



BUSINESS AND MANAGEMENT

9771/01

Paper 1 Business Concepts

May/June 2019

MARK SCHEME

Maximum Mark: 100

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.

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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.

Question	Answer	Marks
1	A	1
2	B	1
3	A	1
4	D	1
5	A	1
6	B	1
7	B	1
8	C	1
9	C	1
10	C	1
11	C	1
12	D	1
13	B	1
14	B	1
15	A	1
16	A	1
17	B	1
18	C	1
19	D	1
20	C	1

Question	Answer	Marks									
21(a)(i)	<p>Refer to Figure 1</p> <p>Calculate the free float on activity G</p> <p>Free float = EST (next activity) – duration – EST (this activity) (1 mark)</p> <p>= 8 – 2 – 3 = 3 months (2 marks)</p>	2									
21(a)(ii)	<p>Calculate the total float on activity E</p> <p>Total float = LFT – duration – EST (1 mark)</p> <p>= 12 – 2 – 1 = 9 months (2 marks)</p>	2									
21(b)	<p>Assess the importance to AC of using CPA for this project</p> <table border="1" data-bbox="316 779 1313 1144"> <thead> <tr> <th data-bbox="316 779 443 844">Level</th> <th data-bbox="443 779 842 844">Analysis 3 marks</th> <th data-bbox="842 779 1313 844">Evaluation 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 844 443 1010">2</td> <td data-bbox="443 844 842 1010">3 marks Relevant reasoning or theory used to explain answer</td> <td data-bbox="842 844 1313 1010">3 marks Good judgement shown plus overall conclusion/judgement</td> </tr> <tr> <td data-bbox="316 1010 443 1144">1</td> <td data-bbox="443 1010 842 1144">2–1 marks Limited reasoning shown</td> <td data-bbox="842 1010 1313 1144">2–1 marks Limited evaluation or judgement</td> </tr> </tbody> </table> <p><i>Answers could include:</i></p> <p>Analysis:</p> <ul data-bbox="320 1283 1313 1624" style="list-style-type: none"> • Project should be completed in 18 months (Jan. 2021) and the network diagram and CPA will be important to assist with the allocation of resources to try to ensure this deadline is reached • Major project with many consecutive and simultaneous activities (and this is the simplified version) so the network helps identify these • AC has not undertaken leisure site construction before so forward planning even more important e.g. ensuring correct resources and labour skills are available when required. • Float times can be used to reallocate resources or to take more time on an activity and save costs e.g. no overtime required. <p>Evaluation:</p> <ul data-bbox="320 1659 1313 1899" style="list-style-type: none"> • How reliable are the time estimates – especially as the leisure site is a new venture for the business? • Are site managers skilled in operating this form of planning? • The technique cannot guarantee successful completion of the project on time – much also depends on external factors (although CPA can allow some adjustments in allocation of resources to allow for these) and the competence of the operations management team. 	Level	Analysis 3 marks	Evaluation 3 marks	2	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/judgement	1	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement	6
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22	<p>Recommend an appropriate organisation structure for AC to achieve the CEO’s objectives. Justify your recommendation.</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> Chain of command/level of hierarchy/span of control/delegation – either definitions or implied understanding of these and other organisation structure concepts. <p>Application:</p> <ul style="list-style-type: none"> Chain of command might be too long if communication is poor Should business use centralised or decentralised structure for the UK/Europe divisions? Is there scope to delayer this organisation which might have increased the its chain of command after the merger Is there scope to widen span of control to increase delegation and sense of individual authority e.g. to manage the leisure complex project in Spain. <p>Analysis:</p> <ul style="list-style-type: none"> Centralisation might make for quicker decisions but will they be well matched to local conditions now that the expanded business has operations in more than one country? Decentralisation could increase authority to managers in the regions/divisions of the business – but would this be at the expense of coordination? Delaying widens span of control – are managers who are left able/prepared to accept more