

<b>Page 6</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>13</b>

**3 (a) What is meant by ‘revenue’? [2]**

Good knowledge [2] – e.g. Income of the business [1] during a given period of time from the sale of goods or services [1] OR Quantity sold × price per unit  
Some knowledge [1] – e.g. Income of the business

**(b) Identify two features of batch production. [2]**

**Knowledge [2 × 1]** – 1 mark per feature

Features could include: goods produced in sets/no variety in each group made/machines need to be reset between batches/lower unit costs than job production

**(c) Identify and explain two ways that Kipta could improve the safety of workers. [4]**

**Knowledge [2 × 1]** – award 1 mark for identification of way

**Application [2 × 1]** – award 1 mark for each relevant explanation (i.e. show how or why it could improve worker safety)

Points might include:

- **provide safety equipment [k]** as chemicals used in products could harm workers [app]
- **training [k]** so workers know how to handle materials/liquids safely [app]
- **good ventilation [k]** otherwise chemicals used could cause breathing problems [app]
- **rest breaks [k]** as working for long periods of time could lead to mistakes being made in
- **guards on machines [k]** so that workers don't get splashed using chemicals [app]

**(d) Identify and explain three benefits for consumers of increased competition. [6]**

**Knowledge [3 × 1]** – identification of benefit [1 mark per benefit]

**Analysis [3 × 1]** – award 1 mark for each relevant explanation (i.e. show how it helps customers)

Points might include:

- **lower prices [k]** so goods more affordable – so able to buy item/more items/save some money for other things[an]
- **better quality [k]** as businesses will compete to produce goods to attract customers,
- **better value for money [k]** as could see more features for same amount of money as business try to gain consumers/sales [an]
- **wider choice of goods produced [k]** so more likely to find something to meet individual needs
- **better customer service/extra services [k]** as businesses try to treat customers nicely to ensure they don't switch to rival companies [an]

<b>Page 7</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>13</b>

(e) **How important is market research to the successful introduction of a new product? Justify your answer.** [6]

**Knowledge [2]** – award up to 2 marks for identification of issues

**Analysis [2]** – award up to 2 marks for relevant development of point(s)

**Evaluation [2]** – justified decision made as to how important market research is to successful introduction of a new product.

Points might include:

- **find out customer needs [k]** so able to adapt/make products that customers want [an]
- **able to determine possible demand [k]** so know whether it is worthwhile spending money on developing the new product [an]
- able to determine effective promotion/pricing strategies [k]
- limitations of market research [k] e.g. sample size, who or what questions asked

Other factors include:

- **level of competition [k]**
- 4 Ps – product, pricing, promotion, place
- government rules (as this business is dealing with chemicals)

<b>Page 7</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2012</b>	<b>0450</b>	<b>11</b>

- (e) **Do you think that the performance of company D in 2011 has improved? Justify your conclusion using the data provided.** [6]

Knowledge of performance measures [2]

Data interpretation could be descriptive or analytical, and so knowledge can be demonstrated in different ways.

Knowledge could be shown by:

- identifying suitable ratios (2 marks max.) Analytical ratios that could be used are ROCE/ gearing/liquidity [last two ratios not really performance ratios but will be credited] **and/or**
- by identifying changes in the data. The maximum knowledge mark for simply describing changes between the two years is 1 mark.

Application/analysis of data [2]

Ratio analysis shows

ROCE	2010 12.3%	2011 17.14%	Improvement
Current ratio	2010 1.33	2011 1.18	Marginal worsening
Gearing ratio	2010 53%	2011 50%	Improvement

Any manipulation of figures gains analysis marks e.g. calculation of ratios or calculation of % rate of increase. Calculation of same ratio for one or both years gains 1 mark.

If an answer just looks at net profit and says \$80m in 2010 and \$120m in 2011 and/or fixed assets have risen from \$500m to \$600m and net assets have increased from \$650m to \$700m so the performance is better because it is more profitable. This answer just looks at the figures and draws simple conclusions. It will gain 2 marks [1 for K and 1 for Ev but NO application/analysis mark]

Conclusions based on knowledge/analysis [2]

Evaluation is for forming a judgement on the analysis or perhaps from drawing on wider context such as difficult to assess whether performance is really improved because no data for previous years or other competitors' results.

For full marks the conclusion has to refer to ROCE as this is the key performance ratio. E.g. the performance of the business has improved because the ROCE has significantly increased. The only minor worry is the deterioration in liquidity.

