



Cambridge IGCSE[®] (9–1)

BUSINESS STUDIES

0986/02

Paper 2 Case Study

For examination from 2020

MARK SCHEME

Maximum Mark: 80

Specimen

This document has **14** pages. Blank pages are indicated.

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>Explain <u>two</u> possible reasons why Bethany wants the business to remain small.</p> <p>Award 1 mark for each relevant reason (maximum of two reasons):</p> <p>Relevant reasons might include:</p> <ul style="list-style-type: none"> • to stay as her own boss • to make all the decisions • no one to fall out with • no one to share the profits with • size of the market – not able to expand • better communication with customers and employees • easier to control • lack of capital to expand • satisficing/happy with level of profit. <p>Award a maximum of 3 additional marks for each explanation – one of which must be applied to this context – of the reasons why the owner wants the business to remain small.</p> <p>For example: To stay as her own boss (1) as Bethany has run the business successfully for 10 years (1) and she does not want anyone telling her what to do or disagreeing with her decisions. (1) The business idea is all her own and so she does not want any conflict which might cause important decisions to be delayed giving problems for the business. (1)</p> | 8 |

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|----------|---|-------|-------------|-------|---|---|------|---|--|-----|---|---|-----|---|-------------------------|---|----|
| 1(b) | <p>Explain why the following <u>three</u> factors are important to Bethany when choosing a business partner:</p> <ul style="list-style-type: none"> • knowledge of new technology • experience in managing a health spa • capital to invest. <p>Which factor do you think is most important? Justify your answer.</p> <table border="1" data-bbox="308 510 1326 1771"> <thead> <tr> <th data-bbox="308 510 416 562">Level</th> <th data-bbox="416 510 1211 562">Description</th> <th data-bbox="1211 510 1326 562">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 562 416 958">3</td> <td data-bbox="416 562 1211 958"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more factors.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing all three factors in detail, in context and with well-justified conclusion/recommendation including why the alternative points are rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 562 1326 958">9–12</td> </tr> <tr> <td data-bbox="308 958 416 1355">2</td> <td data-bbox="416 958 1211 1355"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one factor.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more factors in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 958 1326 1355">5–8</td> </tr> <tr> <td data-bbox="308 1355 416 1720">1</td> <td data-bbox="416 1355 1211 1720"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss factors with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining three factors in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 1355 1326 1720">1–4</td> </tr> <tr> <td data-bbox="308 1720 416 1771">0</td> <td data-bbox="416 1720 1211 1771">No creditable response.</td> <td data-bbox="1211 1720 1326 1771">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 two or more factors.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing all three factors in detail, in context and with well-justified conclusion/recommendation including why the alternative points are 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 one factor.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more factors 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 factors with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining three factors 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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| 2(a) | <p>Explain <u>two</u> reasons why it is important to Bethany to identify changes in customer preferences.</p> <p>Award 1 mark for each relevant reason (maximum of two reasons).</p> <p>Relevant reasons might include:</p> <ul style="list-style-type: none">• to meet customer needs• to remain competitive• keep a good reputation• keep customer loyalty/maintain demand. <p>Award a maximum of 3 additional marks for each explanation – one of which must be applied to this context – of the reasons why it is important to identify changes in customer preferences.</p> <p>For example: To meet customer needs (1) as Bethany wants to run the business successfully to make a profit (1) and she needs to offer the services her clients want otherwise she will lose customers to competitors. (1) She will need to know if certain treatments are wanted and if she doesn't offer them at the moment she will need to learn how to provide them in order to retain existing customers. (1)</p> | 8 |

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| 2(b) | <p>State the advantages and disadvantages of the following <u>three</u> ways to achieve good quality service at the health spa:</p> <ul style="list-style-type: none"> • only employ highly trained workers • record all customer complaints • buy only the best quality materials to use in the health spa. <p>Which do you think is the most important way? Justify your answer.</p> <table border="1" data-bbox="308 510 1326 1771"> <thead> <tr> <th data-bbox="308 510 416 562">Level</th> <th data-bbox="416 510 1211 562">Description</th> <th data-bbox="1211 510 1326 562">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 562 416 958">3</td> <td data-bbox="416 562 1211 958"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more ways.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing all three factors in detail, in context and with well-justified conclusion/recommendation including why the alternative points are rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 562 1326 958">9–12</td> </tr> <tr> <td data-bbox="308 958 416 1355">2</td> <td data-bbox="416 958 1211 1355"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one factor.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more factors in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 958 1326 1355">5–8</td> </tr> <tr> <td data-bbox="308 1355 416 1720">1</td> <td data-bbox="416 1355 1211 1720"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss factors with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining three factors in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1211 1355 1326 1720">1–4</td> </tr> <tr> <td data-bbox="308 1720 416 1771">0</td> <td data-bbox="416 1720 1211 1771">No creditable response.</td> <td data-bbox="1211 1720 1326 1771">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 two or more ways.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing all three factors in detail, in context and with well-justified conclusion/recommendation including why the alternative points are 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 one factor.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing two or more factors 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 factors with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining three factors 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 |
|----------|--|--|--|
| 2(b) | Relevant points might include: | | |
| | | Advantages | Disadvantages |
| | Only employ highly trained workers | <ul style="list-style-type: none"> • Ensures customer satisfaction with treatments. • Treatments carried out correctly. | <ul style="list-style-type: none"> • Highly trained staff expect higher wages. • May find it difficult to recruit new staff. |
| | Record all customer complaints | <ul style="list-style-type: none"> • Identify problems with treatments and try to correct them. • Clients know Bethany cares about their treatments being carried out correctly. | <ul style="list-style-type: none"> • Takes time to do this. • Not all clients will tell you when they are not happy with their treatments. |
| | Only buy the best quality materials to use in the health spa | <ul style="list-style-type: none"> • Helps establish an image of high quality treatments. • Ensures good results of treatments. | <ul style="list-style-type: none"> • High price for treatments may deter potential customers. • High quality image may put some customers off, i.e. exclusivity. |
| | Conclusion | <ul style="list-style-type: none"> • The best materials will not give the best results if performed by poorly trained staff. • Recording customer complaints will not ensure problems do not persist if poor quality materials are used. • Highly trained staff may still make mistakes and complaints need to be monitored to ensure all customers are happy and mistakes are avoided in the future. | |

