Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **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.

This document consists of **18** printed pages.

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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.

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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.

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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.

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0450/7115/0086 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	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.
APP	Application	Indicates appropriate reference to the information in the context.
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.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>four</u> differences between a partnership and a limited company.** Award 1 mark for each difference between a partnership and a limited company (max. 4). Award a maximum of one additional mark for **each** explanation of the difference. There are no application marks for this question. Relevant answers might include: • Liability – partnership has unlimited liability which means personal possessions can be taken to pay business debts / company has limited liability meaning personal possessions are not at risk • Sources of capital – partnership has capital from owners' savings / company can sell shares • Legal formalities – partnership has no legal documents to complete to start the business / company has to register and complete legal documents • Legal identity – partnership is unincorporated with no separate legal identity between owner and business / company is incorporated and has separate legal identity • Continuity – partnership ends with the death of a partner / company shares can be transferred to others and therefore continues even after the death of shareholders • Visibility of financial statements – partnership all financial statements are kept private / company financial statements are published if public limited company or can be accessed if private limited company • Management – partnership often managed by the partners / company directors make the decisions and they may or may not also be shareholders For example: Liability is different (1). In a partnership the owners have unlimited liability which means personal possessions can be taken to pay business debts whereas a company has limited liability and personal possessions are safe (1).	**8**

Question	Answer	Marks
1(b)	**Consider <u>three</u> leadership styles that Benjy could use when managing BB. Which leadership style should Benjy use? Justify your answer.**	**12**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **two** or more leadership styles. Well-justified recommendation. Candidates discussing all three leadership styles in detail, in context and with a well-justified recommendation, including why the alternative styles were rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** leadership style. Judgement with some justification / some evaluation of choice made. Candidates discussing two or more leadership styles in detail and applying them to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the leadership styles with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining the three leadership styles in context should be rewarded with the top marks in the band.	1–4
0	No Creditable Response	0

Question	Answer	Marks
1(b)	Relevant points might include:	

Autocratic	• The manager expects to be in charge and have all employees follow orders – such as which **timber** should be used • Manager keeps himself separate from the **10 employees** • Communication is one-way with employees having no opportunity to comment or take part in any decisions about the **house building** which can be demotivating • Benjy will make all the decisions and keep information to himself – **2 unskilled employees** will need to be told what to do • Decision-making is quicker than a democratic leadership style
Democratic	• **8 skilled employees** will be motivated – gets employees involved in decision making – when asked what they think • Information about future plans of the **house business** may be shared with employees and discussed before the manager makes the final decision – employees may be more accepting of changes • Communication is both downward and upward allowing the experience of **8 skilled employees** to be considered by the manager, possibly leading to better decisions being made • Employees feel more involved in the business – employees less likely to leave – reducing recruitment costs • May be time-consuming to ask employees – reducing the work carried out by the **ten employees** • Unpopular decisions may need to be made and employee ideas may be ignored
Laissez-faire	• Main objectives of the **new business** may be shared with employees but then they are left to organise their own work and take decisions without any interference from the manager which can be motivating – they feel valued and trusted to take the decisions • Communication between the manager and the employees can be difficult as the manager has little involvement in the decisions being made • Employees can be creative with fresh ideas about how to **build houses** more quickly • Not suitable if a clear direction is needed and consistent approach to **building houses** of a certain specification

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Question	Answer	Marks
1(b)	**Recommendation** Justification might include: • Autocratic might be best so that Benjy gives clear instructions to be followed by his **10 employees**. They may not be all working together, and mistakes may be made if decisions are left to these ten people if laissez-faire is used. They will not have all the information about the business and what the future plans are which may make it more difficult for the 10 employees to make valid suggestions if democratic leadership style is used. • Democratic might be most suitable as there will be **10 employees** and Benjy may have a close working relationship with them so it will be easy to listen to their opinions before making a decision which will motivate his employees as they will feel valued. • Laissez-faire is suitable as each customer will have very different needs to be met and more creativity and problem solving may be achieved if the employees are able to make their own decisions when building these **specialist houses for people with disabilities** and the business will gain more customers.	