- 4 (a) What is meant by 'market orientated company'?** [2]

Clear understanding [2] Some understanding [1]

A business that focuses on the needs and requirements of its customers through analysis of market research data. Alternatively one that does market research before manufacturing or supplying a product/service [2].

A business that produces what customers want [1] or one that does market research [1].

- (b) What is meant by 'Managing Director'?** [2]

Clear understanding [2] Some understanding [1]

Managing director is the overall senior director with general responsibility for the business as a whole. [2] A two mark answer might also be one that makes a number of valid points e.g. in overall charge and directs other managers/directors

Simple answer might be the director who makes the major decisions [1] or controls the company [1]. So one simple statement gains 1 mark.

<b>Page 8</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2012</b>	<b>0450</b>	<b>11</b>

**(c) Identify and explain two benefits to Jergen Cosmetics of setting business objectives. [4]**

Knowledge [2]

Application/analysis [2 × 1]

Benefits of objectives are:

- Gives sense of purpose and direction
- Goal to be achieved
- Measure of success
- Helps decision making and planning

Explanation shows why the above would be of benefit to the business. So setting an objective of increasing turnover by say 5% next year is of benefit to the company because it sets a target [1] which motivates staff to perform better [explanation as to why it is a benefit].

**(d) Identify and explain two benefits to Jergen Cosmetics of having its own website. [6]**

Knowledge [2]

Application/analysis [2 × 2]

Website would:

- Increase public awareness
- Enhance reputation
- Boost sales
- Improve image
- Allow customers to view their product range
- Lower advertising costs
- Allow online sales

So an answer might say that a website would mean that potential customer could see a full range of beauty products that they make. This would allow them to be more aware of the full range and might encourage them to buy, boosting sales for Jergen. Second benefit might be that the website might enhance the profile of the company. It will seem 'more important' and fashionable and hence might attract new customers to the business. This too will boost sales and profits.

Analysis/application for showing how the points actually represent a benefit and how a website helps achieve them.

**(e) Do you think that economic growth in country A will lead to increased profitability for Jergen Cosmetics? Justify your answer. [6]**

Knowledge [2]

Application/analysis [2]

Evaluation [2]

The growth in an economy should mean greater prosperity, lower unemployment and higher consumer spending in general. However this does not mean that all sectors will benefit to the same degree. It certainly does not mean that all businesses will gain either. A successful business has products that are in demand and that they can be supplied at a price that is acceptable to the consumer and high enough to generate a profit to the business. The state of the economy has little impact on these factors. However in so far as higher sales may lead to higher profits then economic growth should help Jergen.

Page 2	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2013	0450	22

*This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer and the senior examiners should be consulted if further guidance is required.*

*Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.*

*Application marks are not awarded for the name of the business or person from the case material. Application is by answering in the context of the case or by using the information in the case to help answer the question.*

- 1 (a) Identify two stakeholders of TWP and explain why each stakeholder is interested in the business. [8]

**Content:**

Tibalt/owner; suppliers; customers; bank; creditors; local community; government; pressure groups; employees; managers (NB do not award shareholders).

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application and 4 marks for explanation/analysis.

1 mark for each stakeholder identified (2 marks max). Up to two further marks are available for explaining why the stakeholder would be a stakeholder of TWP. 2 application marks are also available.

Below is an example to illustrate the difference between a simple explanation worth one additional mark and a developed explanation worth 2 additional marks. An example is also provided of where the application mark might be awarded.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each stakeholder (4 marks x 2 stakeholders).

Possible application marks: importers; wood products; local forests; building firms; repair/build houses and offices; trees; sole trader; taking over another wood product manufacturer; sustainable forests; country X.

There may be other examples in context which have not been included here.

Simple explanation: Suppliers (1 mark for knowledge)

Developed explanation: Suppliers (1) are interested in the success of TWP as they want to keep supplying their wood to the business (1). If TWP is successful then they will not only sell a lot of wood but will also be more assured of being paid (1).

Application: The application mark could be achieved as the answer makes reference to wood. (1 application mark)

<b>Page 3</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>22</b>

- (b) Consider the possible advantages and disadvantages of importing wood rather than buying locally produced wood. Recommend whether TWP should continue to import wood or whether it should change to buying locally produced wood. Justify your answer. [12]

**Content:**

Import wood

Adv. – cheaper; more variety.

Disadv. – exchange rate volatility; transport costs; tariffs/quotas; more documentation; damage to products.

Locally produced wood

Adv. – less transport costs; sustainable forests; USP/competitive advantage.

Disadv. – less variety; more expensive.

