



Cambridge IGCSE™

BUSINESS STUDIES

0450/12

Paper 1 Short Answer/Structured Response

May/June 2021

MARK SCHEME

Maximum Mark: 80

Published

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

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

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

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This document consists of **25** printed pages.

PUBLISHED**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.

PUBLISHED**Social Science-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

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

From this it follows that we:

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

2 Presentation of mark scheme:

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

3 Calculation questions:

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

4 Annotation:

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

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Question	Answer	Marks	Guidance
1(a)	Define ‘cost-plus pricing’. Award 2 marks for a full definition. Award 1 mark for a partial definition. The price is based on the cost of making a product and the addition of a fixed percentage for profit [2] OR The cost of manufacturing the product plus a (profit) mark-up [2] OR Formula e.g. [total cost / total number of units] + % mark up [2] Partial definition e.g. profit added to the cost [1]	2	First mark is for explaining what the ‘plus’ is e.g. profit. Second for reference to / description of mark-up. Price is based on / related to cost of product [0] (reordering only).
1(b)	Define ‘marketing mix’. Award 2 marks for a full definition. Award 1 mark for a partial definition. All activities that go into the marketing of a product or service. These activities are often summarised as the four P’s – product, promotion, place and price [2] OR Four marketing decisions needed for the effective marketing of a product [2] OR The combination of product, price, promotion and place (distribution) that determines how a firm markets itself to its customers and potential customers [2] Partial definition e.g. (combine) price, product, promotion and place [1] OR Different strategies a business can use to help market / sell its products [1]	2	For 2 marks candidates must understand that it involves four elements AND what it is used for (e.g. help sell products / attract customers / make marketing decisions / market a product). Do not award answers such as 4P’s or 7P’s these do not define the term.

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Question	Answer	Marks	Guidance
1(c)	Outline <u>two</u> reasons why offering a high quality service might be important for Pamela's business. Award 1 mark for each relevant reason. Award 1 mark for each relevant reference to this business. Points might include: • Increase sales / maintain sales / attract customers [k] of calendars / poster [app] • Helps maintain / increase customer loyalty [k] for this sole trader business [app] • Maintain reputation / improve brand image [k] built up over 30 years [app] • Set/maintain high prices [k] which helps as use cost-plus pricing [app] • Way to add value [k] as operates in a niche market [app] • To reduce complaints [k] for the 2 employees [app] • No need to replace faulty work [k] • Gain competitive advantage [k] which can help her business remain successful [app] Other appropriate responses should also be credited.	4	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Sole trader • 30 years • Photography / posters / calendars / (fashion) magazines / pictures / camera • Niche market • Cost-plus pricing • 2 employees • Successful business Other appropriate examples in context can still be credited. Do not award 2 employees as application where answer refers to sharing profit or using profit to pay wages.

Question	Answer	Marks	Guidance
1(d)	Explain <u>two</u> advantages to Pamela of operating as a sole trader. Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: - Keeps all the profit [k] from photography business [app] so has an incentive to (continue to) work hard [an] - Has complete control / makes all the decisions / does not need to consult with anyone [k] such as the 2 employees [app] so able to take decisions more quickly [an] - Own boss [k] - Freedom to choose her own holidays / schedule / work time [k] so can choose time off when the business is less busy so does not miss out on sales [an] - Able to keep (financial) information private / do not need to produce annual accounts [k] so competitors cannot use information to take away her customers / market share [an] which can help her stay successful [app] - Has close contact with customers / able to offer a more personal service [k] as it's a niche market [app] which can help encourage customer loyalty [an] Other appropriate responses should also be credited.	6	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: 30 years - Photography / posters / calendars / (fashion) magazines / pictures / camera - Niche market - Cost-plus pricing 2 employees - High-quality (service) - Successful business Other appropriate examples in context can still be credited. Do not award points about start-up as business has been operating for 30 years e.g. quick/easy to set up [0], requires little capital [0], few legal requirements [tv]

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Question	Answer	Marks	Guidance
1(e)	Do you think operating in a niche market will help a small business have a better chance of success than operating in a mass market? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether operating in a niche market will help a small business have a better chance of success than operating in a mass market. Points might include: Niche market: • Able to focus more closely on customer's needs [k] leading to customer loyalty / good customer relations [an] • Less competition [k] less pressure to lower prices / easier to attract customers [an] • May be able to set higher prices (for a high status, exclusive product) [k] so able to have high / increase profit margin [an] • Can become expert in the segment [k] • Small size of market means will not benefit from economies of scale [k] leading to higher average costs [an] • Less potential for growth / low potential demand [k] • Over dependence on single product / less able to spread risk / vulnerable to changes in consumer spending patterns [k] • Likely to attract competition if successful [k]	6	This is a general question so there are no marks for application. To access evaluation marks, candidates must identify points for both types of markets. To gain both evaluation marks, answer must clearly relate to a small business. Do not award definitions of terms as this is NAQ. Advantages of operating in one type of market can be presented as disadvantages of the other option but do not award the same point twice as mirror answers are not accepted.

