



## Cambridge IGCSE™

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**BUSINESS STUDIES**

**0450/22**

Paper 2 Case Study

**October/November 2020**

MARK SCHEME

Maximum Mark: 80

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**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 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **15** printed pages.

**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.

Question	Answer	Marks
1(a)	<p><b>Explain <u>two</u> reasons why finance is needed by CC.</b></p> <p>Award 1 mark for each relevant reason (maximum of two):</p> <p>Relevant answers might include:</p> <ul style="list-style-type: none"> <li>• For the purchase of investment goods/capital/expansion of existing business (1) – e.g. buy equipment/machinery (1) – high amount of finance needed so may not all be from owners capital (1)</li> <li>• To provide working capital/pay expenses/fixed costs/variable costs/overheads/day-to-day expenses (1) – e.g. payment of wages/purchase of raw materials (1) – if not able to pay costs then output cannot be produced (1) &amp;/or - prevents cash flow problems/lack of liquidity (1)</li> <li>• Development of new product (1) – high cost of producing prototypes/cost of market research for new product (1) – outflow of cash with no inflow for a certain time (1)</li> <li>• Start up a new business (1) – needs to purchase equipment/raw materials (1) owner may lack sufficient capital (1) &amp;/or – may take time for sufficient cash to be built up in the business to pay for assets (1)</li> </ul> <p>Award a maximum of 3 additional marks for <b>each</b> explanation of the reason – <b>one of which must be applied to this context.</b></p> <p>For example:</p> <p>CC needed money when it started up (1) and each partner invested \$10 000 (app). This finance paid for training new employees, so they are effective at work (1) and for equipment to help the workers be efficient (1).</p> <p>Application could include: mobile phone covers; \$10 000 invested by each partner; bank loan of \$10 000; leased a factory; brother; two partners.</p>	8

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1(b)	<p><b>Explain the benefits and limitations of the following two ways of achieving quality production. Which way should CC use? Justify your answer.</b></p> <ul style="list-style-type: none"> <li>• <b>Quality control</b></li> <li>• <b>Quality assurance</b></li> </ul> <table border="1" data-bbox="308 483 1326 1787"> <thead> <tr> <th data-bbox="308 483 413 546">Level</th> <th data-bbox="413 483 1214 546">Description</th> <th data-bbox="1214 483 1326 546">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 546 413 913">3</td> <td data-bbox="413 546 1214 913"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>both</b> methods. Well-justified recommendation.</p> <p>Candidates discussing both methods in detail, in context and with well-justified recommendation, including why the alternative method was rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 546 1326 913">9–12</td> </tr> <tr> <td data-bbox="308 913 413 1317">2</td> <td data-bbox="413 913 1214 1317"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> method.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing at least one method in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 913 1326 1317">5–8</td> </tr> <tr> <td data-bbox="308 1317 413 1720">1</td> <td data-bbox="413 1317 1214 1720"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining both methods in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1317 1326 1720">1–4</td> </tr> <tr> <td data-bbox="308 1720 413 1787">0</td> <td data-bbox="413 1720 1214 1787">No creditable response.</td> <td data-bbox="1214 1720 1326 1787">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>both</b> methods. Well-justified recommendation.</p> <p>Candidates discussing both methods in detail, in context and with well-justified recommendation, including why the alternative method was rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> method.</p> <p>Judgement with some justification/some evaluation of choice made.</p> <p>Candidates discussing at least one method in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choice made.</p> <p>Candidates outlining both methods in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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Question	Answer			Marks
1(b)	Relevant points might include:			
		Advantages	Disadvantages	
	Quality control	<ul style="list-style-type: none"> <li>• Products checked at the end of the production line tries to eliminate faults and errors before the customer receives the <b>mobile phone cover</b></li> <li>• Less training is required for the <b>10 workers</b> as inspectors check the quality of the covers before they leave the factory</li> </ul>	<ul style="list-style-type: none"> <li>• It raises costs as inspectors need to be employed</li> <li>• Identifies faulty products at the end of the process but does not identify where the fault has occurred</li> <li>• If do not identify the fault, then it does not eliminate the faulty process</li> <li>• High costs if <b>phone covers</b> need to be scrapped</li> </ul>	
	Quality assurance	<ul style="list-style-type: none"> <li>• Products checked at every stage of the production process to try to eliminate faults or errors at each stage of production before passing to the next stage reducing faults at the end</li> <li>• Therefore there are fewer customer complaints of faulty <b>phone covers</b></li> <li>• Reduced costs if fewer <b>mobile covers</b> are scrapped</li> <li>• Can make workers feel trusted and may improve motivation</li> </ul>	<ul style="list-style-type: none"> <li>• Can be expensive to train employees to check the quality of their own work</li> <li>• The reliability of employees is important, and they need to be committed or quality assurance will not be effective</li> <li>• Takes longer to produce <b>phone covers</b> as each worker needs to do their own check for faults</li> </ul>	

