

Mark Scheme (Results) Summer 2007

IGCSE

IGCE Business Studies (4330/1F & 2F)

QUESTION 1

- a) **For each of the questions (i) – (v) . . .**
(AO1 - Demonstrate = 5)

- (i) D
- (ii) C
- (iii) B
- (iv) A
- (v) D

5

- b) **Give ONE example of an activity in each department that would help CC plc carry out its work.**

- (i) **Finance Department**
(AO2 Apply = 2)

eg handles CC plc's money - received from customers buying cars/paying suppliers
deals with employees' wages/salaries - on behalf of CC plc employees
budgets/cash flow forecasting - for decision making by CC plc managers
invoicing/accounts - record keeping/analysis of CC plc financial performance
tax – calculations/pay to government
financial statements - judging success

2

- (ii) **Personnel (Human Resources) Department**
(AO2 Apply = 2)

eg recruitment - ensures employees who leave CC plc are replaced appropriately
training - ensures staff efficiency at CC plc
terms & conditions of service - legal requirement for CC plc
contracts - legal requirement for CC plc
disciplinary/grievance - so staff and managers at CC plc are aware of procedures
dismissal - unsuitable employees at CC plc
welfare – assist with employee queries/problems

2

- (iii) **Production Department**
(AO2 Apply = 2)

eg production planning/production control - so CC plc can meet demand
research and development - so CC plc can stay competitive
quality control/assurance - checking to ensure agreed standards for making cars are being met
stock control – avoiding waste/JIT
making cars – to meet demand

2

- c) **How will this Department work closely with the Production Departments in each factory?**
(AO2 Apply = 4)

eg (recruitment) Production Department needs new employee - will contact HR - HR will liaise on the job description/person specification - HR will advertise/recruit/select

(pay) Production Department employees need wages - HR keeps records of employees - and will have records of wage rates - HR will calculate/arrange payment/change rates/pay bonus

4

d) (i) What is meant by quality control?

(AO1 - Demonstrate = 2)

eg maintaining a consistent level of quality - through regular checks
checking goods/materials – make sure they are suitable

2

(ii) Analyse ONE problem that CC plc will have if it makes poor quality cars.

(AO3 Analyse = 3)

eg loss of custom - people choose to buy competitors' cars - CC plc loses income
bad publicity - loss of status - fall in sales
legal issues - customers may sue if car is unsafe - affects future sales

3

Total 20 marks

QUESTION 2

- a) **Name each of the four stages of the product life-cycle numbered 2, 3, 4 and 5.**

(AO1 Demonstrate = 4)

2 Introduction

3 Growth

4 Maturity

5 Decline

4

- b) **(Select ONE of these pairs to advertise the new car model.) Explain why you have selected this pair and not the other one.**

(AO3 Analyse = 1; AO4 Evaluate = 5)

(cinema and television)

eg (AO3) moving image/sound and music - (AO4) this makes it persuasive/adds appeal - can target/reaches national audience - although likely to be expensive - the other pair are static media – although they are more permanent/can be more informative

(newspapers and posters)

eg (AO3) permanent - (AO4) can provide more information - can target at certain sectors - likely to be less expensive - but may have less appeal - the other pair is less permanent/may be more attractive

maximum 4 marks for a one-sided answer

6

- c) (i) **How much money has CC plc reinvested in the company, rather than paid to its shareholders?**

(AO2 Apply = 1)

£120 million

1

- (ii) **Give TWO examples of assets that CC plc is likely to have.**

(AO2 Apply = 2)

eg buildings/premises
delivery vehicles
furniture
equipment/machines
stock of unsold cars
debtors
bank/cash

2

- d) **Describe TWO differences between share capital and a bank loan.**

(AO1 Demonstrate = 4)

eg share capital comes from owners - loan comes from a lender
share capital is normally not repayable - bank loan is repayable
share capital earns dividend - bank loan earns interest

4

e) **How can *CC plc*'s directors use the information in this Balance Sheet for decision making?**

(AO2 Apply = 3)

eg shows share and loan capital/shows amount borrowed - £300 million/£40 million/£340 million - the directors can therefore see if more investment is needed can calculate liquidity ratios/can use for ratio analysis - Current Assets £150 million/Current Liabilities £90 million/Working Capital £60 million - this will show the directors if more cash is needed

(1 mark for using information from the Balance Sheet)

3

Total 20 marks

QUESTION 3 (HIGHER 1)

a) What is meant by secondary sector?

