



**Cambridge International Examinations**  
Cambridge International General Certificate of Secondary Education

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**ENTERPRISE**

**0454/13**

Paper 1 Case Study

**May/June 2016**

**MARK SCHEME**

Maximum Mark: 100

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**Published**

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**1 (a) Explain the term ‘enterprise’. [2]**

A good description showing clear knowledge and understanding. [2]

A less precise description showing some knowledge and understanding. [1]

Relevant points might include:

- making decisions/initiatives
- taking risks
- another name for a business

**Example:**

Business run by an entrepreneur who takes risks [2]

Business run by an entrepreneur combining factors of production [2]

**(b) Identify and explain three possible ways of being enterprising at school or at home. [6]**

1 mark per skill identified [max 3]

Plus 1 mark per explanation [max 3]

Relevant points might include:

- organising a household job
- taking responsibility for younger children
- taking responsibility for pets
- earning money for the family
- organising themselves at home or at school.

Explanation points should use the skills of being enterprising such as:

- communication and numeracy skills
- thinking creatively and independently
- making effective decisions

**Example:**

Walking the family pet [1] you have to decide where to walk/how long to walk. [+1]

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**2 (a) State what the letters PESTEL stand for. [4]**

- 4 marks – All 6 letters identified
- 3 marks – 4 or 5 letters identified
- 2 marks – 3 letters identified
- 1 mark – 1 or 2 identified

PESTEL analysis:

- political
- economic
- social
- technological
- environmental
- legal

**(b) Explain one reason why governments set laws and regulations that can affect can affect the start-up of an enterprise. [2]**

- 1 mark – identification of reason
- Plus 1 mark – explanation of reason or relevant example

A relevant example that makes clear the reason for the regulation/law should be given maximum marks.

Relevant points might include:

- protection/safety of customers,
- protection/safety of workers/investors
- to ensure competitiveness in the market
- prevention of harm to the environment or society

**Example:**

Protect consumers [1] as some goods may be dangerous [1]

**(c) Explain how two risks experienced during your enterprise project had an impact on the enterprise. [6]**

Award marks for each risk explained in the following way:

- 1 mark – identification of a risk in their enterprise.
- 2 marks – basic idea of **an effect** on the enterprise
- 3 mark – developed explanation of an effect on the enterprise

**Example:**

We risked not selling our food [1] because we were in a competitive market [1] so we faced a lot of pressure. [+1]

There was a risk of people being allergic to our product [1] this limited the toppings we could use [1] and the revenue we could earn. [+1]

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**3 (a) Explain the term ‘negotiation’.** [2]

A good description showing clear knowledge and understanding [2]

A description showing some knowledge and understanding [1]

Relevant points might include:

- reaching outcomes to satisfy the interests of those involved [2]
- the process of resolving disputes [2]
- discussion between two or more parties [1] to reach a mutual agreement [1]
- bargaining [1] for individual or collective advantage [+1]
- through reaching agreement [+1]
- agreeing upon courses of action [1]

**(b) Identify two questions an entrepreneur should consider when planning for a negotiation.** [2]

1 mark per question identified

Relevant points might include:

- How am I going to counter their objections?
- Have I listed the consequences for both sides if my proposal is not accepted?
- Have I thought about not only what I am going to say, but also how I going to say it?
- Have I considered with whom I am going to negotiate?
- Have I chosen an appropriate negotiating style and strategy?
- Are my objectives SMART?
- What points am I willing to give ground on?

**(c) Explain why language in a negotiation should be different from language used with friends. Use an example to support your answer.** [6]

1 to 2 marks – knowledge of differences in language.

2 further marks – explanation of why the differences are necessary.

plus 2 marks – reference to specific examples/in context.

Relevant points might include:

- Formal/informal
- slang/text speak
- regional language difference
- tactful/respectful

Example:

Formal words are used for negotiation [1] and informal with friends [1] Aiyana would want to seem professional [1] when negotiating with her family [1] for the fruit supplies [1] she would then be seen as serious and trustworthy. [1]

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4 (a) Explain the difference between the following terms:

(i) **fixed costs and variable costs**

[2]

Fixed costs do not change with output/production/sales [1]

Variable costs change directly with output/production/sales. [1]

(ii) **revenue and profit.**

[2]

Revenue – income from sales (or price times quantity sold) [1]

Profit – total revenue (income) is greater than total cost

or (Revenue minus costs/expenses) [1]

(b) **Analyse the usefulness of budgeting to enterprises. Use an example from either the case study or your own enterprise project of how a budget was used, to support your answer.** [6]

1 to 2 marks – knowledge of the use of budgets

2 further marks – explanation of how a budget is used

plus 2 marks – reference to specific examples/in context.