Question	Answer		Marks
1(b)	Recommendation	Justification may include: <ul style="list-style-type: none"> <li>• If the process to produce a <b>mobile phone cover</b> is simple, then quality control may be most suitable as inspectors may just carry out a simple check at the end of the production line and the <b>10 production workers</b> do not need to be trained to check their own work, reducing training costs, which they would have to do if quality assurance was used.</li> <li>• Quality assurance is best because each stage of production can be checked so it is less likely for a faulty product to go to customers than if quality control is used. It keeps a good brand image for CC products. It will ensure faults do not need to be repaired, <b>reducing costs of faulty products being scrapped</b>. Also cost of employing inspectors is saved, which would have to be paid with quality control.</li> </ul>	

Question	Answer		Marks
2(a)	<p><b>Explain <u>two</u> possible reasons why Aisha set up CC as a business partnership.</b></p> <p>Award 1 mark for each relevant reason (maximum of two reasons).</p> <p>Relevant answers might include:</p> <ul style="list-style-type: none"> <li>• More capital can be raised - than if the business was a sole trader when only one person would be providing capital</li> <li>• Shared responsibilities of running the business – each partner can specialise in one aspect of the business where they have expertise</li> <li>• To share risks – if there are debts or losses these are shared between the partners</li> <li>• To share ideas/more ideas/help make decisions</li> <li>• To share the workload/cover when one partner takes holidays</li> </ul> <p>Award a maximum of 3 additional marks for <b>each</b> explanation of the reason – <b>one of which must be applied to this context.</b></p> <p>For example:</p> <p>Aisha can raise more capital (1) as she can also gain \$10000 from her brother (app). If CC was a sole trader then she would only have her own money which may not be sufficient (1) and additional capital will allow Aisha to invest in more equipment for the factory (1).</p> <p>Application could include: mobile phone covers; \$10000 invested by each partner; bank loan of \$10000; leased a factory when setting up; brother; always wanted to be her own boss; new business; Operations Manager.</p>		<b>8</b>

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2(b)	<p><b>Consider the advantages and disadvantages of the following <u>three</u> methods of employee selection. Which method should CC use when recruiting production workers? Justify your answer.</b></p> <ul style="list-style-type: none"> <li>• <b>Application form</b></li> <li>• <b>Interview</b></li> <li>• <b>Aptitude tests</b></li> </ul> <table border="1" data-bbox="304 521 1326 1823"> <thead> <tr> <th data-bbox="304 521 416 589">Level</th> <th data-bbox="416 521 1214 589">Description</th> <th data-bbox="1214 521 1326 589">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 589 416 954">3</td> <td data-bbox="416 589 1214 954"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of the <b>two</b> or more methods. Well-justified recommendation.</p> <p>Candidates discussing the three methods in detail, in context and with well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 589 1326 954">9–12</td> </tr> <tr> <td data-bbox="304 954 416 1357">2</td> <td data-bbox="416 954 1214 1357"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> method.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 954 1326 1357">5–8</td> </tr> <tr> <td data-bbox="304 1357 416 1760">1</td> <td data-bbox="416 1357 1214 1760"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining the three methods in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1357 1326 1760">1–4</td> </tr> <tr> <td data-bbox="304 1760 416 1823">0</td> <td data-bbox="416 1760 1214 1823">No creditable response.</td> <td data-bbox="1214 1760 1326 1823">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of the <b>two</b> or more methods. Well-justified recommendation.</p> <p>Candidates discussing the three methods in detail, in context and with well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> method.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining the three methods in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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3(a)	<p><b>Explain <u>two</u> reasons why a new business is at a greater risk of failing than an established business.</b></p> <p>Award 1 mark for each relevant reason (maximum of two reasons).</p> <p>Relevant answers might include:</p> <ul style="list-style-type: none"> <li>• Lacks finance – liquidity/cash flow problems</li> <li>• Poor planning - lack of experience - may not have a business plan - may lack management skills – lacks efficiency</li> <li>• Inadequate research – no effective market research – not identified customer needs - lack of demand</li> <li>• Difficulties of breaking into a new market - does not have brand loyalty/there is high competition in the market</li> <li>• Difficulty competing with larger established firms in the market – as cannot benefit from economies of scale</li> <li>• Overexpansion – tries to grow too quickly at the start – objectives too ambitious when lack of experience in running the business</li> <li>• Unable to respond quickly enough to changes in the external influences – lack of financial reserves – e.g. not responding to shift to online sales</li> </ul> <p>Award a maximum of 3 additional marks for <b>each</b> explanation of the reason.</p> <p>For example:            Inadequate research (1) as a business might not have carried out accurate market research and felt that their products will be in demand (1) but if the products are not popular it will lead to fewer products being sold (1) resulting in lower revenue and possible business failure if costs cannot be covered (1).</p>	<b>8</b>