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|----------|---|----------|
| 3(a) | <p>Explain <u>four</u> reasons why effective communication between the owner and employees in a business is important.</p> <p>Award 1 mark for each relevant reason (maximum of four reasons).</p> <p>Relevant reasons might include:</p> <ul style="list-style-type: none"> • to ensure instructions are understood • to ensure employees carry out the instructions correctly • to ensure mistakes are not made • to ensure the business works efficiently • to ensure customers are given correct information • to find customer preferences from employees • inaccuracy causes poor reputation • collaboration is better between worker and owner • motivation is better between worker and owner. <p>Award a maximum of 1 additional mark for each explanation of the reason why effective communication between the owner and employees is important.</p> <p>For example: To ensure mistakes are not made by employees (1) as employees may not have much experience and only know how to carry out a few tasks therefore they need to be told what to do. (1)</p> | 8 |

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|----------|--|-------|-------------|-------|---|---|------|---|--|-----|---|---|-----|---|-------------------------|---|----|
| 3(b) | <p>Consider the weekly forecasts in Appendix 2 for the <u>two</u> additional services Bethany could choose:</p> <ul style="list-style-type: none"> • hair cuts • steam room. <p>Include calculation of profit for the two services in your response.</p> <p>Which additional service should Bethany choose to offer? Justify your answer.</p> <table border="1" data-bbox="308 584 1326 1877"> <thead> <tr> <th data-bbox="308 584 411 629">Level</th> <th data-bbox="411 584 1209 629">Description</th> <th data-bbox="1209 584 1326 629">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 629 411 1066">3</td> <td data-bbox="411 629 1209 1066"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of both services.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing both services in detail, in context, with appropriate calculations, and with well-justified conclusion/recommendation including why the alternative points are rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1209 629 1326 1066">9–12</td> </tr> <tr> <td data-bbox="308 1066 411 1462">2</td> <td data-bbox="411 1066 1209 1462"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one service.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing at least one service in detail and applying it to the case, with appropriate calculations, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1209 1066 1326 1462">5–8</td> </tr> <tr> <td data-bbox="308 1462 411 1827">1</td> <td data-bbox="411 1462 1209 1827"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss factors with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining both services in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1209 1462 1326 1827">1–4</td> </tr> <tr> <td data-bbox="308 1827 411 1877">0</td> <td data-bbox="411 1827 1209 1877">No creditable response.</td> <td data-bbox="1209 1827 1326 1877">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 both services.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing both services in detail, in context, with appropriate calculations, and with well-justified conclusion/recommendation including why the alternative points are 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 one service.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing at least one service in detail and applying it to the case, with appropriate calculations, 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 factors with little/no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining both services 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(b) | <p>Relevant points might include:</p> <table border="1"> <thead> <tr> <th></th> <th>Basic statements</th> <th>Appropriate calculations</th> </tr> </thead> <tbody> <tr> <td>Steam room</td> <td> <ul style="list-style-type: none"> • \$1000 • –\$500 • This has 150 more customers than hair cuts. • The price charged is \$20 lower and should gain more customers. </td> <td> <ul style="list-style-type: none"> • Profit = \$500 • NPM = 50% • GPM = 96% • Gross profit = \$960 </td> </tr> <tr> <td>Hair cuts</td> <td> <ul style="list-style-type: none"> • \$1250 • –\$700 • The cost of sales are \$85 more than the steam room. • The lease costs are \$225 less than the steam room. </td> <td> <ul style="list-style-type: none"> • Profit = \$550 • NPM = 44% • GPM = 90% • Gross profit \$1125 </td> </tr> <tr> <td>Conclusion</td> <td colspan="2"> <ul style="list-style-type: none"> • Hair cuts has \$50 more profit than steam room. • However, the net profit margin is 6% higher for steam room. • The gross profit is \$165 higher for hair cuts but the gross profit margin is 6% lower. • Suggests in absolute terms that hair cuts is better and the one to choose. • However, in profitability terms the steam room is better and the one to choose. </td> </tr> </tbody> </table> | | Basic statements | Appropriate calculations | Steam room | <ul style="list-style-type: none"> • \$1000 • –\$500 • This has 150 more customers than hair cuts. • The price charged is \$20 lower and should gain more customers. | <ul style="list-style-type: none"> • Profit = \$500 • NPM = 50% • GPM = 96% • Gross profit = \$960 | Hair cuts | <ul style="list-style-type: none"> • \$1250 • –\$700 • The cost of sales are \$85 more than the steam room. • The lease costs are \$225 less than the steam room. | <ul style="list-style-type: none"> • Profit = \$550 • NPM = 44% • GPM = 90% • Gross profit \$1125 | Conclusion | <ul style="list-style-type: none"> • Hair cuts has \$50 more profit than steam room. • However, the net profit margin is 6% higher for steam room. • The gross profit is \$165 higher for hair cuts but the gross profit margin is 6% lower. • Suggests in absolute terms that hair cuts is better and the one to choose. • However, in profitability terms the steam room is better and the one to choose. | | |
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| Question | Answer | Marks |
|----------|--|----------|
| 4(a) | <p>Explain <u>four</u> ways the new technology identified in Appendix 3 could help Bethany improve her business.</p> <p>Award 1 mark for each way (maximum of four ways).</p> <p>Relevant ways might include:</p> <ul style="list-style-type: none"> • improve communications with customers – text (sms) messages can be sent as reminders of appointments • improve service provided for customers – new equipment used in the spa improves treatments to customers • improve efficiency – accounting software is faster way to carry out tasks • improve effectiveness of advertising – App improves marketing as available to many more people. <p>Award a maximum of 1 additional mark for each explanation of the way which must be applied to this context.</p> <p>For example: Improve communication with customers (1) as they can be reminded of appointments by using the automated text (sms) service that sends a message of the date and time of the treatment. (1)</p> | 8 |