Question	Answer	Marks
2(a)	**Explain <u>four</u> methods of primary market research Benjy could use to find out if there is a demand for BB's services.** Award 1 mark for each method of primary research identified (max. 4). Award a maximum of one additional mark for **each** explanation of the method **applied to this context.** Relevant methods might include: • Postal questionnaire – a set of questions to be answered by sending them through the post to a sample of people to collect quantitative data and/or opinions on adaptations to the houses • Online survey – require a target sample of potential consumers that have physical difficulties to answer a series of questions over the internet • Interviews – ask individuals who have visual difficulties a series of questions, either face-to-face or over the telephone • Focus groups – a group of people who are representative of the target market are asked to discuss wheelchair access required • Observation – of people with mobility difficulties moving round a house that has not been adapted for people with disabilities to use For example: Postal questionnaire (1) is a set of questions to be answered by sending them through the post to a sample of people to collect opinions on the adaptations needed for houses (app). **Application** could include: house buildings; timber; metal roofs; visual difficulties; physical difficulties; wheelchair users; new business.	**8**

Question	Answer	Marks
2(b)	**Consider the following <u>three</u> pricing methods Benjy could use for BB's products. Which pricing method should be used? Justify your answer.** • **Cost-plus** • **Penetration** • **Skimming**	**12**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **two** or more pricing methods. Well-justified recommendation. Candidates discussing all three pricing methods in detail, in context and with a well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** pricing method. Judgement with some justification / some evaluation of choice made. Candidates discussing two or more pricing methods in detail and applying them to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the pricing methods with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining the three pricing methods in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

Question	Answer	Marks
2(b)	Relevant points might include:	

	Advantages	Disadvantages
Cost-plus	• Easy to apply. Can have different mark-up for different **houses** – depending on demand • Each **house** will make a profit for the business – as the different costs will be covered by the price charged	• The costs of building the **new house** may be high and so the price of the **house** may be too high to be competitive – losing customers • Time taken to research and calculate cost prices such as **timber and metal** – increases costs for BB • No incentive to reduce costs
Penetration pricing	• Lower price (than competitors) for each **house** attracts customers – increases sales • Helps to ensure a successful launch into a new market for **people with disabilities** • Market share should build up quickly	• Low price could mean low profit per **house** • **People with disabilities** who have yet to purchase a house may expect **house prices** to remain low and therefore not purchase a house when the price is increased later on
Skimming	• Customer may think the **house adapted for people with disabilities** is of high quality • High research and development costs for the **adaptations to the house** that are needed will quickly be recovered • The **house** will be unique so **customers with disabilities** may expect to pay high prices - leading to high profits before competitors enter the market	• High price may put off potential customers • The high **house price** and possible high profits may encourage competitors to quickly enter the market taking away BB's advantage of being first with the **newly designed houses to meet the needs of people with disabilities**

Question	Answer	Marks
2(b)	Recommen-dation Justification might include: • Cost-plus pricing should be used as each **house** will be different and use different amounts of materials to meet the individual needs of **customers with disabilities**. This ensures that a profit is made for each house built. Penetration pricing should not be used as there are **no competitors** in the market in country X so there is no need to lower the price to enter the market. Skimming should also not be used as Benjy will not want to make the maximum profit from **people with disabilities as his own son has disabilities**. • As the houses are a new design then penetration pricing should be used to get the **house builder** established in the market and become well-known. This will build a good reputation and help increase sales in the future. • Skimming should be used as a **specially designed house for people with disabilities** is a new idea and BB will be the first in the market so high prices should be charged to gain the most profit before competitors enter the market**.**	

Question	Answer	Marks
3(a)	**Explain <u>one</u> benefit and <u>one</u> limitation for BB of using job production.** Award 1 mark for each relevant benefit/limitation (max. 2). Award a maximum of 3 additional marks for **each** explanation of the benefit/limitation – **one of which must be applied to this context.** Relevant answers might include: Benefits might include: • Suitable for individually designed products where the product needs to meet the exact requirements of the customer – increases demand/sales • Higher employee motivation from more interesting work – the employees have more varied tasks – less likely to leave / lower labour turnover / higher productivity / efficiency • A high price may be charged – due to high-quality goods that meet customer demands – increased revenue Limitations might include: • Often requires skilled labour – higher wages paid – increased costs • Usually labour intensive – higher unit costs – higher prices charged to maintain profit margin • Takes longer to make the product – may delay the completion in making the product – reduces customer satisfaction/damages reputation • If errors are made, they are expensive to repair – as each product is individual • Small quantities of specific raw materials are required – raises costs as cannot bulk buy – leads to higher prices/lower profit margin For example: The employees are more motivated (1) as their jobs are more interesting for each house built (app) and they are less likely to leave to find another job (1) which prevents higher recruitment costs (1). **Application** could include: house buildings; timber; metal roofs; visual difficulties; physical difficulties; wheelchair users; new business.	**8**

