



Cambridge IGCSE™

BUSINESS STUDIES

0450/12

Paper 1 Short Answer/Data Response

October/November 2023

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.

Cambridge International is publishing the mark schemes for the October/November 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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.

PUBLISHED**0450/7115/0986 Business Studies – Paper 1 Annotations**

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable.
X	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
K	Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Application	Indicates appropriate reference to the information in the stem.
AN	Analysis	Indicates where the answer has demonstrated analysis.
EVAL	Evaluation	Indicates where the answer has demonstrated evaluation (part (e) questions only).
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.

Question	Answer	Marks	Notes
1(a)	Define ‘working capital’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Finance needed by a business to pay day-to-day costs [2] OR The capital needed to finance the day-to-day running costs/expenses [2] OR Current assets less/minus current liabilities [2] Partial definition e.g. funds to buy inventory/materials/pay wages [1] OR finance to pay short-term debts [1]	2	Unless state formula: 1st mark for idea of finance/funds/money/capital to pay costs. For 2nd mark, need reference to day-to-day/daily costs.
1(b)	Calculate the average revenue per day. Show your working. Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: \$300 [2] Method e.g. Price × number of units sold [1] \$6 × 50 [1]	2	Award only 1 mark if \$300 is written as part of the answer but not shown as final answer \$ sign not required.

Question	Answer	Marks	Notes
1(c)	Outline <u>two</u> reasons why packaging will be important for Paolo's business. Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Protect the product/keep product safe/helps ensure quality [k] especially as selling cakes [app] • Promote brand image/differentiate it from other products [k] for this new business [app] • Add value/higher price [k] than \$6 [app] • Help advertise/attract customers/increase sales [k] • Ease of storage/display [k] at the wholesaler [app] • Ease of transport [k] for the 50 products [app] • Provide information/meet legal requirements [k] • Make the product easy/convenient to open [k] Other appropriate responses should be credited.	4	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: • Cakes or related words such as ingredients • 50 (units per day) • Start-up/new business • \$6 (price) • Wholesaler • \$300 (revenue) OFR can apply • \$4 (cost per cake) Other appropriate examples can be credited.

Question	Answer	Marks	Notes
1(d)	Explain <u>one</u> advantage and <u>one</u> disadvantage to Paolo's business of using crowdfunding as a source of finance. Award 1 mark for each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Advantages: • No/low interest [k] so does not increase cash outflows [an] for his start-up [app] • Allows for the public reaction to be tested [k] the cakes [app] which could lead to more customers [an] • No need to repay/permanent [k] so does not add to its liabilities/debt [an] • No collateral needed [k] Disadvantages: • No guarantee can raise full amount / may not raise enough / sufficient funds / must repay everyone if cannot raise full amount [k] so must find another source [an] • Competitors may learn more about your business before launch [k] such as ideas for packaging [app] leading to less revenue [an] • Not a reliable/stable source of finance [k] • A lot of paperwork [k] Other appropriate responses should be credited.	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: • Cake or related words such as ingredients • Start-up/new business • Packaging • \$300 (revenue) – OFR can apply • \$6 (price) • 50 (units per day) • \$4 (unit cost) • Working capital • Wholesaler Other appropriate examples can be credited. Some points can be [k] or [an] but award only once.

Question	Answer	Marks	Notes
1(e)	Do you think selling to a wholesaler is the best channel of distribution for a start-up business to use? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether selling to a wholesaler is the best channel of distribution for a start-up business. Points might include: Wholesaler: • Likely to buy in large quantities [k] increasing sales [an] • Can hold less inventory [k] less storage space/costs [an] • Only deliver to one location [k] lowering transport costs [an] • No direct contact/feedback with customer [k] so difficult to build customer relationship/loyalty [an] • Price may be higher [k] leading to fewer sales [an] • Lose (some) control over marketing/advertising [k] • Wholesaler takes part of the profit [k] which lowers profit margin [an]	6	This is a general question so there are no marks for application. Points must be from viewpoint of the start-up business. Some point can be written as [k] or [an] but only award once e.g. lower storage costs. Some points can be presented as advantages/ disadvantages of different channels but only award point once.

