

Mark Scheme Summer 2009

IGCSE

IGCSE Business Studies (4330 IF, 2H and 3)

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Foundation Paper 4330 1F

Question Number	Answer	Mark
1(a)	(i) B (ii) A (iii) D (iv) A (v) D	5

Question Number	Answer	Mark
1(b)	(i) English literature (1) (ii) £22 500 (1) (iii) March (1) (iv) £57 500 (1) (v) Children's books (1) (vi) £2 500 (1)	6

Question Number	Answer	Mark
1(c)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • sales volume • market share • profits • number of employees • customer satisfaction 	2

Question Number	Answer	Mark
1(d)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • increased responsibility - Hari controls all the functions/Hari cannot discuss business matters with a partner • increased workload - Hari has to work longer hours • greater wealth/income - Hari keeps all profits for himself 	4

Question Number	Answer	Mark
1(e)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • limited liability - Hari only loses business debts - not his personal possessions • separate legal entity - the business sues/is sued - not Hari himself • keeps control - only 1 shareholder needed - public cannot buy/he cannot be subject to a takeover bid through sale of shares • borrowing - easier to borrow from banks etc - maybe at a cheaper rate 	<p>1m for advantage</p> <p>2 x 1m for outline</p> <p style="text-align: right;">3</p>

Question Number	Answer	Mark															
2(a)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Primary</th> <th style="width: 20%; text-align: center;">Secondary</th> </tr> </thead> <tbody> <tr> <td>Visits other bookshops</td> <td style="text-align: center;">√</td> <td></td> </tr> <tr> <td>Checks trade statistics</td> <td></td> <td style="text-align: center;">√</td> </tr> <tr> <td>Rings a bookseller</td> <td style="text-align: center;">√</td> <td></td> </tr> <tr> <td>Asks customers</td> <td style="text-align: center;">√</td> <td></td> </tr> </tbody> </table>		Primary	Secondary	Visits other bookshops	√		Checks trade statistics		√	Rings a bookseller	√		Asks customers	√		4
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Asks customers	√																

Question Number	Answer	Mark
2(b)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • because primary is tailor made - it applies exclusively to Hari's shop - and to selling foreign language books • because primary is up to date - so Hari's decisions are more likely to be accurate • because secondary is inexpensive - so Hari will not have to spend a lot to discover information about foreign language books • because secondary can be obtained quickly - so Hari can make the decision quickly <p>(maximum 4 marks if 1 research type only discussed)</p>	6

Question Number	Answer	Mark
2(c)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • loss of sales • loss of custom • poor reputation 	2

Question Number	Answer	Mark
2(d)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> because job production is one-off/single - and each book must be repaired individually 	2

Question Number	Answer	Mark
2(e)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> Batch production has a limited run - there is only a limited demand for rare books - because flow production is continuous there would need to be a mass demand The content of the catalogue is likely to change every month - some books will be sold/other books bought - with batch production the catalogue can be updated easily - flow production is less easy to alter With batch production the catalogue can be changed easily to reflect the time of year - eg a Christmas sales catalogue - flow production methods do not support 'one off' versions such as a Christmas book catalogue <p>(maximum 4m if only one method is explained in context)</p>	6

Question Number	Answer	Mark
3(a)	(i) 6 books	1
	(ii) £30 000	1
	(iii) 4 books = £5 000 (1) loss (1)	2
	10 books = £10 000 (1) profit (1)	2

Question Number	Answer	Mark
3(b)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> fixed costs do not change as output changes - whereas variable costs will change <p>(both points must be made for 2 marks)</p>	2

Question Number	Answer	Mark
3(c)	<p>Valid points could include:</p> <p>eg (fixed)</p> <ul style="list-style-type: none"> shop rent/rates salaries <p>eg (variable)</p> <ul style="list-style-type: none"> book binding materials/leather purchases of books 	2

Question Number	Answer	Mark
3(d)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • salary/wage • commission • bonus • profit share • company car 	2

Question Number	Answer	Mark
3(e)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • Maslow's hierarchy acknowledges money is important - for example in meeting lower order needs such as food • but non financial rewards are also needed to fully motivate employees - for example higher order ones such as self esteem 	4

Question Number	Answer	Mark
3(f)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • it will help Hari plan - for future costs • it will help Hari control - by for example comparing expected costs against actual • it will motivate Hari - eg to achieve his aims/objectives • it will help Hari coordinate his work - by eg setting budgets for different business activities • but because budgeting is only a plan - it is likely to be inaccurate/Hari cannot rely solely on his budgets <p>(maximum 3m for a one sided answer)</p>	4