Question	Answer	Marks
3(b)	**Using Appendix 2 and other information, consider the <u>two</u> options for BB's first house. Which house should Benjy choose to build? Justify your answer.**	**12**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **both** options. Well-justified recommendation. Candidates discussing both options in detail, in context and with a well-justified recommendation, including why the alternative option was rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** option. Judgement with some justification / some evaluation of choice made. Candidates discussing at least one option in detail and applying it to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the options with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining both options in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>House A</td><td>• The timber costs are lower at $10 000 rather than $20 000 for House B
• The total cost is lower at $63 000
• The profit margin is 10%
• The labour cost is $5000 lower than House B</td><td>• The profit is lower at $7000
• This house will not use all the capital invested – this could be put to better use in another house
• Fewer people have visual problems – 10% of the population with disabilities in country X – 1.25 million – so potentially much lower demand in the future relative to people with physical difficulties</td></tr>
<tr><td>House B</td><td>• The profit is higher at $10 000
• The profit margin is 9.1% (accept 9%)
• A larger percentage of the population have physical disabilities – at 30% of the population with disabilities – 3.75 million people – may be much higher future demand for this type of house
• If a popular design, then may increase its reputation in the future – increasing sales/revenue</td><td>• Labour costs are higher at $20 000 than $15 000 for House A
• The total cost is higher at $100 000
• The total cost is higher than the initial investment of $90 000 – will need to borrow the difference to build the house
• The cost of timber required is much higher than House A – may increase in price as the exchange rate has depreciated – costs may increase</td></tr>
<tr><td>Recommen-dation</td><td colspan="2">Justification could include:
• Build House A as this will mean lower total costs and Benjy will not need to take out a bank loan and have to pay interest. Whereas for House B BB will need to borrow as there is only an initial investment of $90 000 from the 3 partners who invested $30 000 each and this will increase expenses still further as interest will need to be paid.
• Build House B as this will give the higher profit of $10 000 which is $3000 more than House A. It is also the house style that has the most potential for future demand if people with disabilities visit it and want something similar.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
4(a)	**Using Appendix 3 and other information, explain <u>two</u> ways the depreciation in the exchange rate may affect BB.** Award 1 mark for each relevant way (max. 2). Award a maximum of 3 additional marks for **each** explanation of the way – **one of which must be applied to this context.** Relevant effects of the depreciation might include: • Higher cost of imported raw materials – possibly decreased profit margin/higher price which may discourage sales • Lower demand for BB products/houses – because higher price for imported consumer products so higher proportion of income spent on essential products – such as wheelchairs for people with physical difficulties – therefore less revenue for BB For example: Depreciation in the exchange rate will result in import prices rising (1) including imports of timber (app). This will increase the costs for BB (1) which will lead to higher prices and possibly lower demand/sales (1). **Application** could include: house buildings; timber; metal roofs; visual difficulties; physical difficulties; wheelchair users; imported food; manufactured goods.	**8**

Question	Answer	Marks
4(b)	**Consider the following <u>three</u> reasons why profit will be important to BB. Which reason is likely to be the most important? Justify your answer.** • **Reward for risk-taking** • **Source of finance** • **Way to measure the success of the business**	**12**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **two** or more reasons why profit is important. Well-justified conclusion. Candidates discussing all three reasons in detail, in context and with a well-justified conclusion, including why the other reasons were rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** reason. Judgement with some justification / some evaluation of choice made. Candidates discussing two or more reasons in detail and applying them to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the reasons with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining the three reasons in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

Question	Answer	Marks
4(b)	Relevant points might include:	

Reward for risk-taking	• Provides an incentive to Benjy, **his father and sister** for taking the risk of starting the business • Provides a return for the risk of losing the capital invested in the **house building business** – opportunity cost for alternative use of capital • Potential investors may judge whether profit is sufficient to be worth risking their capital – if not successful then may not be willing to invest
A source of finance	• Provides a source of funds for investment/purchase of non-current assets to help **build houses** – no interest charged on retained profit – no need for it to be paid back – lower cost for business due to no interest/expense paid • Less need for bank loans – less liability – less cash outflow to repay a loan
A way to measure the success of the business	• Can be compared to other similar **house building businesses** to judge which is most successful – if competitor is less successful then may take action to improve position • The **10 employees** may judge the success of the business and persuade BB to award a pay rise if there are large profits • May help make a decision whether to expand or contract the **house building business** – if profit is low then may indicate the business should change to doing something else/high profits may attract new investors
Conclusion	Justification might include: • The reward for risk-taking is the most important reason as without it then there is unlikely to be any investment to **build houses** for people with difficulties. There are alternative sources of finance such as a bank loan so this is less important, and success can be measured in other ways such as changes in revenue. • A source of finance is the most important reason because it reduces the need to borrow which keeps expenses down for the **new business**. • A way to measure success of the business that **builds houses** for people with difficulties is the most important as it may indicate that the business should change what it is doing and start producing something else that will yield a greater profit and is a better use for their investment.

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