Question	Answer	Marks	Notes
1(e)	Other channels might include: • Sell direct (to customers)/ecommerce/online [k] so has more control over its marketing/build rapport [an] • Retailers [k] so can reach wider range of customers [an] • Agents [k] as will have local knowledge [an] so higher sales [an] Other appropriate responses should be credited. Justification might include: A wholesaler will help save storage space [k] which reduces storage costs [an]. They could sell online [k] which would increase its access to customers [an]. A wholesaler is the best channel to use because being able to lower costs is important especially as a start-up business will have limited capital [eval]. Whereas selling online is likely to increase delivery costs increasing their total costs [eval].		

Question	Answer	Marks	Notes
2(a)	Identify <u>two</u> ways business activity could have an impact on the environment. Award 1 mark per way (max 2). Points might include: • Pollution (or examples e.g. noise, air)/global warming/emission of greenhouse gases • Energy use/use fossil fuels • Congestion/transport of goods • Land use/use up natural resources/deforestation • Waste (disposal)/use single use/non-renewable/non-recyclable materials Other appropriate responses should be credited.	2	Only award the first two responses given.
2(b)	Identify <u>two</u> ways a business could contribute to sustainable development. Award 1 mark per way (max 2). Points might include: • Reduce amount/number of resources used • Reduce number of products made/level of output • Reduce waste • Reuse products/materials • Recycle products/materials • Use renewable energy • Develop environmentally friendly products • Use environmentally friendly production methods/sustainable materials • Use environmentally friendly/sustainable packaging • Replant trees • Use electric vehicles Other appropriate responses should be credited.	2	Only award the first two responses given.

Question	Answer	Marks	Notes
2(c)	Outline <u>two</u> possible economies of scale TBX might benefit from. Award 1 mark for each relevant economy of scale (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Purchasing (economy) [k] for the iron ore [app] • Technical (economy) [k] to manufacture steel [app] • Managerial (economy) [k] helping contribute to sustainable development [app] • Financial (economy) [k] so can have a high level of inventory [app] • Marketing (economy) [k] Other appropriate responses should be credited.	4	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 • Railways • Iron (ore) • High level of inventory • Sustainable development/impact on environment • High-quality Other appropriate examples can be credited.

Question	Answer	Marks	Notes
2(d)	Explain <u>two</u> possible problems for TBX of holding a high level of inventory. Award 1 mark for each relevant problem (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: • Rent/storage space/large space needed [k] for the steel [app] which can increase fixed costs/expenses [an] • Ties up working capital [k] such as iron ore [app] which could lead to liquidity/cash flow problems/difficult to pay suppliers [an] • Insurance costs [k] which increase cash outflows [an] so less funds to contribute to sustainable development [app] • Opportunity cost/funds could be used for other purposes [k] • Risk of damage/theft/wastage/product could rust [k] leading to higher costs [an] Other appropriate responses should be credited.	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 • Railways • Iron (ore) • High-quality • Sustainable development/impact on environment Other appropriate examples can be credited. Some points can be [k] or [an] but only award once.

Question	Answer	Marks	Notes
2(e)	Do you think quality control is the best method for a manufacturing business to use to achieve quality production? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether quality control is the best way for a manufacturing business to use to achieve quality production. Points might include: Quality control (QC): • Tries to eliminate/lower chance of faults before products reaches customer [k] to help maintain reputation [an] • Does not stop production while checking [k] so some output is available [an] • Need to recruit inspectors [k] which increases labour costs [an] • Spots errors at end/does not show where error happened in process [k] which could increase wastage [an]	6	This is a general question so there are no marks for application. Advantages of one method can be presented as a disadvantage of the other, but do not award the same point twice. Only award reference to which stage of production products are checked once – so either [k] of QC or as [an] of QA Some points can be [k] or [an] but only award once.

Question	Answer	Marks	Notes
2(e)	Other method is: Quality assurance (QA) [k] • Errors stopped before happen/spotted earlier in process/products checked throughout [an] so less funds/time spent on rework [an] • Increase employee motivation [an] leading to higher output [an] • Need to train all employees [an] which increases (fixed) costs [an] • Not all workers interested/able to spot problems [an] Other appropriate responses should be credited. Justification might include: With quality control, production workers do not need extra training [k] so no increase in costs [an]. Another method is quality assurance [k] which means mistakes are spotted sooner in the process [an]. Quality assurance is the best way because fewer mistakes is likely to mean fewer resources are wasted [eval] and the funds saved should hopefully cover the additional cost of training [eval].		