(AO1 Demonstrate = 2)

eg sector of industry - that manufactures/constructs
secondary activity - make and build
change raw materials - into finished goods

2

b) (i) Which TWO types of business in the tertiary sector could *CC plc* trade with?

(AO2 Apply = 2)

eg insurance company
garage
bank

2

(ii) For each type of business, give ONE example of how *CC plc* will trade with it.

(AO2 Apply = 2)

eg (insurance company) arrange insurance
(garage) sell cars
(bank) arrange finance

2

c) (i) State why it is important for a business such as *CC plc* to set business objectives.

(AO1 Demonstrate = 2)

eg objectives are targets - can measure achievement against these
objectives come from aim/mission statement - helps achieve aim/mission statement

2

(ii) ... select the TWO objectives that *CC plc* is most likely to set.

(AO3 Analyse = 2)

To cut the costs of making each car
To have an effective marketing strategy

2

d) (i) Name ONE Act of Parliament or other law that affects the work of *CC plc*.

(AO1 Demonstrate = 1)

eg Disability Discrimination
Race Relations
Sex Discrimination
Employment Equality (Religion and Belief) Regulations
Employment Act
Working Time Directive
Sale and Supply of Goods
Trade Descriptions
Health and Safety at Work

1

(ii) Consider how this Act of Parliament or other law affects the work of CC plc.

(AO4 Evaluate = 5)

- eg (equal opportunity legislation) sets rules concerning behaviour at work - *CC plc* must consider needs of certain employees/must control behaviour of employees - affects policy on (eg) recruitment - cost implications eg for special equipment - failure to follow means bad publicity/tribunal action which could affect sales
- eg (Employment Act) *CC plc* must give maternity leave/paternity leave - must keep job open because mothers have the right to return to work within one year - may face requests from employees with children under 6/disabled children under 18 for flexible working which influences work patterns - *CC plc* must follow grievance procedures/obey conditions under which employees can be dismissed - but limitations, eg employees must have worked for a year to qualify
- eg (Working Time Directive) maximum continuous time of *CC plc* employees to work in a week is 48 hours/ 20 minute rest break after every 6 hours - any night shift employees at *CC plc* have their work time limited to 8 hours in any 24 hour period - employees are entitled to four weeks' annual paid leave a year and statutory holidays - may affect working arrangements - but this does not apply if any employees are in the 'exception' category

Accept evaluative points based on a consideration of consumer legislation, safety legislation or any other relevant legislation

5

(iii) Analyse ONE way, other than through Acts of Parliament, that the UK Government affects the work of CC plc.

(AO3 Analyse = 4)

- eg through taxation policy - tax levels affect *CC plc's* finances - higher tax means less available to invest - may reduce liquidity/affect survival chances
- eg through competition policy - free market means more competition for *CC plc* - affects survival/profitability - influences pricing policy/markets entered/models made

4

Total 20 marks

QUESTION 4 (HIGHER 2)

a) (i) Why would email be a suitable method of communication for Situation A?

(AO1 Demonstrate = 1; AO2 Apply = 1)

eg immediate - Jas can get the figures she needs in time

2

(ii) Why would the telephone be a suitable method of communication for Situation B?

(AO1 Demonstrate = 1; AO2 Apply = 1)

eg suitable for explaining/two way - so Efrem can rephrase his points/answer Gill's questions

2

b) Analyse whether Abraham Maslow's theory of motivation supports the directors' belief that high rates of pay will fully motivate all employees.

(AO1 Demonstrate = 1; AO2 Apply = 2; AO3 Analyse = 3)

eg (AO1) Maslow's theory has five levels/hierarchy/need to meet one set of needs before the next level can be met
(AO2) Pay is linked with lowest level/Physiological - also with Security
(AO3) Pay will help to motivate all employees - but it will not fully motivate - because Social, Esteem and Self-actualisation are not met through pay or bonus

6

c) (i) Analyse how using the new machines is likely to increase productivity at *CC plc*.

(AO3 Analyse = 3)

eg quicker production - using the same number of staff - so productivity will increase
staff can work more efficiently - and so make more cars per day/hour - which increases productivity

3

(ii) Show how the directors can measure whether productivity has increased.

(AO3 Analyse = 2)

eg number of cars made - divided by number of staff/hours/resources used in the process

2

d) Assess whether the director is right to believe that the quality control system guarantees that all cars made by CC plc will be of good quality.