authority? <p>Evaluation:</p> <ul style="list-style-type: none"> A recommendation rooted in the concepts of organisational structure needed e.g. a wide structure with centralised decision making to allow rapid and coordinated decisions between the two divisions (other suggestions possible including support for a matrix structure) <table border="1" data-bbox="316 1339 1313 1937"> <thead> <tr> <th>Level</th> <th>Knowledge 2 marks</th> <th>Application 2 marks</th> <th>Analysis 3 marks</th> <th>Evaluation 3 marks</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>2 marks Good knowledge shown</td> <td>2 marks Points made well applied to case</td> <td>3 marks Relevant reasoning or theory used to explain answer</td> <td>3 marks Good judgement shown plus overall conclusion/judgement</td> </tr> <tr> <td>1</td> <td>1 mark Some knowledge shown</td> <td>1 mark Some application of points to case</td> <td>2–1 marks Limited reasoning shown</td> <td>2–1 marks Limited evaluation or judgement</td> </tr> <tr> <td>0</td> <td colspan="4">0 marks: No rewardable content</td> </tr> </tbody> </table>				Level	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks	2	2 marks Good knowledge shown	2 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/judgement	1	1 mark Some knowledge shown	1 mark Some application of points to case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement	0	0 marks: No rewardable content				10
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23	<p>Evaluate whether Ben’s break-even analysis will provide sufficient data for AC’s directors to decide what to do with the vacant development site in Liverpool</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> • BE shows profit/loss at different output/sales levels; safety margin; can be adjusted with new data e.g. lower prices; can be based on graph/chart or calculations <p>Application:</p> <ul style="list-style-type: none"> • Based on Ben’s own data • Needs accurate fixed costs (e.g. site costs) and variable costs (e.g. construction materials and labour) • Assumptions needed about the price of units once constructed. <p>Analysis:</p> <ul style="list-style-type: none"> • BE shows the intersection of total costs and revenue – and units sold after this earn an overall profit • Variations in the data can have a significant impact on ‘results’ • Safety margin indicates the degree of risk of either option if sales fell below forecast <p>Evaluation:</p> <ul style="list-style-type: none"> • Likely to be insufficient to base such an important decision. • What market research has been undertaken? This is an unknown factor. • Investment appraisal could be used too. • Ben might have biased the data if his personal preference was for one option over the other. <table border="1" data-bbox="316 1211 1313 1839"> <thead> <tr> <th data-bbox="316 1211 448 1308">Level</th> <th data-bbox="448 1211 663 1308">Knowledge 2 marks</th> <th data-bbox="663 1211 879 1308">Application 2 marks</th> <th data-bbox="879 1211 1094 1308">Analysis 3 marks</th> <th data-bbox="1094 1211 1313 1308">Evaluation 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 1308 448 1576">2</td> <td data-bbox="448 1308 663 1576">2 marks Good knowledge shown</td> <td data-bbox="663 1308 879 1576">2 marks Points made well applied to case</td> <td data-bbox="879 1308 1094 1576">3 marks Relevant reasoning or theory used to explain answer</td> <td data-bbox="1094 1308 1313 1576">3 marks Good judgement shown plus overall conclusion/judgement</td> </tr> <tr> <td data-bbox="316 1576 448 1778">1</td> <td data-bbox="448 1576 663 1778">1 mark Some knowledge shown</td> <td data-bbox="663 1576 879 1778">1 mark Some application of points to case</td> <td data-bbox="879 1576 1094 1778">2–1 marks Limited reasoning shown</td> <td data-bbox="1094 1576 1313 1778">2–1 marks Limited evaluation or judgement</td> </tr> <tr> <td data-bbox="316 1778 448 1839">0</td> <td colspan="4" data-bbox="448 1778 1313 1839">0 marks: No rewardable content</td> </tr> </tbody> </table>				Level	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks	2	2 marks Good knowledge shown	2 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/judgement	1	1 mark Some knowledge shown	1 mark Some application of points to case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement	0	0 marks: No rewardable content				10