Higher Paper 4330 2H

Question Number	Answer	Mark
1(a)	(i) 6 books	1
	(ii) £30 000	1
	(iii) 4 books = £5 000 (1) loss (1)	2
	10 books = £10 000 (1) profit (1)	2

Question Number	Answer	Mark
1(b)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> fixed costs do not change as output changes - whereas variable costs will change <p>(both points must be made for 2 marks)</p>	2

Question Number	Answer	Mark
1(c)	<p>Valid points could include:</p> <p>eg (fixed)</p> <ul style="list-style-type: none"> shop rent/rates salaries <p>eg (variable)</p> <ul style="list-style-type: none"> book binding materials/leather purchases of books 	2

Question Number	Answer	Mark
1(d)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • salary/wage • commission • bonus • profit share • company car 	2

Question Number	Answer	Mark
1(e)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • Maslow's hierarchy acknowledges money is important - for example in meeting lower order needs such as food • but non financial rewards are also needed to fully motivate employees - for example higher order ones such as self esteem 	4

Question Number	Answer	Mark
1(f)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • it will help Hari plan - for future costs • it will help Hari control - by for example comparing expected costs against actual • it will motivate Hari - eg to achieve his aims/objectives • it will help Hari coordinate his work - by eg setting budgets for different business activities • but because budgeting is only a plan - it is likely to be inaccurate/Hari cannot rely solely on his budgets <p>(maximum 3m for a one sided answer)</p>	4

Question Number	Answer	Mark
2(a)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • loss of customers - loss of sales/they will shop elsewhere - this could affect the shop's survival/Hari may be forced to close the business as a sole trader/the shop will lose profits • more admin/handling returns/need to refund sales if customers receive the wrong book/a book not as described - customer will go elsewhere - cash flow affected • poor reputation - the bookshop will be ignored by book collectors • need to change printers - to obtain better quality work/photographs • train employees - to ensure information is more accurate 	6

Question Number	Answer	Mark
2(b)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • batch production has a limited run - and there is only likely to be a limited demand for rare books • catalogue content will change each month - some books will be sold/others bought - with batch production the catalogue can be updated easily • with batch production the catalogue can be changed easily to reflect the time of year - eg a Christmas sales catalogue • more suitable than job because many catalogues will be needed/they are all the same - so job is too expensive • more suitable than flow because catalogues are not produced constantly - each month the catalogue will be different 	6

Question Number	Answer	Mark
2(c)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • Work together on buying books - Doug will design adverts/add to website and liaise with Hari for finance to pay for this - Misha may have to produce new covers and liaise with Hari over cost/money to buy materials • Work together on repairing books - Doug will liaise with Misha over repairs needed - Misha may provide technical advice - Hari will finance • Work together on selling books - Doug will sell and advise Hari to update the website - Hari will deal with the finance from Doug's sales • Work together on buying new equipment/assets - Doug/Misha will explain the need to Hari - Hari will arrange finance • Work together on the catalogue - Doug will liaise with Hari to establish costs/to pay costs - Hari will liaise with Doug over how the catalogue influences what is on the website • (max 3 marks for selecting and stating the ways in which they work together) 	8

Question Number	Answer	Mark
3(a)	<p>Valid points could include:</p> <p>eg</p> <p><u>Control</u></p> <ul style="list-style-type: none"> • As a sole trader Hari has full control/he controls all business functions - in a partnership he has to share control with the other partner/the other partner will control some functions • Hari makes own decisions as a sole trader - in a partnership, with control divided, he must consult the other partner • Control was with the family/stays in the family with Hari - a partner from outside affects the family control <p><u>Use of profits</u></p> <ul style="list-style-type: none"> • Hari can use for whatever he likes - in a partnership he would need to discuss and agree with the other partner • Sole trader income/profits go only to Hari - in a partnership he would have to share this 	4

Question Number	Answer	Mark
3(b)	<p>Valid points could include:</p> <p>eg</p> <ul style="list-style-type: none"> • (Profits) Hari is a sole trader so relies on profits for his living - profits show the degree of financial success - used to assess profitability/ratios calculated - helps Hari decide whether to stay in business • (Customer satisfaction) customers need to be satisfied for repeat purchases - also helps the shop's reputation - low customer satisfaction means fewer sales/survival problems/high satisfaction means high profits <p>(3 + 3 or 4 + 2)</p>	6

4430 Paper 3 Mark Scheme

Question 1

- (a) (i) **For each description, identify the name of the ratio.**

(AO1 – Demonstrate = 2)