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Question	Answer	Marks	Guidance
1(e)	Mass market • More (potential) customers/sales [k] leading to higher (potential) revenue [an] • Increased/high level of competition [k] so might have high level of customer loyalty [an] Other appropriate responses should also be credited. Justification might include: In a niche market a business can focus more closely on customer's needs [k] leading to higher levels of customer loyalty [an]. In a mass market, there are more potential customers [k] which could mean higher revenue [an]. However, I do think a small business has a better chance of success in a niche market because it can continue to charge high prices [eval] as large companies will not see the market as worthwhile because of potentially low sales. [eval]		

Question	Answer	Marks	Guidance
2(a)	Define ‘opening balance’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Amount of cash held by a business at the start of the month / trading period [2] Partial definition e.g. cash that a business has [1]	2	
2(b)	State <u>two</u> ways a business can increase productivity. Award 1 mark per way. Points might include: • Improve labour skills / (improve) training • (Increase) motivation (or examples – max 1) • Automation / replace workers with machines • Use more automation • (Introduce) new technology / (use) better machinery • Improve quality of materials / improve quality control / introduce quality assurance • Improve/introduce inventory control / kaizen / JIT / lean production • Reorganise layout of factory / eliminate bottleneck. Other appropriate responses should also be credited.	2	Only award the first two responses given.

Question	Answer	Marks	Guidance
2(c)	Identify <u>four</u> sources of internal finance a business might use. Award 1 mark per source. Four from: • (Retained) profit • Sale of (existing) non-current assets • Sale of inventories / reduce inventory levels / sell current assets • Owner's savings • Reduce trade receivables / ask customers to pay more quickly / reduce time given for customers to pay Other appropriate responses should also be credited.	4	Only award the first four responses given.

Question	Answer	Marks	Guidance
2(d)	Explain <u>two</u> possible effects on NPX's cash-flow forecast of introducing the new technology. Award 1 mark for identification of each relevant effect (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2.) Points might include: - Higher repayment costs / initial cost to buy machinery [k] which increases cash outflow [an] as need to pay \$40 000 [app] - Reduce wage costs [k] as need 35 fewer employees [app] lowering cash outflow [an] - Increased training costs [k] increasing cash outflows [an] - Possible redundancy payments [k] increasing cash-outflow [an] - Sell old machinery / use an external source of finance [k] which would generate a cash inflow [an] Other appropriate responses should also be credited.	6	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: \$40 000 35 / 60 full-time (employees) / redundant - Correct use of data e.g. \$110 000 cash outflow in September - Online retailer - Warehouse - Selecting and packing items - To improve productivity - Internal/external source of finance Other appropriate examples in context can still be credited. For analysis answers must focus on the impact on cash outflow or cash inflow.

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Question	Answer	Marks	Guidance
2(e)	Do you think it is better for a tertiary sector business to use full-time employees rather than part-time employees? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether it is better for a tertiary sector business to employ full-time workers rather than part-time employees. Points might include: Full-time: • Consistent service / more familiar with business [k] which helps build / maintain customer relationships / better reputation [an] • Workers likely to be loyal / more committed / less likely to leave business [k] reducing recruitment costs [an] • Easy to communicate / update (compared to part-time employees) [k] leading to fewer errors / misunderstandings [an] • Need to recruit / train fewer employees [k] saving time or cost of recruitment / training [an]	6	This is a general question so there are no marks for application. Do not award answers about manufacturing/production as question about tertiary sector Do not award definitions or statements such as full-time employees work longer hours. Do not award vague statements about skills, experience, tiredness. Advantages of one method can be presented as disadvantages of the other method but do not award the same point twice as mirror answers are not accepted. Some points could be awarded as [k] or [an] but do not award same point twice. To gain both evaluation marks, response must clearly relate to a tertiary sector business.