(AO4 Evaluate = 5)

eg (For) QC maintains a consistent level of quality/prevents defects/detects quality problems/may improve quality/can controls costs - helps to generates customer satisfaction - QC can be used to ensure minimum legal quality/standards are met by *CC plc*
(Against) Employees must apply QC correctly - if they do not, quality can suffer - and QC may be limited only to inspection/statistical control - other initiatives may be being ignored
(Conclusion) the director is not right because QC will not of itself guarantee good quality

5

Total 20 marks

QUESTION 5 (HIGHER 3)

- a) **Analyse which of these pricing strategies *CC plc* should use for the new luxury car range.**
(AO1 Demonstrate = 1; AO2 Apply = 1; AO3 Analyse = 3)

eg (cost plus) (AO1) based on costs being calculated and a profit mark-up added - (AO2) used with products such as cars - (AO3) *CC plc* will know other prices - and can set the mark-up accordingly - guarantees that a profit will be made on the cars

eg (penetration) (AO1) based on setting a price below market price - (AO2) can be used with cars - (AO3) will help *CC plc* gain market share - and prices can be adjusted in the future - helps establish a client base

5

- b) **Discuss how persuasive and informative advertising can both be suitable methods to use in this situation.**
(AO1 Demonstrate = 1; AO2 Apply = 1; AO3 Analyse = 3)

eg (AO1) persuasive seeks to tempt customers and informative seeks to explain product details - (AO2) persuasive tempts customers to buy *CC plc* car model rather than from other manufacturer, informative gives information about *CC plc* car models

(AO3) persuasive is suitable because it is used by other manufacturers so *CC plc* is meeting like with like - customers can be tempted to buy certain models if adverts are very persuasive - (AO3) informative is suitable because cars are a major purchase and customers need details - otherwise they would go elsewhere

5

c) **(Select ONE of the sources of finance for modernising the Bristol factory.) Justify why you have selected this source of finance and rejected the other.**

(AO4 Evaluate = 10)

eg (new share issue)
this is permanent capital - it means the company's net worth may increase - unlike a bank loan, which needs repaying at a future date
can invite existing shareholders to buy - this is a ready market - whereas the bank loan needs negotiating
need not pay dividend if short of money/if fail to make profit - whereas loan interest must be paid - if not, the bank may force closure/liquidity problems result
future investors are happier to invest in a low geared company - less likely to invest in a company with a lot of loans outstanding

eg (new bank loan)
will pay off the loan over time - gets rid of the liability - whereas capital is permanent
the bank is not an owner - whereas new shareholders may affect running of the company - directors may lose control
interest paid from untaxed/gross profit - whereas dividend out of taxed/net profit - more efficient to pay loan interest
interest can be budgeted for with certainty - whereas dividends may vary/have a variable effect on company finances
bank may provide other services/expertise - not normally available from shareholders
guaranteed amount - unlike share issue, with no guarantee shares will be taken up
it is normally cheap to arrange a bank loan - whereas a share issue can be very expensive

10

Total 20 marks

FOUNDATION PAPER

CONTENT COVERAGE

	Content area 1	Content area 2	Content area 3	Content area 4	Content area 5
Question	3a - 3d	1b, 1c	2c, 2d, 2e	2a, 2b	1a, 1d
Marks	20	10	10	10	10

COVERAGE OF ASSESSMENT OBJECTIVES

Question	AO1	AO2	AO3	AO4	Total
1a	5				5
1b		6			6
1c		4			4
1d	2		3		5
2a	4				4
2b			1	5	6
2c		3			3
2d	4				4
2e		3			3
3a	2				2
3b		4			4
3c	2		2		4
3d	1		4	5	10
Total	20	20	10	10	60

HIGHER PAPER

CONTENT COVERAGE

	Content area 1	Content area 2	Content area 3	Content area 4	Content area 5
Question	3a - 3d	4a, 4b	5c	5a, 5b	4c, 4d
Marks	20	10	10	10	10

COVERAGE OF ASSESSMENT OBJECTIVES

Question	AO1	AO2	AO3	AO4	Total
3a	2				2
3b		4			4
3c	2		2		4
3d	1		4	5	10
4a	2	2			4
4b	1	2	3		6
4c			5		5
4d				5	5
5a	1	1	3		5
5b	1	1	3		5
5c				10	10
Total	10	10	20	20	60