ROCE/Return On Capital Employed
Acid Test

2

- (ii) **Name THREE other ratios that a business could use to measure its performance.**

(AO1 – Demonstrate = 3)

Gross Profit (Margin)
Net Profit (Margin)
Current Ratio

3

- (b) **What would be the benefits to Sereena and her employer of that induction training?**

(AO2 – Apply = 5)

eg (Sereena) - will help her settle quickly into a larger organisation than she is used to – history of the business – find her way around – meet colleagues who she will work with – check her familiarity with software she will use as an administrator – assess any additional training needs

(Employer) health and safety requirements – security – issue of identification/badges – fire and evacuation drills – rules and regulations of the business

good induction will help her become an effective employee quickly – will make her more productive

NB max of 3 marks for only one set of benefits

- (c) **Analyse the increase in tourists in terms of the market segments of age and income?**

(AO3 – Select/Analyse = 5)

eg (Age) – will tend to be adults – probably couples of those who like travelling in a group and escorted – have an interest in Asia/China/history – will have time to travel – may be retired – inquisitive – seek different travel experiences from normal – may be present to celebrate a special event such as wedding anniversary/retirement – Olympics will appeal to all age groups – families of competitors – supporters of countries partaking – officials – IOC members – the young could be attracted – only happens once every four years

(Income) – likely to be earning good money – have a high disposable income – if a present, then income would not be a factor – use of savings for a one-off opportunity of the Olympics

5

(d) **Discuss how and TWO stages of the product life cycle could be used to make decisions about the marketing mix for a product.**

(AO4 – Evaluate = 5)

eg (Development) – decision to develop and test from results of market research – no sales at this stage so no revenue – no marketing required

(Introduction) – high promotion and marketing costs – promotion likely to be informative at this stage – seeking market share – pricing decisions will have to be made – profits unlikely or low at this point

(Growth) – sales increase quickly – promotion costs reduce – promotion could change to persuasive – profits could increase – could lead to a change in pricing policies – possibility of competitors’ introduction of similar products to the market

(Maturity) – sales are good – but may have stopped high rate of growth/no rate of growth – promotion to target competitors – quality/price issues arise – brand loyalty may be emphasised

(Saturation) – increase in competitor products – increase in promotional budget – price changes to continue to attract consumers

(Decline) – sales are falling – change in fashion – start market research for new/improved product – decision to end production/improve product/develop new product – promotion stopped

NB max of 3 marks for only one stage

5

Total 20 marks

Question 2

- (a) **Against each item below, indicate with a cross (X) whether it is an economy of scale or a diseconomy of scale.**

(AO1 - Demonstrate = 5)

Item	Economy of scale	Diseconomy of scale
Large bureaucracy		X
Financial	X	
Poor communication		X
Labour availability	X	
Managerial	X	

5

- (b) **Why do paper-based methods continue to be used by businesses today for internal and external communication?**

(AO2 – Apply = 5)

eg still a legal requirement for some documents – contract – notices relating to health and safety – notices relating to insurance – hard copy can be filed/referred to – evidence – can resolve some disagreements between receiver and sender

used for complicated messages – where meaning has to be clear – can be copied – can be sent to many people

a reminder that something has to happen – access to electronic methods is not 100% in the business world – can be more secure – a formal form of communication

5

- (c) **Discuss TWO groups of people who would be interested in published final accounts.**

(AO3 – Analyse = 5)

eg (shareholders) – know financial strength of business – levels of profit/profitability – how profit is apportioned – likely values of own shares and dividends

(Government) – check figures against company returns – ensure all taxes/VAT/Ni has been correctly paid – interested in survival of business for economic reasons

(Creditors) – banks/suppliers who have lent money/supplied goods and services – can loans be repaid/supplied goods and services paid for – is business liquid – is risk still good

(Employees) – survival of the business – no business means no employment – job security – pay negotiations

(Other businesses) – competitors – to measure their success against others – may be planning a take over

NB max of 3 marks for only one group

5

(d) **Justify the best form of business organisation that will meet Samantha and Robert's requirements.**

(AO4 – Evaluate = 5)

eg private limited company

1

(control) – initially just the two of them – later with additional shareholders can decide and agree who can and cannot buy – often limited to family – can retain, between them, 51% of shares

(risk) – limited liability means that their goods and chattels cannot be touched – same applies to any other investors – this may make investing in them safer

(expansion) – allows for other shareholders – injection of additional capital – expansion as an indicator of success and could attract investors

4

NB if plc argued a max of 4

Total 20 marks

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