Question	Answer	Marks	Guidance
2(e)	Part-time: • Able to extend business hours [k] to maximise potential sales [an] • More flexible in hours of work [k] so able to cover absent workers / cover busy times [an] • Reduces labour costs (compared to full time) [k] as only pay employees for hours worked / when needed [an] • Provide different / more skills / increase the experience / more ideas [k] which otherwise may not be able to afford on a full-time basis [an] • (Some employees may not want full-time jobs so) may miss out on possible candidates if not offered part-time option [k] • Can attract well qualified employees who want to return to work but need to have flexible hours [k] Other appropriate responses should also be credited. Justification might include: A business only has to pay part-time employees for the hours worked [k] reducing its wages costs [an]. However, using full-time workers means they can provide a consistent service [k] leading to customer loyalty [an]. Therefore, I think full-time employees are better especially for a tertiary sector business as quality of service is likely to be an important way customers judge the business [eval] and therefore more likely to return, ensuring sales. [eval] Other appropriate responses should also be credited.		

Question	Answer	Marks	Guidance
3(a)	Define ‘fixed cost’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Costs that do not change with the level of output/sales [2] OR Costs that do not vary in the short run with the number of items sold or produced. [2] Partial definition e.g. costs that do not change [1]	2	Do not accept examples. Do not award also ‘known as overhead costs’ as this does not define the term.
3(b)	Calculate the margin of safety for product X in 2020. Show your working. Award 2 marks for correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: 7500 (units) [2] Correct method but incorrect answer: e.g. Current output – breakeven output [1] OR 30 000 – 22 500 [1]	2	Award only 1 mark if 7500 is written as part of the answer but is not given as the final answer. Where candidates present their answer with a \$ sign award only 1 mark as this is not a financial value. If correct answer given with no working shown, award 2 marks.

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Question	Answer	Marks	Guidance
3(c)	Outline <u>two</u> advantages to GHT of having a short chain of command. Award 1 mark for each relevant advantage. Award 1 mark for each relevant reference to this business. Points might include: • Communication is quicker / communication is more accurate / quicker decision-making [k] within the public limited company [app] • Easier to delegate tasks / more delegation [k] to its 600 employees [app] • Workers feel more motivated [k] • Lower costs as fewer managers/supervisors needed [k] Other appropriate responses should also be credited.	4	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Steel / gates / garage doors • 600 employees • Public limited company • Flat (organisational structure) • Job rotation • Improve employee motivation • 22 500 (break-even output) • 30 000 (units sold) • \$100 (price per unit) • \$900 000 (fixed costs) • \$60 (variable cost per unit) Other appropriate examples in context can still be credited. Only award points about communication once.

Question	Answer	Marks	Guidance
3(d)	Explain <u>one</u> advantage and <u>one</u> disadvantage to GHT of using job rotation to improve employee motivation. Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantage: • (As work more varied) fewer workers might leave [k] from its 600 employees [app] leading to lower recruitment costs [an] • Business has a more flexible / skilled workforce / multiskilling [k] leading to higher productivity / higher output [an] • Easier to cover / replace others when someone is absent [k] so may be able to meet an order on time [an] • Can help business identify where employees work best [k]	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Steel / gates / garage doors • 600 employees • Public limited company • 22 500 (break-even output) • 30 000 (units sold) • \$100 (price per unit) • \$900 000 (fixed costs) • \$60 (variable cost per unit) Other appropriate examples in context can still be credited. Do not award motivate or demotivate employees as stated in the question.

Question	Answer	Marks	Guidance
3(d)	Disadvantage: - Increased training needed [k] increasing costs/expenses [an] so may increase its break-even output above 22 500 [app] - Workers may not be familiar with each task / less specialist in task / not good at all tasks [k] lowering quality / increase waste / leads to mistakes [an] increasing variable cost above \$60 [app] - Takes time to learn different tasks / switch between jobs [k] Other appropriate responses should also be credited.		
3(e)	Do you think the shareholders are the most important stakeholder group to the success of a limited company? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether shareholders are the most important stakeholder group to the success of a limited company. Points might include: Shareholders/owners - Provide finance / invest money / capital in business [k] which can help the business expand / buy more equipment [an] so can increase output [an] - Influence the aims of the business [k] - Have the power to vote out the directors [k] - They have little / no influence over day-to-day decisions [k]	6	This is a general question so there are no marks for application. Candidates may focus on other stakeholders, but the evaluation must focus on whether shareholders are the most important stakeholder to the success of a limited company. To gain both evaluation marks, response must clearly relate to a limited company.

