

# Final Mark Scheme

## November 2007

IGCSE

IGCSE Business (4330)



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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

## Foundation Paper 4330 1F

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(a)            | (i) D<br>(ii) A<br>(iii) B<br>(iv) C<br>(v) D | (5)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 1(b)            | Valid points could include:<br>eg <ul style="list-style-type: none"> <li>• size</li> <li>• profits</li> <li>• turnover</li> <li>• stock market value</li> <li>• increase in dividend</li> <li>• number of employees</li> <li>• consumer reaction/satisfaction</li> </ul> | (3)  |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(c)            | Valid points could include:<br>eg<br>market segment represents a section / part of the market - market share is a statement of the amount of the market taken by a business | (2)  |

| Question Number             | Answer  | Mark             |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
|-----------------------------|---|------------------|----------------|------------------|-----------------------|--|---|-----------------------------|---|--|-----------------------------|--|---|---------------------|---|--|----------------------------|---|--|-------------------|--|---|---|
| 1(d)                        | <table border="1"> <thead> <tr> <th></th> <th><u>Primary</u></th> <th><u>Secondary</u></th> </tr> </thead> <tbody> <tr> <td>government statistics</td> <td></td> <td>✓</td> </tr> <tr> <td>asking people in the street</td> <td>✓</td> <td></td> </tr> <tr> <td>information from a magazine</td> <td></td> <td>✓</td> </tr> <tr> <td>observing customers</td> <td>✓</td> <td></td> </tr> <tr> <td>telephoning people at home</td> <td>✓</td> <td></td> </tr> <tr> <td>studying a report</td> <td></td> <td>✓</td> </tr> </tbody> </table> |                  | <u>Primary</u> | <u>Secondary</u> | government statistics |  | ✓ | asking people in the street | ✓ |  | information from a magazine |  | ✓ | observing customers | ✓ |  | telephoning people at home | ✓ |  | studying a report |  | ✓ | 6 |
|                             | <u>Primary</u>  | <u>Secondary</u> |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
| government statistics       |   | ✓                |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
| asking people in the street | ✓   |                  |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
| information from a magazine |   | ✓                |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
| observing customers         | ✓   |                  |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
| telephoning people at home  | ✓   |                  |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |
| studying a report           |   | ✓                |                |                  |                       |  |   |                             |   |  |                             |  |   |                     |   |  |                            |   |  |                   |  |   |   |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(e)            | <p><b>Valid points could include:</b></p> <p>eg</p> <ul style="list-style-type: none"> <li>• (AO3) market segment</li> <li>• (AO4) can identify the proportion / number of unemployed and therefore the number who may want to repair rather than buy</li> <li>• (AO3) level of local competition</li> <li>• (AO4) see if anyone else is offering a similar service, and its features / strengths/weaknesses</li> </ul> | 4    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 2(a)            | <p><b>Valid points could include:</b></p> <p>eg</p> <p>control - directors can see whether projects are over-budget or under-budget</p> <p>planning - estimates when finances are available / projects can be planned because future finances are planned</p> | 2    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 2(b)(i)         | <p>(Current)</p> <p>eg <math>450 / 300 (1) = 1.50:1 (1)</math></p> <p style="text-align: right;"><b>2 marks</b></p> <p>(Acid Test)</p> <p>eg <math>150 / 300 (1) = 0.50:1 (1)</math></p> <p style="text-align: right;"><b>2 marks</b></p> | 4    |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 2(b)(ii)        | <p><b>Valid points could include:</b></p> <p>eg</p> <ul style="list-style-type: none"> <li>• liquidity ratios - inform about ability to pay debts/stay solvent - Pepper plc below the 'textbook' level of 2:1 Current and 1:1 Acid Test</li> <li>• no indication of profitability - need more information, eg profits, capital employed, turnover</li> </ul> | 4    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 2(c)(i)         | <b>Valid points could include:</b><br>eg<br>a fall in unit costs - as output increases / as business grows / due to business size | 2    |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 2(c)(ii)        | <b>Valid points could include:</b><br>eg<br>large-scale business - employs over 100 people | 2    |