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3(b)	<p><b>Consider the following <u>three</u> elements of a suitable marketing mix for CC's new range of personalised mobile phone covers. Justify which element is the most important.</b></p> <ul style="list-style-type: none"> <li>• <b>Pricing method</b></li> <li>• <b>Method of promotion</b></li> <li>• <b>Place – distribution channel</b></li> </ul> <table border="1" data-bbox="304 521 1326 1960"> <thead> <tr> <th data-bbox="304 521 413 584">Level</th> <th data-bbox="413 521 1214 584">Description</th> <th data-bbox="1214 521 1326 584">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 584 413 1021">3</td> <td data-bbox="413 584 1214 1021"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more elements.</p> <p>Well-justified conclusion of the most important element of the marketing mix.</p> <p>Candidates discussing three elements of the marketing mix in detail, in context and with well-justified conclusion, including why the alternative elements were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 584 1326 1021">9–12</td> </tr> <tr> <td data-bbox="304 1021 413 1458">2</td> <td data-bbox="413 1021 1214 1458"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> element of the marketing mix.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more elements of the marketing mix in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1021 1326 1458">5–8</td> </tr> <tr> <td data-bbox="304 1458 413 1895">1</td> <td data-bbox="413 1458 1214 1895"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the elements of the marketing mix with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining three elements of the marketing mix in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1458 1326 1895">1–4</td> </tr> <tr> <td data-bbox="304 1895 413 1960">0</td> <td data-bbox="413 1895 1214 1960">No creditable response.</td> <td data-bbox="1214 1895 1326 1960">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more elements.</p> <p>Well-justified conclusion of the most important element of the marketing mix.</p> <p>Candidates discussing three elements of the marketing mix in detail, in context and with well-justified conclusion, including why the alternative elements were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> element of the marketing mix.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more elements of the marketing mix in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the elements of the marketing mix with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining three elements of the marketing mix in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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4(a)	<p><b>Using the data in Appendix 3, calculate the following ratios for CC:</b></p> <ul style="list-style-type: none"> <li>• <b>Gross profit margin</b></li> <li>• <b>Profit margin</b></li> <li>• <b>Current ratio</b></li> <li>• <b>Acid test ratio</b></li> </ul> <p><b>Show your workings.</b></p> <p>Award 1 mark for each correct formula (maximum of four)</p> <p>gross profit/revenue <math>\times</math> 100 (1)  profit/revenue <math>\times</math> 100 (1)  current assets/current liabilities (1)  current assets – inventory/current liabilities (1)</p> <p>OR</p> <p>1 mark for use of correct formula + 1 mark for correct answer (4 <math>\times</math> 2 marks)  <math>\\$400\,000/\\$800\,000 \times 100</math> (1) = 50% (1)  <math>\\$150\,000/\\$800\,000 \times 100</math> (1) = 18.75% (1)  <math>\\$20\,000/\\$15\,000</math> (1) = 1.33 or 4:3 (1)  <math>\\$15\,000/\\$15\,000</math> (1) = 1 (1)</p>	8

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4(b)	<p><b>Consider how the changes in the following <u>three</u> government legal controls could affect CC. Which change is likely to have the greatest effect on profit? Justify your answer.</b></p> <ul style="list-style-type: none"> <li>• <b>Increase in the minimum wage</b></li> <li>• <b>More controls over what can be stated in advertisements</b></li> <li>• <b>No waste plastic can be sent to landfill sites</b></li> </ul> <table border="1" data-bbox="304 521 1326 1823"> <thead> <tr> <th data-bbox="304 521 416 586">Level</th> <th data-bbox="416 521 1214 586">Description</th> <th data-bbox="1214 521 1326 586">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 586 416 954">3</td> <td data-bbox="416 586 1214 954"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more changes. Well-justified conclusion.</p> <p>Candidates discussing all three changes in detail, in context and with well-justified conclusion, including why the alternative changes were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 586 1326 954">9–12</td> </tr> <tr> <td data-bbox="304 954 416 1357">2</td> <td data-bbox="416 954 1214 1357"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> change.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more changes in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 954 1326 1357">5–8</td> </tr> <tr> <td data-bbox="304 1357 416 1760">1</td> <td data-bbox="416 1357 1214 1760"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the changes with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining the three changes in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1357 1326 1760">1–4</td> </tr> <tr> <td data-bbox="304 1760 416 1823">0</td> <td data-bbox="416 1760 1214 1823">No creditable response.</td> <td data-bbox="1214 1760 1326 1823">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>two</b> or more changes. Well-justified conclusion.</p> <p>Candidates discussing all three changes in detail, in context and with well-justified conclusion, including why the alternative changes were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least <b>one</b> change.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more changes in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the changes with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining the three changes in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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