| Question | Answer | Marks | | | | | | | | | | | | | | | |
|----------|---|-------|-------------|-------|---|---|------|---|--|-----|---|---|-----|---|-------------------------|---|----|
| 4(b) | <p>Explain how the following <u>two</u> changes are likely to affect The BB Health Spa:</p> <ul style="list-style-type: none"> • lower income tax in country X • increase in interest rates in country X. <p>Which change is likely to have the most effect on profit? Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="308 584 1326 1877"> <thead> <tr> <th data-bbox="308 584 416 633">Level</th> <th data-bbox="416 584 1214 633">Description</th> <th data-bbox="1214 584 1326 633">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 633 416 1032">3</td> <td data-bbox="416 633 1214 1032"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of both changes.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing both changes in detail, in context and with well-justified conclusion/recommendation including why the alternative points are rejected should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 633 1326 1032">9–12</td> </tr> <tr> <td data-bbox="308 1032 416 1431">2</td> <td data-bbox="416 1032 1214 1431"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one change.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing at least one change in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1032 1326 1431">5–8</td> </tr> <tr> <td data-bbox="308 1431 416 1830">1</td> <td data-bbox="416 1431 1214 1830"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss changes with little/ no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining both changes in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1214 1431 1326 1830">1–4</td> </tr> <tr> <td data-bbox="308 1830 416 1877">0</td> <td data-bbox="416 1830 1214 1877">No creditable response.</td> <td data-bbox="1214 1830 1326 1877">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 both changes.</p> <p>Well-justified conclusion/recommendation.</p> <p>Candidates discussing both changes in detail, in context and with well-justified conclusion/recommendation including why the alternative points are 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 one change.</p> <p>Judgement with some justification/some evaluation of choices made.</p> <p>Candidates discussing at least one change 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 changes with little/ no explanation.</p> <p>Simple judgement with limited justification/limited evaluation of choices made.</p> <p>Candidates outlining both 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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| Question | Answer | | Marks |
|----------|---|--|-------|
| 4(b) | Lower income tax in country X | <ul style="list-style-type: none"> • Higher income for customers – increased demand for luxury services. • However, customers may go to higher quality competitors that offer the latest equipment giving better results on the skin – reducing revenue. | |
| | Increase in interest rates in country X | <ul style="list-style-type: none"> • Less income to spend on luxuries – less demand for treatments such as those offered by the health spa. • Higher cost of loans and overdrafts if Bethany wants to purchase the latest equipment – higher costs for the business – because it is small it has few sources to raise finance. | |
| | Conclusion | <ul style="list-style-type: none"> • If Bethany does not need a loan higher interest rates may have little effect on the business but lower income tax will have an effect on most of her customers. • If the increase in income tax is not too high very few customers may be affected and there will be little effect on demand. • Customers may be unwilling to forego treatments even if their disposable income falls as they may not see them as a luxury. • Customers will not take out loans for treatments and so the higher interest rates will have little or no effect on demand for treatments. | |

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