Question	Answer	Marks	Notes
3(a)	Define ‘public sector’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Government/state owned businesses [2] Partial definition e.g. run/operated/controlled by government [1]	2	
3(b)	Define ‘gross domestic product’ (GDP). Award 2 marks for a full definition. Award 1 mark for a partial definition. The total value of output of goods and services in a country in one year [2] OR The monetary value of all goods and services produced by an economy during a specific period (of time) [2] Partial definition e.g. value of goods produced by a country [1]	2	First mark for idea of value of goods and services in the country. Second mark for the time period (one year/period of time).
3(c)	Identify <u>four</u> types of business organisation in the private sector. Award 1 mark per type (max 4). Answers might include: • Sole trader • Partnership • Private limited company • Public limited company • Joint venture • Franchise • Social enterprise Other appropriate responses should be credited.	4	Only award the first four responses given. Only award unincorporated company if no specific examples given (e.g. sole trader/partnership). Only award limited company if no specific examples given (e.g. private limited company/public limited company).

Question	Answer	Marks	Notes
3(d)	Using the data from Table 3.1, explain <u>two</u> possible reasons for the changing importance of the primary sector in country X. Award 1 mark for each relevant reason (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: • Fewer/depletion of natural resources [k] leading to a decrease in primary sector of 40% [app] so workers must find jobs in other sectors/may need to import resources [an] • Increased use of machinery/technology in primary sector [k] reduces the need for employees [an] which is why primary sector is only 20% in 2020 [app] • Industrialisation/setting up of factories [k] which creates jobs in the secondary sector [an] which has increased by 15% [app] • Better/increased education [k] so workers seek higher paid jobs [an] which is why tertiary sector has increased to 50% [app] • Fewer grants/less government support for primary sector OR more grants for secondary/tertiary sector businesses [k] • Import (more)/cheaper raw materials [k] Other appropriate responses should be credited.	6	To access application must refer to the data in Table 3. The following data is likely to be appropriate for this question: • Primary sector is 60% in 2000 • Primary sector is 20% in 2020 • Primary sector decreased by 40% • Secondary sector is 15% in 2000 • Secondary sector is 30% in 2020 • Secondary sector has increased by 15% • Tertiary sector is 25% in 2000 • Tertiary sector is 50% in 2020 • Tertiary sector has increased by 25% Other appropriate examples from the table can be credited. Analysis can either be a development of point or reason why it would lead to a fall in primary sector. Some points can be [k] or [an] but only award once. Do not award: • Deindustrialisation

Question	Answer	Marks	Notes
3(e)	Do you think the benefits to a country of having a multinational company located there are always greater than the drawbacks? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether the benefits to a country where a multinational company is located are always greater than the drawbacks. Points might include: Benefits: • Increase number/availability of jobs [k] reduces unemployment [an] • Increase taxes [k] which can be used to improve public services [an] • Increase reputation of country [k] could encourage other businesses to set up/invest in the country [an] • Increasing orders for local suppliers [k] increasing income for local businesses/GDP [an] • Wider choice/quality of goods [k] • Improve infrastructure/new investment/new technology [k] • Knowledge-sharing/new ideas [k]	6	This is a general question so there are no marks for application. Some points can be [k] or [an] but only award once e.g. lower sales for local businesses Can award the following as [an] only: • Force local businesses to close down • Increase GDP • Reduce unemployment Do not award: • Definition of multinational company (MNC) • Advantages/disadvantages to business

Question	Answer	Marks	Notes
3(e)	Drawbacks: - Increased competition [k] reducing sales for local businesses [an] which can force them out of business/reducing revenue [an] - Use up scarce resources [k] so less resources for other uses [an] - Repatriation of profits/send profits back to home country [k] so country does not receive expected amount of tax revenue [an] - Often only unskilled jobs created / may offer low wages/ poor working conditions / exploitation of labour [k] - Often try to avoid/reduce amount of tax paid (in host country) [k] - Power to influence government decisions/local economy [k] Other appropriate responses should be credited. Justification might include: Multinational companies create employment opportunities [k] which reduces unemployment [an]. However, they can try to avoid taxes [k] so less funds to provide public services [an]. Countries do benefit from multinationals operating there even if the full amount of tax is not paid, the amount paid can be used to develop the country [eval] which could improve living standards [eval].		