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24	<p>Evaluate the most suitable pricing strategy for the luxury apartments in South London</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> • Pricing strategies include cost based, market based and competition based. • Application: • Cost based mark-up pricing currently used – is the mark-up too high given current market conditions? • Low sales – due to high price? • Current demand factors might require lower price • Luxury flats – need to maintain ‘exclusive’ image? <p>Analysis:</p> <ul style="list-style-type: none"> • Market based pricing likely to result in lower price – given the unfavourable market conditions; • Impact on sales and revenue will depend on PED • Lower prices might increase sales but lower profit margin/overall profit from the development • Analysis of other pricing strategies acceptable. <p>Evaluation:</p> <ul style="list-style-type: none"> • How long is AC prepared/able to wait to sell apartments at current price? • Cash flow shortage might necessitate market-based price e.g. discounts or other cost-based method e.g. contribution pricing. • Price discrimination might work if buyers can be ‘kept apart’ – but ‘luxury’ image should not be put at risk <table border="1" data-bbox="316 1211 1299 1845"> <thead> <tr> <th data-bbox="316 1211 445 1312">Level</th> <th data-bbox="445 1211 660 1312">Knowledge 2 marks</th> <th data-bbox="660 1211 873 1312">Application 2 marks</th> <th data-bbox="873 1211 1085 1312">Analysis 3 marks</th> <th data-bbox="1085 1211 1299 1312">Evaluation 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 1312 445 1581">2</td> <td data-bbox="445 1312 660 1581">2 marks Good knowledge shown</td> <td data-bbox="660 1312 873 1581">2 marks Points made well applied to case</td> <td data-bbox="873 1312 1085 1581">3 marks Relevant reasoning or theory used to explain answer</td> <td data-bbox="1085 1312 1299 1581">3 marks Good judgement shown plus overall conclusion/judgement</td> </tr> <tr> <td data-bbox="316 1581 445 1778">1</td> <td data-bbox="445 1581 660 1778">1 mark Some knowledge shown</td> <td data-bbox="660 1581 873 1778">1 mark Some application of points to case</td> <td data-bbox="873 1581 1085 1778">2–1 marks Limited reasoning shown</td> <td data-bbox="1085 1581 1299 1778">2–1 marks Limited evaluation or judgement</td> </tr> <tr> <td data-bbox="316 1778 445 1845">0</td> <td colspan="4" data-bbox="445 1778 1299 1845">0 marks: No rewardable content</td> </tr> </tbody> </table>	Level	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks	2	2 marks Good knowledge shown	2 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/judgement	1	1 mark Some knowledge shown	1 mark Some application of points to case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement	0	0 marks: No rewardable content				[10]
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Question	Answer	Marks
25	<p>‘Do not compromise on product quality and your customers will not negotiate on price.’ (CEO of international cosmetics company)</p> <p>To what extent do you agree with this view?</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> • Quality is based on meeting customer expectations – not necessarily ‘100% perfect’. • If buyer power is strong then price negotiations could occur • Quality can help establish brand image and loyalty <p>Application:</p> <ul style="list-style-type: none"> • Possible to apply this to both manufacturing and service sector businesses • Candidates may refer to cosmetic industry – does this view apply particularly in this industry? • In which business contexts are buyers/customers most likely to want to ‘negotiate the price’? <p>Analysis:</p> <ul style="list-style-type: none"> • Competitive rivalry might make ‘price negotiations’ more likely; • Quality is now expected e.g. improved reliability, by consumers with the use of modern production technique • Poor quality service might lead to requests for price reductions e.g. hotel/restaurant. <p>Evaluation:</p> <ul style="list-style-type: none"> • If business has USP and/or is a monopolist then customers might be less likely to ask for price reductions • Poor quality damages CRM and lowers sales/revenue in future – business may offer price reductions to try to compensate for poor perceived quality • Low priced products not necessarily of ‘poor quality’ if they meet customers’ expectations. 	[40]