| Question Number | Answer   | Mark                                    |
|-----------------|--|---|
| 2(d)            | <b>Valid points could include:</b><br><br>(Technical)<br>eg <ul style="list-style-type: none"> <li>• production unit costs fall - makes Pepper plc more competitive</li> <li>• new machinery is more efficient - increases productivity</li> </ul><br>(Financial)<br>eg <ul style="list-style-type: none"> <li>• loans are cheaper - easier for Pepper plc to borrow</li> <li>• easier to raise capital - Pepper plc finds it easier to expand/invest</li> </ul> | 2<br><br><br><br><br><br><br>2<br><br>4 |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 2(e)            | <b>Valid points could include:</b><br>eg <ul style="list-style-type: none"> <li>• Bureaucracy / 'red tape' - slows work down</li> <li>• poor labour relations - employees affected by slow decisions/poor communication</li> </ul> | 2    |



| Question Number | Answer  | Mark |
|-----------------|---|------|
| 3(a)(i)         | Valid points could include:<br>eg<br>own savings for Jo - public funds for Pepper plc | 2    |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 3(a)(ii)        | Valid points could include:<br>eg<br>Jo keeps for herself - Pepper plc distributes to shareholders / holds some as a reserve | 2    |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 3(b)            | Valid points could include:<br>eg<br>(advantage) <ul style="list-style-type: none"> <li>• someone to share ideas / workload - takes some of the burden from Jo / she can take more time off</li> <li>• someone to invest / increase capital - helps expand the business</li> </ul> eg<br>(disadvantage) <ul style="list-style-type: none"> <li>• Jo has to share profits - is less well off</li> <li>• loss of some control - Jo does not have full say in business affairs</li> </ul> | 4    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 3(c)            | Valid points could include:<br>eg <ul style="list-style-type: none"> <li>• face to face - Jo can discuss things/check appearance/check attitude</li> <li>• two way process - Jo can ask and answer questions</li> <li>• applicants can see the shop - decide whether they like it / Jo can show layout</li> <li>• but very time consuming - Jo is probably very busy as a sole trader</li> </ul><br>(NB maximum 3 marks for a one-sided approach) | 4    |

| Question Number | Answer  | Mark     |
|-----------------|---|----------|
| <b>3(d)(i)</b>  | <b>Valid points could include:</b><br>eg<br>structure - importance / responsibility /<br>communication flows - eg Marketing Director is<br>above the Sales Manager in the hierarchy | <b>3</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| <b>3(d)(ii)</b> | <b>Valid points could include:</b><br>eg<br>vertical line of authority - enables communication /<br>orders to flow - eg Accountant is in command of the<br>Account Staff | <b>3</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| <b>3(e)(i)</b>  | <b>The Marketing Director</b><br>Two managers / Sales Manager and Advertising<br>Manager | <b>1</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| <b>3(e)(ii)</b> | <b>The Production Manager</b><br>Production staff / 62 staff in Production | <b>1</b> |

## Higher Paper 4330 2H

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 1(a)(i)         | <b>Valid points could include:</b><br>eg<br>own savings for Jo - public funds for Pepper plc | 2    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(a)(ii)        | <b>Valid points could include:</b><br>eg<br>Jo keeps for herself - Pepper plc distributes to shareholders / holds some as a reserve | 2    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(b)            | <b>Valid points could include:</b><br>eg<br>(advantage) <ul style="list-style-type: none"> <li>• someone to share ideas / workload - takes some of the burden from Jo / she can take more time off</li> <li>• someone to invest / increase capital - helps expand the business</li> </ul> eg<br>(disadvantage) <ul style="list-style-type: none"> <li>• Jo has to share profits - is less well off</li> <li>• loss of some control - Jo does not have full say in business affairs</li> </ul> | 4    |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(c)            | <b>Valid points could include:</b><br>eg <ul style="list-style-type: none"> <li>• face to face - Jo can discuss things/check appearance/check attitude</li> <li>• two way process - Jo can ask and answer questions</li> <li>• applicants can see the shop - decide whether they like it / Jo can show layout</li> <li>• but very time consuming - Jo is probably very busy as a sole trader</li> </ul> (NB maximum 3 marks for a one-sided approach) | 4    |

| Question Number | Answer  | Mark     |
|-----------------|---|----------|
| 1(d)(i)         | <b>Valid points could include:</b><br>eg<br>structure - importance / responsibility /<br>communication flows - eg Marketing Director is<br>above the Sales Manager in the hierarchy | <b>3</b> |

| Question Number | Answer  | Mark     |
|-----------------|---|----------|
| 1(d)(ii)        | <b>Valid points could include:</b><br>eg<br>vertical line of authority - enables communication /<br>orders to flow - eg Accountant is in command of the<br>Accounts Staff | <b>3</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 1(e)(i)         | <b>The Marketing Director</b><br>Two managers / Sales Manager and Advertising<br>Manager | <b>1</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 1(e)(ii)        | <b>The Production Manager</b><br>Production staff/62 staff in Production | <b>1</b> |

