

# IGCSE 0450 SYLLABUS

FOR CAMBRIDGE 2021 AND ONWARD EXAMS

# BUSINESS STUDIES

## TOPICAL PAPER & WITH MARK SCHEME 201( – 20&\$

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# TOPIC 1: UNDERSTANDING BUSINESS ACTIVITY

## 1.1: Business Activity

### Question 1 (Case Study 19)

0450/21/O/N/16/Q4 (a)

Identify and explain **two** reasons why added value is important to P & P.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [8]



**Question 2 (Case Study 26)**

**0450/21/O/N/17/Q2 (a)**

Identify and explain **two** ways GS can increase added value.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [8]



**Mark Scheme 1**

Knowledge [2 x1] – award one mark for each relevant reason

Analysis [2 x1] – award one mark for a relevant explanation for each reason

Application [2 x2] – award two application marks for each reason

**Relevant points might include:**

Award one mark for each reason (maximum of two), such as:

- Allows costs to be paid
- Ensures a profit is made
- Prices could be increased

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the reason why added value is important.

Indicative response:

Allows costs to be paid (k) as wages and other factory costs are paid out of the revenue from sales of paint (ap) and the price of paint is higher than the total costs of producing it (ap). This means that P & P will make a profit (an).

Possible application marks: paint manufacturer; large limited company; imports raw materials; makes tins (cans) of paint; sells to large retailers; uses batch production; 150 production workers; new waterproof paint; target market professional painters; new paint for outside of houses; start exporting paint in 2018; increase in imports of paint.

There may be other examples in context which have not been included here.

**Mark Scheme 2**

Knowledge [2 x 1] – award one mark for each way

Analysis [2 x 1] – award one mark for a relevant explanation of each way

Application [2 x 2] – award two application marks for each way

Award one mark for each way (maximum of two).

- Increase price (1) – explained why/how prices can be increased (1) such as:
  - improve quality of products such as plant pot containers
  - improve reputation
  - establish brand image
  - improve product features such as excellent customer service
- Reduce raw material costs (1) explanation of how these can be reduced (1) such as:
  - buy cheaper sources of flowers / find cheaper suppliers
  - lower the quality of inputs such as cheaper seeds
  - reduce the amount of inputs needed, e.g. less fertiliser

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the way.

Indicative response:

Reduce raw material costs (k) such as buy cheaper seeds and fertilizer (ap). GS could change to a cheaper supplier of flowers, plants and trees. (ap) This will increase the gap between price and input costs and therefore increase added value. (an)

Possible application marks: Partnership; set-up last year; set up by 2 brothers; grows plants and trees; partners invested \$5000 each; looks after the gardens of luxury hotels; holds high level of inventory; information on the three sites in the case; information from Appendix 1; information from Appendix 2; information from Appendix 3; gardeners maintaining a good reputation for the business.

There may be other examples in context that have not been included here.





# TOPIC 1: UNDERSTANDING BUSINESS ACTIVITY

## 1.2: Classification of Businesses

### Question 1 (Case Study 04)

0450/22/M/J/14/Q3 (a)

Identify and explain **two** reasons why many Governments help small businesses such as Manuel's.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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**Question 2 (Case Study 05)**

**0450/23/M/J/14/Q5 (a)**

Governments often want to encourage the growth of small businesses. Identify and explain **two** reasons why the Government would want to help small businesses like Selina's.

Reason 1: .....

Explanation: .....

Reason 2: .....

Explanation: .....

[8]

**Question 3 (Case Study 06)**

**0450/21/O/N/14/Q2 (a)**

Banking is a tertiary sector business. Identify **four** other types of tertiary sector businesses that PB Bank might use and explain what services they offer to PB Bank.

Type of tertiary sector business: .....

Explanation: .....





Type of tertiary sector business: .....

Explanation: .....

.....

.....

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Type of tertiary sector business: .....

Explanation: .....

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Type of tertiary sector business: .....

Explanation: .....

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..... [8]

**Question 4 (Case Study 07) 0450/22/O/N/14/Q5 (a)**

Refer to Appendix 2.

(i) Identify and explain **one** effect on businesses in country Z of changes in the agricultural sector.

Effect: .....

.....

Explanation: .....

.....

