increase in income tax</li> </ul>	<ul style="list-style-type: none"> <li>Increase tax – lower disposable income – reduce amount spent on weddings and birthday parties – lower demand for catering services</li> <li>May need to reduce prices to attract customers</li> <li>Employees may ask for an increase in wages as disposable income has gone down</li> </ul>							
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