| Question Number | Answer  | Mark     |
|-----------------|---|----------|
| 2(a)            | <b>Valid points could include:</b><br>eg <ul style="list-style-type: none"> <li>• Current ratio healthy - it is above the 'textbook' figure of 2:1</li> <li>• Acid Test low - it is below the 'textbook' 1:1</li> <li>• Only shows liquidity - more information needed</li> </ul> | <b>4</b> |

| Question Number | Answer  | Mark     |
|-----------------|---|----------|
| 2(b)            | <b>Valid points could include:</b><br>eg <ul style="list-style-type: none"> <li>• Sales</li> <li>• Cash</li> <li>• Production</li> <li>• Purchases</li> <li>• Labour</li> </ul> | <b>2</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 2(c)            | <b>Valid points could include:</b><br>eg <ul style="list-style-type: none"> <li>• cash budget will indicate whether cash is available - and when it is needed</li> <li>• purchases budget will indicate when raw materials are to be bought - and when used</li> <li>• wages budget will indicate costs - and whether staff time is available</li> </ul> | <b>4</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 2(d)(i)         | <b>Valid points could include:</b><br>eg <ul style="list-style-type: none"> <li>• continuous production</li> <li>• shift work</li> <li>• specialised machinery/equipment</li> <li>• large numbers produced</li> <li>• standardised products</li> </ul> | <b>2</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 2(d)(ii)        | <p><b>Valid points could include:</b></p> <p>eg</p> <ul style="list-style-type: none"> <li>• specialised employees are efficient - but they can become bored by doing repetitive tasks</li> <li>• specialised equipment is efficient - but costly/only suitable for one particular job</li> <li>• high output - but this has to be sold/must sell on a mass market</li> <li>• cost effective - but high initial setup costs</li> <li>• goods of a similar/identical standard - but customers may want different varieties</li> </ul> | <b>8</b> |

| Question Number | Answer  | Mark     |
|-----------------|---|----------|
| 3(a)            | <p><b>Valid points could include:</b></p> <p>eg<br/>(Jo) local market - and there are no nearby towns - this means there are no major competitors locally - so Jo has a local monopoly<br/>4</p> <p>eg<br/>(Pepper plc) near the centre of the country - this makes distribution easier/cuts distribution costs<br/>Birmingham has a huge population - so there is a large available workforce for Pepper plc 4</p> | <b>8</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 3(b)            | <p><b>Valid points could include:</b></p> <p>eg</p> <ul style="list-style-type: none"> <li>• focus is more on the consumer rather than on the product - eg Pepper plc's products are becoming made to customer's demands - they are not all the same</li> <li>• the market is now determining what Pepper plc makes - rather than the ease of production for Pepper plc - eg make products in a variety of styles/sizes to suit customer wishes</li> </ul> | <b>4</b> |

| Question Number | Answer   | Mark     |
|-----------------|--|----------|
| 3(c)            | <p><b>Valid points could include:</b></p> <p>eg</p> <ul style="list-style-type: none"> <li>• market research helps to identify consumer interest / tastes - but these can quickly change</li> <li>• market research relies on sampling - statistically sound method - but still subject to error</li> <li>• primary research is more focused than secondary - but more expensive - secondary research can mislead because it is not designed exclusively for the product</li> <li>• (conclusion) market research can provide valuable information and pointers but cannot guarantee that the new fridge will be a success</li> </ul> | <b>8</b> |