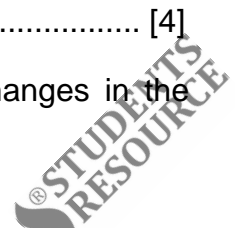
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..... [4]

(ii) Identify and explain **one** effect on businesses in country Z of changes in the secondary sector.



Effect: .....

Explanation: .....

[4]

**Question 5 (Case Study 08)**

**0450/22/F/M/15/Q1 (a)**

Identify and explain **two** ways that LH could increase the added value of its products.

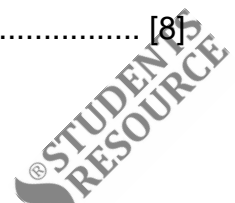
Way 1: .....

Explanation: .....

Way 2: .....

Explanation: .....

[8]



**Question 6 (Case Study 25) 0450/23/M/J/17/Q1 (a)**

Identify and explain two types of tertiary businesses which provide services that SC is likely to use.

Type 1: .....

Explanation: .....

Type 2: .....

Explanation: .....

[8]

**Question 7 (Case Study 35) 0450/23/O/N/18/Q4 (a)**

Harry and Fred have produced a business plan for the expansion of HH. Identify and explain two contents of a business plan that Harry and Fred could find useful as HH expands.

Business plan – Content 1: .....

Explanation: .....



.....  
.....  
.....

Business plan – Content 2: .....

Explanation: .....

..... [8]

**Question 8 (Case Study 36) 0450/22/F/M/19/Q1 (a)**

Identify and explain two ways a business plan could help Peter when expanding his business.

Way 1: .....

Explanation: .....

Way 2: .....

Explanation: .....



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..... [8]

**Question 9 (Case Study 37)**

**0450/22/M/J/19/Q2 (a)**

Identify and explain two examples of tertiary sector businesses that help WA to be successful.

Example 1: .....  
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Explanation: .....  
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Example 2: .....  
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Explanation: .....  
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..... [8]



**Question 10 (Case Study 38)**

**0450/23/M/J/19/Q1 (a)**

Identify and explain two reasons why the Government helped Peter start up his new business.

Reason 1: .....

.....

Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [8]



**Mark Scheme 1****Content:**

- To increase employment
- To increase economic growth / local economy
- Small businesses may grow into large businesses
- Increased competition
- To help them survive

1 mark for each reason identified (2 marks maximum). Up to three further marks are available for explaining the reason.

1 knowledge mark + up to 3 explanation marks (4 marks × 2 reasons)

Simple explanation: To raise employment levels (1 mark for knowledge)

Developed Explanation: To raise employment levels (1) as small businesses will employ many workers in their shops and factories and so reduce unemployment (2). Without government help, businesses like Manuel's fruit and vegetable shop may not open and therefore these workers would not have a job (3). This may reduce benefit payments or increase tax for the government (4).

**Mark Scheme 2****Content:**

- To increase employment
- To increase economic growth
- Small businesses may grow into large businesses

1 knowledge mark + up to 3 explanation marks for each reason (4 marks × 2 reasons)

Simple explanation: To raise employment levels (1 mark for knowledge)

Developed explanation: To raise employment levels (1) as small businesses will employ many workers in their shops and factories and so reduce unemployment (2). Without government help, businesses like Selina's jewellery shop may not open and therefore these workers would not have a job (3). This may reduce benefit payments or increase income tax for the government (4).

**Mark Scheme 3****Content:**

- Insurance
- Telephone communication
- Internet provider
- Advertising agency
- Training provider
- Recruitment agency
- Security
- Communication
- Accountants.

**N.B. the service must be used by the bank directly.**

The marks available for this question are as follows: 4 marks for knowledge and 4 marks for explanation/analysis.

1 mark for each example of a tertiary sector service identified (4 marks max). One further mark is available for explaining how the service will be helpful to the bank. (2)

1 knowledge mark plus 1 explanation mark (2 marks × 4 services)

Service: Insurance (1 mark for knowledge)

Explanation: Insurance (1) provides businesses with protection against risks such as theft or damage to branch premises.



**Mark Scheme 4****Content:****(i)**

- More labour available for other sectors
- Less agricultural output and other raw materials e.g. rubber
- More import of food products
- Rising food prices
- Increased demand for higher wages due to rising food prices.

**(ii)**

- More manufacturing output
- Wages rising in secondary sector jobs
- Increased customers from restaurants or hotels
- More domestic products available
- Increased exports.

The marks available for this question are as follows: 2 marks for knowledge and 6 marks for explanation/analysis.