Level 1 1 mark for each statement

E.g. Imported wood is cheaper (1 mark)

Level 2 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to a maximum of 8 marks.

E.g. Imported wood is cheaper because the exchange rate is high in Country X and this makes imported timber less expensive than if the exchange rate was low.  
5 marks for level 2 answer plus 1 application mark for mentioning high exchange rates in country X.

Level 3 Detailed discussion of two x level 2 answers and then a recommendation at the end which justifies which is the best option and why the other option is less suitable.

Possible application marks: wood importers; doors and windows; trees; wide range of different woods; local forests; building firms; repair/build houses and offices; sole trader; taking over another wood product manufacturer; sustainable forests; high exchange rate in country X.

There may be other examples in context which have not been included here.

	<b>Application</b>	<b>Knowledge/Analysis/Evaluation</b>
<b>Level 3</b>		9–10 marks Two x Level 2 + well justified recommendation as to the best option compared to the alternative option.
<b>Level 2</b>	2 marks Well applied to case. At least two examples of, references to, or uses of, the case.	5–8 marks Good discussion of advantages/disadvantages of each option OR balanced argument (even if listed). Limited judgement in recommendation as to the best option.
<b>Level 1</b>	1 mark Limited application to the case. At least one example of, reference to, or use of, the case.	1–4 marks Advantages/disadvantages of each of option listed.

Page 4	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2013	0450	22

- 2 (a) Identify and explain two reasons why the business objectives of growth and increased profits are important to TWP. [8]

**Content:**

Target to aim for; motivating for employees; judge success; increased market share; gain economies of scale; improve image/reputation; for retained profit/reinvested profits; reduce risk/survival; Tibalt's personal gain.

The marks available for this question are as follows: 2 marks for knowledge; 2 marks for application and 4 marks for explanation/analysis.

1 mark for each reason identified (2 marks max). Up to two further marks are available for explaining the reason. 2 application marks are also available.

Below is an example to illustrate the difference between a simple explanation worth one additional mark and a developed explanation worth 2 additional marks. An example is also provided of where the application mark might be awarded.

1 knowledge mark + up to 2 explanation marks + 1 application mark for each reason. (4 marks x 2 reasons)

Possible application marks: wood importers; wood products; local forests; repair/build houses and offices; trees; sole trader; taking over another wood product manufacturer; sustainable forests.

There may be other examples in context which have not been included here.

Simple explanation: The objectives of growth and profit give Tibalt a target to aim for. (1 mark for knowledge)

Developed explanation: The objective of growth and profit give Tibalt a target to aim for. (1) This means he can set himself a target to work towards, such as he wants to increase sales of wood by 5% each year (1). He can then judge whether he is successful or not (1).

Application: The application mark could be achieved as the answer makes reference to sales of wood. (1 application mark)

An example of an answer **not** to be credited:

They would be able to expand their business by having more profits, this would allow it to grow.

<b>Page 7</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>22</b>

	<b>Application/Analysis/Evaluation</b>
<b>Level 3</b>	9–12 marks 3 x Level 2 + comments made on at least three ratios. Decision made and justified as to whether Tibalt should be pleased with the profitability of the business.
<b>Level 2</b>	5–8 marks Gross and net profit margins calculated on the profitability of the business.
<b>Level 1</b>	1–4 marks Basic statements about financial situations/limited judgement shown.

- 4 (a) Tibalt wants to motivate his employees. Identify and explain four ways he could use to motivate his employees. [8]**

**Content:**

Increased wages; bonus; performance related pay; job rotation; job enlargement; job enrichment; fringe benefits; piece-rate; good working conditions; team work; praise.

The marks available for this question are as follows: 4 marks for knowledge and 4 marks for explanation/analysis.

1 mark for each way identified (4 marks max). Up to one further mark is available for explaining why the way would be suitable.

Simple explanation: Bonus (1 mark for knowledge)

Developed explanation: Bonus (1) would motivate workers to sell more wood to receive bonus (1).



<b>Page 8</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>22</b>

- (b) Consider the advantages and disadvantages of both job production and batch production for TWP. Recommend which production method he should use when producing products to a design provided by the customer. Justify your answer. [12]

**Content:**

Job production

Adv. – individually made to the consumer needs; motivating work for employees; employees have more varied tasks.

Disadv. – high production costs; less efficient use of tools; skilled labour often used.

Batch production

Adv. – saves time over job production; more efficient than job production; lower average cost than job production; flexible way of working.

Disadv. – needs to change production process between products; storage costs; need to move around semi-finished goods.