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Question	Answer	Marks	Guidance
3(e)	Other stakeholders can include: - Customers [k] as they buy the products [an] and if ignores their needs the business will lose sales/revenue [an] - Directors/managers [k] are responsible for day-to-day decision-making [an] - Employees [k] make the products [an] so if they become demotivated quality may fall [an] - Suppliers [k] provide materials/inventory [an] - Local community [k] provide the workers [an] - Government [k] provide the legal framework in which the business operates [an] - Bank [k] provide finance/loans [an] Other appropriate responses should also be credited. Justification might include: Shareholders are important as they invest money in the business [k] which can help the business expand [an]. However, once the business is established, they have little / no influence over day-to-day decisions. Customers [k] matter as they buy the products [an]. While shareholders provide important finance, without customers even a limited company cannot generate income [eval] and without this cannot cover its costs or make a profit, so the customer is probably the most important stakeholder. [eval]		

Question	Answer	Marks	Guidance
4(a)	Define ‘primary sector’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Extracts and uses the natural resources of the earth to produce raw materials used by other businesses [2] OR The sector that generates raw materials which the secondary sector then uses to make a product [2] Firms whose business activity involves the extraction of raw materials [2] Partial definition e.g. Involves natural resources [1] Generate/produce raw materials [1]	2	Do not award examples as this does not answer the question. For 2 marks need to understand extraction of raw materials or they are raw materials / natural resources gathered for use by other businesses.
4(b)	Identify <u>two</u> government economic objectives. Award 1 mark per economic objective. Two from: • Low(er) unemployment / full employment / high(er) level of employment • Economic growth / increase in GDP / improve standards of living • Low inflation / price stability • Improve balance of payments	2	Only award the first two responses given.

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Question	Answer	Marks	Guidance
4(c)	Outline <u>one</u> external benefit and <u>one</u> external cost that Raul's business activity might create. Award 1 mark per external benefit/external cost. Points might include: External benefit: • Jobs created [k] on the farm [app] • Pay taxes [k] on the oranges [app] • Other businesses move into area [k] • Trees release oxygen / planting trees improve air quality / trees absorb carbon dioxide [k] External cost: • Loss of space / land use [k] to produce 600 tonnes [app] • Pollution/congestion [k] caused by exporting [app] • Deplete natural resources / use up water [k] Other appropriate responses should also be credited.	4	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • (Small) farm / farming • Oranges/fruit • Primary sector • 600 tonnes • Export business / manufacturer in another country • (Sell direct to) drinks manufacturer Other appropriate examples in context can still be credited. Do not award manufacturer as [app] on own. Do not award country Z or E as application.

Question	Answer	Marks	Guidance
4(d)	Explain <u>two</u> advantages to Raul's business of selling direct to a manufacturer. Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference made to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • No need for intermediaries / middlemen [k] increasing profit margin [an] for the farm [app] • More predictable demand [k] which makes planning easier [an] • Better understand customer needs [k] such as which type of oranges [app] which can help maintain customer loyalty / sales [an] • Can sell in large quantity / does not need to deliver to many businesses [k] as sell all to drinks manufacturer [app] which can reduce distribution / transport cost [an] • Less paperwork / saves time as have to deal with fewer / one customer [k] which reduces administration costs [an] • Less / no need for marketing [k] as does not need to find retailers to buy his oranges [app] which reduces cash outflows [an] Other appropriate responses should also be credited.	6	Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • (Small) farm • Oranges • Primary sector • 600 tonnes • Export business / manufacturer in another country • (Sell direct to) drinks manufacturer • Quotas/tariffs Other appropriate examples in context can still be credited. Do not award country Z or E as application. Do not award manufacturer as [app] as stated in question.

Question	Answer	Marks	Guidance
4(e)	Do you think the introduction of import tariffs is likely to have a greater effect than the introduction of import quotas on an exporting business? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether the introduction of import tariffs is likely to have greater effect than the introduction of import quotas on an exporting business. Points might include: Tariffs • May lead to an increase in the price of goods / makes goods more expensive [k] which makes the products less competitive [an] leading to fewer sales / less revenue [an] • Business may decide to maintain prices / not pass on price increase to customers [k] reducing profit margin [an] Quotas • Will limit the amount of goods that can be brought into a country [k] which will reduce the supply [an] reducing potential sales / revenue [an] • May have to find new market for remaining products / store leftover inventory [k] increasing storage costs [an] increasing total cost [an]	6	This is a general question so there are no marks for application. To access evaluation marks must have at least identified relevant points for both tariffs and quotas. To gain both evaluation marks, response must clearly relate to an exporting business.

Question	Answer	Marks	Guidance
4(e)	Other appropriate responses should also be credited. Justification might include: Quotas will limit the amount of goods that can be brought into a country [k] which reduces the supply [an]. Whereas tariffs could increase the price of goods [k] leading to lower demand [an]. I think tariffs are likely to have less effect as at least you can still export the amount you want [eval] and customers may still be prepared to pay the extra whereas quotas could reduce or restrict the possibility of any sales. [eval]		