Question	Answer				Marks	
25	Level	Knowledge 6 marks AO1	Application 8 marks AO2	Analysis 13 marks AO3	Evaluation 13 marks AO4	
	3		8–7 marks Excellent application of most points to selected businesses	13–9 marks Extensive reasoning and use of theory to explain arguments	13–9 marks Extensive judgement in answer and conclusion	
	2	6–4 marks Good knowledge shown	6–4 marks Points well applied to selected businesses	8–5 marks Good reasoning/use of theory to explain answer	8–5 marks Good judgement shown in answer and conclusion or excellent judgement in answer or conclusion	
	1	3–1 marks Some knowledge shown	3–1 marks Some application of points	4–1 marks Some reasoning /use of theory to explain answer.	4–1 marks Some judgement shown in answer or conclusion	
	0	0 marks: No rewardable content				

Question	Answer	Marks
26	<p>Evaluate the factors that influence the sources of finance that a business decides to use.</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> • Finance needed for start-up and expansion e.g. takeover • Short-term and long-term sources; internal/external • Gearing ratio and any other relevant concepts/awareness of finance related issues <p>Application:</p> <ul style="list-style-type: none"> • Importance of factors are likely to vary over time and with the amount required; with size and legal structure of the business; purpose for which finance is required – application examples should illustrate these and other relevant factors. <p>Analysis:</p> <ul style="list-style-type: none"> • Matching source to purpose is essential – e.g. paying short term debt with long term finance is unwise • High gearing important as it equates to risk but can also lead to accelerated returns to equity holders if investment is successful. • Equity capital has potential to result in loss of control. <p>Evaluation:</p> <ul style="list-style-type: none"> • Different factors will be important at different times e.g. high interest rate periods and will depend on the reason why business needs the finance and the size/legal structure of it. 	[40]

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Question	Answer	Marks
27	<p>‘Sound strategy starts with having the right goal.’ (Michael Porter)</p> <p>Discuss the importance to businesses of setting objectives.</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> • Aims/targets for the business or divisions of it. • SMART objectives • Business objectives can be changed over time • Business strategies are long term action plans which are made more consistent with appropriate objectives at their core <p>Application:</p> <ul style="list-style-type: none"> • To a range of businesses which have benefited from having objectives or suffered negative consequences from not having them. • Contexts used to illustrate links between objectives and strategies. <p>Analysis:</p> <ul style="list-style-type: none"> • Strategy without a goal lacks direction, purpose and focus • Workforce and other stakeholders will query a change of strategy unless there is a clear objective that is communicated to them. • All aspects of strategic planning will be aided by the setting and communication of clear corporate objectives. <p>Evaluation:</p> <ul style="list-style-type: none"> • Even clear objectives do not guarantee success of strategy/strategic planning • Significance of SMART objectives made clear • Comparisons between different business examples are likely to allow for further evaluation of the importance of objectives. 	[40]

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Question	Answer	Marks
28	<p>Assess the significance of human resource management to the success of a business.</p> <p><i>Answers could include:</i></p> <p>Knowledge:</p> <ul style="list-style-type: none"> • HRM concerned with workforce planning; recruitment; selection; training and motivating workforce. Aims to help an organisation help achieve its objectives • Can be focused on cost savings (hard HRM) or developing the potential of employees (soft HRM) <p>Application:</p> <ul style="list-style-type: none"> • Different business applications possible in both large/small businesses and from different economic sectors – illustrating the relative importance of HRM to different types of business contexts <p>Analysis:</p> <ul style="list-style-type: none"> • Labour is like any other resource – needs to be managed effectively to increase productivity, motivation and reduce turnover • Higher productivity achieved through effective HRM can help to reduce unit costs and make a business more competitive. • Effective HRM can reduce chances of good workers/managers leaving – and thus reduces the costs of recruitment/selection/training. <p>Evaluation:</p> <ul style="list-style-type: none"> • Could its importance vary between different businesses? • Is it important to all types of employees – different types/skills of workers? • Is it less important during times of high unemployment? • How significant is it to the success of a business compared with other functions. 	[40]

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