Level 1 1 mark for each statement

E.g. Job production means the wood can be cut to the exact requirements of the customer (1 mark)

Level 2 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to a maximum of 8 marks.

E.g. Job production means the wood can be cut to the exact size required by the customer and this will lead to higher sales as the product will be easier for customers to use. If the product is a standard size it will mean the customer will have to cut the wood to fit their needs which causes more trouble for the customer and means they will be less likely to buy from Tibalt.

5 marks for level 2 answer plus 1 application mark for mentioning wood products and cut to the exact size.

Level 3 Detailed discussion of two x level 2 answers and then a recommendation at the end which justifies which production method to use and why not the other method.

Possible application marks: wood importers; wood products; windows and doors; cut to size; local forests; building firms; repair/build houses and offices; trees; sole trader; taking over another wood product manufacturer; sustainable forests.

There may be other examples in context which have not been included here.

<b>Page 9</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>22</b>

	<b>Application</b>	<b>Knowledge/Analysis/Evaluation</b>
<b>Level 3</b>		9–10 marks Two x Level 2 + well justified recommendation as to which production method should be used and why not the other method.
<b>Level 2</b>	2 marks Well applied to case. At least two examples of, references to, or uses of, the case.	5–8 marks Good discussion of advantages/disadvantages of each production method OR balanced argument (even if listed). Limited judgement in recommendation as to which production method should be used.
<b>Level 1</b>	1 mark Limited application to the case. At least one example of, reference to, or use of, the case.	1–4 marks Advantages/disadvantages of each production method listed.

- 5 (a) The Government in country X supports sustainable development. Identify and explain two reasons why Governments pass laws to protect the environment. [8]**

**Content:**

Promote sustainable development; ethical motive; reduce pollution; to satisfy stakeholders such as pressure groups/tourists; global warming.

The marks available for this question are as follows: 2 marks for knowledge; 6 marks for explanation/analysis.

1 mark for each reason identified (2 marks max). Up to three further marks are available for explaining why the government passes these laws.

Below is an example to illustrate the difference between a simple explanation worth one additional mark and a developed explanation worth 3 additional marks.

1 knowledge mark + up to 3 explanation marks (4 marks x 2 reasons).

Simple explanation: The government wants to encourage sustainable development. (1 mark for knowledge)

Developed explanation: The government wants to encourage sustainable development (1) so that products can be made without having a detrimental effect on production in the future (1). This would protect against deforestation (1). In the case of Tibalt's business it means that trees are replanted so that there won't be depletion in the stock of trees in the future and so just as many trees can be cut down in the future as now (1).

<b>Page 10</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2013</b>	<b>0450</b>	<b>22</b>

- (b) Consider the advantages and disadvantages of each of the options below. Do you think Tibalt should take over another business or open a new factory? Justify your answer. [12]

**Content:**

(Takeover another wood product manufacturer)

Adv. – already established business; saves time; less expenditure on advertising; more ideas.

Disadv. – expensive; owners may not want to sell; poor reputation/image of business being taken over; possible redundancies.

(Open up own new TWP factory)

Adv. – choose the employees; set up business to own preferences; choose location.

Disadv. – time; capital required; need to build up customer base; advertising costs.

Level 1 1 mark for each statement

E.g. If he takes over an existing business then it is quicker to expand (1 mark)

Level 2 5 marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to a maximum of 8 marks.

E.g. If he takes over an existing business then it is quicker to expand as Tibalt only needs to buy the business. It already has a factory producing wood products and regular customers who buy windows etc. All this means that Tibalt can expand quickly with existing employees who know the business. 5 marks for level 2 answer plus 1 application mark for mentioning windows.

Level 3 Detailed discussion of two x level 2 answers and then a recommendation at the end which justifies which is the best option and why the other option is less suitable.

Possible application marks: wood importers; wood products; local forests; building firms; repair/build houses and offices; trees; batch and job production; sole trader; sustainable forests; financial information from Appendix 1.

There may be other examples in context which have not been included here.

	<b>Application</b>	<b>Knowledge/Analysis/Evaluation</b>
<b>Level 3</b>		9–10 marks Two x Level 2 + well justified recommendation as to the best option compared to the alternative option.
<b>Level 2</b>	2 marks Well applied to case. At least two examples of, references to, or uses of, the case.	5–8 marks Good discussion of advantages/disadvantages of each option OR balanced argument (even if listed). Limited judgement in recommendation as to the best option.
<b>Level 1</b>	1 mark Limited application to the case. At least one example of, reference to, or use of, the case.	1–4 marks Advantages/disadvantages of each option listed.