UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE O Level

MARK SCHEME for the November 2005 question paper

7115 BUSINESS STUDIES

7115/01   Paper 1, maximum raw mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

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The scheme indicates the content element of the answers. It also makes reference to the assessment skills being tested. These are shown as follows

K = knowledge
U = understanding
Ap =application
An = analysis
E = evaluation

1 (a) (i) $200 **[2]** i.e. $1m/5000. **[1][1k/1an]**

   (ii) Gradient of line greater **[1]** accurate plot **[1] [2ap].** Answer is $1100000 at 5000 units [Selling price will be $220] OFR will apply.

   (iii) Answer argues a case in context. **[5-3]**
         Random points but little argument. **[2-1]**

         Content. Highly competitive market/demand likely to be price elastic/unless brand loyalty such a strategy would damage the business/how important is price in the buying decision? **[1k/2an/2e]**

   (b) (i) Strong understanding of impact of advertising showing analysis. **[3-2]**
          Limited understanding. **[1]**

          Content. Advertising aims to persuade/inform/influence. Thus sales should increase. **[1k/2an]**

      (ii) Ability to identify circumstances where policy will not work. **[4-3]**
           Some understanding that advertising might be ineffective but unable to explain why. **[2-1]**

           Content. Wrongly targeted/unappealing message/wrong media/too expensive in relation to sales generated and hence not cost effective. **[2an/2ap]**

   (c) Understanding of impact and hence ability to draw evaluative conclusions from analysis. **[4]**
       Some analysis of laws. **[3-2]**
       Some knowledge of laws. **[1]**

       Content. Laws protect customers against misleading information/inaccurate statements/false claims. Thus will impact on what he says/how he says it/what information is needed. **[1k/2an/1e]**

2 (a) (i) 1 mark for method. 2 marks for the calculations. Number of garments/number of employees. **[1]**
          Answers are 2000 units in 2003 and 1800 units in 2004. **[2] [1k/2an]**

      (ii) Content. Fall in productivity will weaken the business because unit cost will rise and hence put pressure on selling price and profit margins. **[4-3]**
           Use of data to argue case logically. Judgement shown. **[2-1]**
           Some attempt to explain but flawed in some respects. E.g. recognise that change will reduce profits but unable to explain why. **[1k/2an/1e]**

(b) Content – job production implies that output is produced in response to individual demand. All employees complete one unit of production at a time. Usually a method associated with low volume production.. Product in a sense unique. **[2]** main features identified. **[2]** features identified. **[2k/2ap]**

(c) Choice of medium with justification. **[4/3]**
Evaluation of medium identified.
Choice of medium with flawed explanation. **[2/1]**

Content. Because of the sensitivity of the information direct contact or through line managers essential. Fears and rumours will occur and these need to be sorted out. Speed and accuracy of transmission essential. **[1k/2ap/1e]**

(d) **[5-4]** Pros and cons analysed and some evaluation leading to a justified conclusion.
[3-2] Some pros and cons identified and analysed.
[1] Awareness of the piece rate system.

Content. Time rate to piece rate. Pros direct incentive/possibility to earn more BUT depends on the rate/might be more pressure/exploitation/quality reject/objection to change. **[1k//2an/2e]**

3 (a) (i) $150,000. **[1an]**

  (ii) $80,000. **[1an]**

(b) (i) Content. Dividends are the profits of a business that have been distributed to shareholders. **[2]**
Some knowledge e.g. aware that dividends are profits. **[1] [2k]**

  (ii) Content. Reinvest in new assets/build up cash reserves/pay off outstanding debts. Of use as a source of funds.
[2-1] Knowledge of importance of profits. List type answer.
[2-1] Explanation of importance. **[2k/2an]**

(c) (i) This year figure is 23.2%. **[2] [or 31.6% using net profit before tax]**
Formulae = net profit/sales. **[1][1k/1an]**

  (ii) Content. Selling price risen/costs fallen.
Identification of a reason. **[1]**
Explanation of a reason. **[1][1k/1an]**

(d) Identification of benefits. **[2]**
Explanation/analysis of benefits. **[2]**

Content. Main gain will be access to finance/share issue/prestige/access to larger loans/perhaps management expertise/growth. **[2k/2an]**

(e) Identification of reasons. **[2]**
Explanation/analysis of reasons. **[2]**

Content. Share price reflects current and prospective profitability along with future prospects generally. Falling share price reflects market's doubts about future health of the company. Could be bear market. **[2k/2an]**

4 **(a)** Identification of factors. **[3]**
Explanation/analysis of importance. **[3]**

Content might include – market demand [centre of population]/cost/competition/planning factors. **[3k 3an]**

(b) **(i)** **[3]** marks for idea well developed/illustrated.
[2-1] for answer with knowledge but limited in understanding.

Content – outline of tasks and functions of the job holder. **[1k 2ap]**

(ii) **[3]** Link of description to appointment. Thus shows how recruitment process will be enhanced by use of job description.
[2-1] Awareness of value but unable to fully explain reason explicitly.

Content. Match qualities needed to do the job with applicant's experience/abilities. etc. **[1k 2an]**

(c) **(i)** Content. Probably yes because it means they can take on more work and hence increase income/but possibly no because they might not be as specialised and hence as well known.
[4-3] Build up and argue a case.
[2-1] Points but no argument. **[2ap 2e]**

(ii) Content. Partnerships can create strains in the following areas – division of work loads/responsibilities/control/decision making/personal conflicts.
Identification of problems. **[2]**
Explanation/analysis of problems. **[2]** **[2k2an]**

5 **(a)** Explanation of reasons. **[2]**
Identification of reasons. **[2]**

Content. Reasons to include lower wage costs/cheaper supply sources/fewer laws/less restrictions. **[2k/2ap]**

(b) Content. Multi-nationals can bring with them advantages – technical know how/training/job creation/inward investment. They can also create problems – profits taken out of the economy/lack of care and concern for local environment and people/exploitation of natural resources. So issue not clear cut.
Social costs are negative externalities like exploitation of workforce/destruction of environment/damaging impact on other businesses and the community.
Identification of possible impact. **[2]**
Analysis of possible impact. **[2]**
Evaluation of possible impact. **[2]** **[2k/2ap/2e]**

(c) Content. Swanfield imported food would cost much less. Previously it cost £10m to buy $100m worth of food. Now the cost would be £4m. Thus inputs cheaper/profits higher. It would work to the benefit of the company.
Valid explanation using the data. **[4-3]**
Valid explanation but no figures. **[2]**
Some attempt to explain impact. **[1]** **[1k/1ap/2an]**

   (d) (i) Content. Economy of scale is a financial advantage associated with size that reduces unit cost. **[2]**
Knowledge but lack of accuracy. **[1]**
Example. **[1] [2k/1ap]**

     (ii) Content. Diseconomies of scale might occur because: difficult to control/manage/decision making slow/lack of corporate identity/low morale.
Knowledge of a reason. **[1]**
Explanation/analysis of reason. **[2] [1k/2a]**