1 mark for each effect identified – 1 mark for recognising the change in the figures – Up to 2 further marks are available for explaining the effect on businesses in Country Z.

1 knowledge mark + up to 3 explanation marks (4 marks × 2)

Effect: More labour available for other sectors (1 mark for knowledge).  
 Developed explanation: More labour available for other sectors (1) because workers leave the farms and move to the cities in search of work (2). ACE could find it easier to recruit workers to work in its factory making ovens (3). Output and exports of manufactured products are likely to increase in Country Z (4).

**Mark Scheme 5**

Knowledge [2 × 1] – award one mark for each relevant way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

**Relevant points might include:**

Award one mark for each relevant way (maximum of two), such as:

- Increase the price of the product
- Reduce the cost of raw materials

Award up to two additional marks for application plus one additional mark for explanation of each of these ways.

Indicative response:

Reduce the cost of raw materials [k] as Vijay can buy metal or wire for a cheaper price [app] and then the difference between the cost price and selling price will be higher [an]. This will mean that the added value for each lamp will be higher [app]

Possible application marks: partnership; three brothers; lamps; products sold for high prices; high quality products; manufacturing cost; distributed through independent retail shops; purchased by home owners and hotels; e-commerce; building good customer relationships; unskilled workers; labour-intensive; wire, cloth and wood.

There may be other examples in context which have not been included here.





**Mark Scheme 6**

Knowledge [2 × 1] – award one mark for each relevant type of tertiary business

Analysis [2 × 1] – award one mark for a relevant explanation for each type of tertiary business

Application [2 × 2] – award two application marks for each type of tertiary business

Award one mark for each relevant example of a tertiary business (maximum of two), such as:

- Bank
- Telephone company
- Insurance company
- Car showrooms/garage
- Railway
- Advertising agency

Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of each type of tertiary business.

Indicative response:

An advertising agency (k) might be used to produce an advert for the cars (app).

The agency will employ experts in advertising and they will be able to produce a much more effective advert than if SC tried to do this themselves (an). This will help SC to expand the business and increase the sales of its cars abroad (app).

Possible application marks:

Public limited company; producing cars; 25 years in country M; uses flow production; modern technology such as robots; good reputation important; technology keeps business efficient and competitive; 300 workers on production line; want to expand; starting to export cars to nearby countries.

There may be other examples in context that have not been included here.

**Mark Scheme 7**

Knowledge [2 × 1] award one mark per content

Analysis [2 × 1] award one mark for each content explained

Application [2 × 2] award two application marks for each content

Award one mark for each content (maximum of two), such as:

- Description of the business
- Aims and objectives
- Products and services
- The market
- Location and methods of distribution
- Organisational structure and management
- Financial information
- Business strategy or summary.

Award a maximum of three additional marks for **each** explanation of the content – **two of which must be applied to this context**.

Indicative response: The market is outlined (k) that the business is targeting which is a niche tourist market (ap). By identifying the target market the marketing mix is more likely to be effective (an) this will mean Harry will advertise in places that tourists are likely to see the adverts such as tourist hotels where potential customers could pick up leaflets about the helicopter flights (ap).

**Possible application marks:** private limited company set up 10 years ago, helicopter, flights, target niche tourist market, high prices charged as few competitors, cost of small helicopter \$2.4m, larger helicopter \$5.5m, brothers, need a bank loan. There may be other examples in context that have not been included here.



**Mark Scheme 8**

Knowledge [2 × 1] – award one mark for each way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

Answers are likely to include:

- To obtain a bank loan – show the bank manager so more likely to be given the loan
- To plan the strategy for the new business – reduces risk of failure
- To help to set a budget/see if he can afford to expand
- To help identify the best location/premises
- To identify the HR requirements/number of staff needed/skills required
- To set aims/objectives/targets for the business
- To help analyse the market/demand for the new restaurant/marketing mix for the new business
- Break-even
- Accounting information – cash flow forecast/Income statement/Statement of financial position
- Sources of finance
- Resources/capital equipment

Award a maximum of three additional marks for **each** explanation of the way – **2 of which must be applied to this context.**

Indicative response:

Helps to gain a bank loan (k) as Peter can show the manager his business plan for the new restaurant and takeaway business (ap). This means that it will be easier to gain a loan as it will show the cash flow forecast and forecast profits for the new business (an). This will convince the bank manager that Peter has researched and planned out the new business so it will be as successful as the other 5 restaurants (ap).