Paper 03

| Question Number                                       | Answer  | Mark              |           |           |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|---|---|-------------------|-----------|-----------|----------|--------------|--|---|--|---------|---|--|--|----------------|--|---|--|-----------------|--|--|---|--------------|--|--|---|------------------|---|--|--|------------|
| <b>1(a)</b>   | <table border="1"> <thead> <tr> <th>Business activity</th> <th>Primary</th> <th>Secondary</th> <th>Tertiary</th> </tr> </thead> <tbody> <tr> <td>Baking bread</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Farming</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>House building</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Running a hotel</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Hairdressing</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Drilling for oil</td> <td>✓</td> <td></td> <td></td> </tr> </tbody> </table> | Business activity | Primary   | Secondary | Tertiary | Baking bread |  | ✓ |  | Farming | ✓ |  |  | House building |  | ✓ |  | Running a hotel |  |  | ✓ | Hairdressing |  |  | ✓ | Drilling for oil | ✓ |  |  | <b>(5)</b> |
|   | Business activity   | Primary           | Secondary | Tertiary  |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|   | Baking bread  |                   | ✓         |           |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|   | Farming   | ✓                 |           |           |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|   | House building  |                   | ✓         |           |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|   | Running a hotel   |                   |           | ✓         |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|   | Hairdressing  |                   |           | ✓         |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
|   | Drilling for oil  | ✓                 |           |           |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |
| <b>(1 mark for each tick in the correct position)</b> |   |                   |           |           |          |              |  |   |  |         |   |  |  |                |  |   |  |                 |  |  |   |              |  |  |   |                  |   |  |  |            |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>1(b)</b>     | <p>Eg (Coca-Cola - drink and MacDonald's - burgers)</p> <ul style="list-style-type: none"> <li>• product has an image appeal - may be targeted at a defined market segment - McDonalds and Coca-Cola 10 - 25 age group</li> <li>• brand name can be registered as a Trade Mark a monopoly for that product / service</li> <li>• brand name is instantly recognisable - can become synonymous with a product</li> <li>• can be linked to a quality product</li> <li>• wherever sold/similar standard consumer confidence return custom/brand loyalty.</li> </ul> | <b>(4)</b> |



| Question Number | Answer  | Mark |
|-----------------|---|------|
| 1(c)            | <p>eg</p> <ul style="list-style-type: none"> <li>• prime objective – for owners / employees / customers / suppliers</li> <li>• non-survival – loss of money / jobs</li> <li>• a constant concern – new competition / existing competitors/economic conditions</li> <li>• need for constant planning—to meet requirements of changing business environment</li> <li>• discussions relating to the 4Ps – to improve sales / revenue / growth / profitability</li> </ul> | (5)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 1(d)            | <p>eg</p> <p>(computers) – networking gives accessibility to all – intranet/internet / e-mail / video. conferencing</p> <p>(modem) – links individuals in different parts of the business/world – access to same data – storage and retrieval facilities – disaster management</p> <p>(record keeping) – vast storage capacities – ease of amending and editing throughout the business – real time processing – e-commerce</p> <p>(software) – common across the business – functionality tied to needs of business / location / individuals – can be specialised to meet specific needs of business</p> <p>(security) - use of usernames / passwords - ensure access on a need to know basis monitoring and control of usage</p> | (5)  |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 2(a) (i)        | eg <ul style="list-style-type: none"> <li>• (turnover) – total value of sales this year/given period</li> <li>• (cost of sales) – the cost to the business of the goods sold</li> <li>• (expenses) – the costs of running the business</li> </ul> | (3)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 2(a) (ii)       | eg <ul style="list-style-type: none"> <li>• (fixed) –premises / machinery / vehicles / computers / office furniture</li> <li>• (current) – stock / debtors / cash</li> </ul> | (2)  |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 2(b)            | eg <ul style="list-style-type: none"> <li>• Stock control – use of bar codes to track stock movements –reorder levels can be set – automatic ordering – cost saving because no under / over stocking</li> <li>• Payments – allows customer to use debit / credit cards – efficient bank to bank transfers greater security – less paperwork – possible affect on cash flow</li> <li>• Customers – efficient processing of purchases and payments loyalty card potential – targeting of customers to products – increased sales</li> <li>• Products – what sells/not sells – product can be targeted to location – more efficient use of funds when purchasing</li> </ul> <p><b>NB—max 2 if a list</b></p> | (5)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 2(c)            | <p>eg Advantages</p> <ul style="list-style-type: none"> <li>• availability - established business - financial records available - known credit rating - could be a long-standing customer of the bank - can be negotiated relatively quickly</li> <li>• terms / rate - could be short/medium/long term - rate maybe negotiable - leaves other capital available - may be repayable early - fixed interest-known monthly payments</li> </ul> <p>eg Disadvantages</p> <ul style="list-style-type: none"> <li>• security - appropriate collateral may be required - financial records and CFF may be required by the bank</li> <li>• interest – paid on top of capital - counts as an expense – charged on full amount of loan for full period</li> </ul> | (5)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 2(d)            | <p>eg</p> <p>(motivate) - more they sell, more they receive - encourages employees to sell as much as possible - become effective sales persons - gain recognition for themselves have status within the business</p> <p>(de-motivate) - can cause stress if sole source of income for employee - reliant on economic conditions such as unemployment and interest rates - could lead to competition between employees - counter productive - no guaranteed regular payment for employees</p> <p><b>NB max of 3 marks for one-sided response</b></p> | (5)  |



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