Question	Answer	Marks	Notes
4(a)	Identify <u>two</u> advantages to a business of maintaining customer loyalty. Award 1 mark per advantage (max 2). Points might include: • Maintain/increase sales / repeat customers / customers return / not go to competitors (to buy the product) • Improve reputation/brand image • Current customers recommend / tell others about the products / less marketing/advertising needed / lower cost of marketing • Remain competitive • Easier to introduce new products • Easier to gain feedback/learn about trends • May be able to increase prices/become price inelastic Other appropriate responses should be credited.	2	Only award the first two responses given.
4(b)	Identify <u>two</u> hygiene factors from Herzberg's two-factor theory. Award 1 mark per hygiene factor (max 2). Two from: • Working conditions/safe environment • Salary/wages/pay • (Job) security • Relationships with other workers • Relationships with supervisor Other appropriate responses should be credited.	2	Only award first two responses given.

Question	Answer	Marks	Notes
4(c)	Outline <u>two</u> reasons why profit might be important to TFN. Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Source of finance / reinvest in the business / finance the purchase of non-current assets / pay back debts/loans [k] for its 37 shops [app] • Measure of success of business [k] as shown by profit of \$46 million/increase in profit [app] • Reward for risk-taking [k] of this travel business [app] • Provides a return to shareholders / helps attract investors / pay dividends [k] • Support loan applications [k] Other appropriate responses should be credited.	4	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: • Travel business • Sells holidays • (37) shops/stores • 1000 employees • \$46 million/increase in profit Other appropriate examples should be credited.

Question	Answer	Marks	Notes
4(d)	Explain <u>one</u> advantage and <u>one</u> disadvantage to TFN of its managers having a wide span of control. Award 1 mark for identification of each relevant advantage/ disadvantage (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: Advantage: - Fewer supervisors/managers needed [k] helping reduce labour costs/expenses [an] so may help increase its profit of \$46 million [app] - Faster communication [k] leading to quicker/better decision-making [an] in its 37 shops [app] - Encourages delegation [k] which can increase motivation [an] of its 1000 employees [app] Disadvantage: - Less control [k] so less work done/lower productivity [an] at the travel business [app] - Workers might not have skills to cope with extra responsibility [k] leading to mistakes [an] - Effective communication may be difficult/communication problems [k] as large number of subordinates/ employees to inform/ask [an] - Managers might not have the necessary skills (to manage so many people) [k] Other appropriate responses should be credited.	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: - Travel business - Sells holidays (37) shops/stores 1000 employees \$46 million (profit)/increase in profit (Good) customer service - Maintain customer loyalty - Herzberg's two-factor theory - Training Other appropriate examples should be credited. Some points can be presented as [k] or [an] but only award once.

Question	Answer	Marks	Notes
4(e)	Do you think off-the-job training is the best method of training for a service sector business to use? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision as to whether off-the-job training is the best method of training for a service sector business to use. Points might include: Off-the-job: • Allows for mistakes to be made when learning [k] lower risk of damaging reputation [an] • Up to date/new skills can be gained [k] • Skills might not be available in the business [k] so benefit from new techniques/ideas [an] • Use specialists/expert trainers [k] is expensive/ increases costs [an] • Travel costs [k] increasing cash outflows [an] Other options include: On-the-job training [k] • Employees can carry on working [an] so some work is done [an] • Control what is taught/employees learn exact way business wants things done [an] so workers only learn skills needed [an] • Cheaper (than off-the-job) [an] reducing (training) costs [an] • Reinforce errors/bad habits of trainer [an] reducing sales/damaging reputation [an] • Trainer is less productive when training others [an]	6	This is a general question so there are no marks for application. Some points can be awarded as knowledge or analysis but do not award the same point twice. The advantage of one method can be written as a disadvantage of another method but only award once.

Question	Answer	Marks	Notes
4(e)	Induction training [k] • Only suitable for new employees [an] • Help learn culture [an] Other appropriate responses should be credited. Justification might include: Off-the-job training allows employees to make mistakes when learning [k] so less likely to waste resources when working [an]. Another method is on-the-job training [k] which is cheaper [an]. Off-the-job training is better especially for a service sector business because fewer mistakes can help protect the business reputation [eval] leading to extra customers helping cover the additional costs of the training [eval].		