Possible application marks:

restaurant business; 5 restaurants; set up 10 years earlier; takeaway service; well known for good quality food; \$150 000; chefs; delivery drivers; kitchen assistants; waiters; meals; different target market of low income groups; to buy buildings; new technology available with Apps on mobile phones to order food.

There may be other examples in context that have not been included here.

**Mark Scheme 9**

Knowledge – award one mark for identifying an example of a tertiary sector business

**[2 × 1 marks]**

Analysis– award one mark for a relevant explanation of how the tertiary sector business helps WA be successful

**[2 × 1 marks]**

Application – award two application marks for explaining in context how the tertiary sector business helps WA to be successful

**[2 × 2 marks]**

Answers are likely to include:

- Bank
- Insurance
- Advertising agency
- Transport services
- Communication e.g. mobile phone networks, internet providers
- IT services
- Retailer / wholesaler e.g. furniture retailer
- Training companies

Indicative response:

Transport services (k) that delivers furniture to customers (ap). This saves WA having to purchase its own vehicles to deliver tables and chairs (ap) and so saves WA the expense of delivery vehicles when they would not be used all the time (an).

Possible application marks:

Family owned ltd; small business; started 10 years ago; furniture; wood from sustainable forests; new fashionable designs each year; individually designed furniture produced; chairs / tables; reduced profit in 2018.

There may be other examples in context that have not been included here.

### Mark Scheme 10

Knowledge [2 × 1] Award one mark for each relevant reason

Analysis [2 × 1] Award one mark for an explanation of each reason

Application [2 × 2] Award two application marks for each reason

Answers are likely to include:

- To increase employment/reduce unemployment – often in particular areas
- To increase economic growth – generate income and tax revenue
- To increase competitiveness – particularly in markets where there are few businesses competing

Indicative response:

To increase employment (k) as Peter will need to employ other workers to convert vans (ap). By giving Peter a grant to start his own business (ap) this will reduce unemployment in the area and increase incomes (an).

Possible application marks:

Motorhome; van conversion; changes vans and large cars; sole trader business; started 2 years ago; plans to expand by offering additional services; needs 3 new skilled and experienced workers; the business Peter worked for failed.

There may be other examples in context that have not been included here.





# TOPIC 1: UNDERSTANDING BUSINESS ACTIVITY

## 1.3: Enterprise, Business Growth and Size

### Question 1 (Case Study 06) 0450/21/O/N/14/Q5 (b)

Consider the advantages and disadvantages to PB Bank of taking over DOTT Bank. Recommend whether PB should take over DOTT Bank. Justify your answer by using appropriate calculations based on the data in Appendix 2.

Advantages: .....

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Disadvantages: .....

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Recommendation: .....

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..... [12]

**Question 2 (Case Study 09) 0450/21/M/J/15/Q1 (a)**

Identify and explain **two** characteristics David needs to be a successful entrepreneur.

Characteristic 1: .....  
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Explanation: .....  
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Characteristic 2: .....  
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Explanation: .....  
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..... [8]



**Question 3 (Case Study 10)**

**0450/22/M/J/15/Q1 (a)**

Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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**Question 4 (Case Study 13)**

**0450/22/O/N/15/Q1 (a)**

RRM is a small business. Identify and explain **two** reasons why RRM might remain small.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [8]

**Question 5 (Case Study 14)**

**0450/23/O/N/15/Q4 (a)**

Identify and explain two possible reasons why TP could fail.

Reason 1: .....

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Explanation: .....

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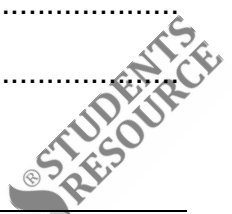


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Reason 2: .....  
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Explanation: .....  
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..... [8]

**Question 6 (Case Study 21) 0450/23/O/N/16/Q1 (a)**

Identify and explain two possible reasons why Bethany wants the business to remain small.

Reason 1: .....  
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Explanation: .....  
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Reason 2: .....  
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Explanation: .....  
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..... [8]

**Question 7 (Case Study 22) 0450/22/F/M/17/Q2 (b)**

Consider the advantages and disadvantages of the two options for BB to expand the business. Recommend the best option to choose. Justify your answer.

Option A: .....

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Option B: .....

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Recommendation: .....

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