Relevant points might include that budgets:

- Control overspending – leading to debt
- Help ensure that bills are paid on time
- Can be used to measure performance – using variance
- Act as a motivator
- Control the running of the whole enterprise
- Help with planning

**Example:**

Budgets calculate costs [1] and cash flow [1] this allowed Aiyana to see that she did not have enough finance [+1] to buy the fruit [1] and cover \$49.99 [1] therefore we organised a source of finance [+1]

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**5 (a) Explain one potential benefit of marketing to:**

**(i) a customer**

**[2]**

1 mark – identification of a benefit

Plus 1 mark – explanation or relevant example

Relevant points might include:

- Greater knowledge of products/services available
- Make more informed decisions between products/services
- Save time searching for information

Example:

Customers are aware of the enterprise [1] and can make informed choices. [1]

Saves them time [1] instead of having to search for products. [1]

**(ii) an enterprise.**

**[2]**

1 mark – identification of a benefit

plus 1 mark – explanation or relevant example

Relevant points might include:

- Raise customer awareness of the enterprise and/or products
- Increase/maintain brand loyalty
- Improve image of company
- Increase sales and therefore profit

Example:

Customers find out about the enterprise [1] and potentially buy more. [1]

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**(b) Explain the benefits and drawbacks of internet advertising to this fruit drinks enterprise.**

**[6]**

1 to 2 marks – knowledge of internet advertising  
 2 further marks – explanation of how benefits or drawback  
 plus 2 marks – reference to specific example(s)/in context.

Relevant points might include:

Benefits:

- Wider access to potential customers
- Easily updated
- Low cost of maintenance/design
- Internet/social media is widely used

Drawbacks:

- Lack of control
- Lack of access to internet during school day
- High cost to design

Application can be awarded for:

- Customers are school-aged
- Small fruit drinks enterprise
- Local market for drinks
- Comparison with farm advertising
- Friends don't have a lot of money

Example:

Customers from all over the world can see the advert [1] so sales might rise [+1] but Aiyana's enterprise only sells in school [1] The high cost of setting up the website [1] may not be worthwhile [+1] for a small fruit drinks enterprise.[1]

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6 (a) Aiyana's family were willing to accept delayed payment.

**Discuss the advantages and disadvantages to Aiyana's family of offering delayed payment to the new enterprise.**

**[10]**

Advantages may include:

- Guaranteed market for their fruit
- Keeping their daughter happy
- Extra source of revenue
- Knowing that the income will come in at the end of the week

Disadvantages may include;

- Lack of supply for other customers
- High risk of non-payment
- Reduced income for the week
- Cash flow issues

**Level 4 (9–10 marks)**

Candidate is able to offer a very thorough explanation of the reasons for provision of credit in this context. Both advantages and disadvantages will be considered.

**Level 3 (6–8 marks)**

Candidate is able to offer some analysis of the provision of credit. A one sided answer explaining either advantages or disadvantages in context.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of the advantages and disadvantages of offering credit to the given enterprise example.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of the advantages or disadvantages to the creditor of offering credit without any application to an example.



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- (b) Ezequiel produced a budget for the enterprise, but other financial documents could also be produced.

**Evaluate the importance of financial documents to the operation of the fruit drinks enterprise.** [15]

Possible documents include:

- Cash flow forecast
- Profit and loss statement
- Sale budgets, cash flow, advertising etc.
- Revenue records
- Bank statements

The candidate may conclude that such documents were of little importance to the operation of their own small enterprise.

**Level 4 (10–15 marks)**

Candidate is able to offer a very thorough evaluation of the importance at least two financial documents to the fruit drinks enterprise. For 13-plus marks, justification of decision needs to be explicit and logical.

**Level 3 (6–9 marks)**

Candidate is able to offer an explanation of how the financial documents were used in the fruit drinks enterprise, showing awareness of their purpose.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of financial documents used in the fruit drinks enterprise.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of other financial documents, but there is no application.

**Level 0 (0 mark)**

Candidate is unable to demonstrate any knowledge or understanding of financial documents.

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- 7 (a) The teacher explained that good planning was essential to the success of an enterprise.

Discuss the importance of planning to the success of your enterprise project.  
Use examples to support your answer.

[10]

Planning might include:

- Planning for a negotiation
- Producing a business plan
- Asking strategic questions such as ‘where is the business now?’, ‘where are we going?’
- Plans of action for any element of the enterprise

Candidates can therefore take a number of approaches to successfully answer the question – the approach will depend upon the types of planning they did, or did not undertake.

**Level 4 (9–10 marks)**

Candidate is able to offer a thorough analysis of the importance of planning to their enterprise. A conclusion will be presented.

**Level 3 (6–8 marks)**

Candidate is able to offer a reasonable analysis of the importance of planning to their enterprise.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of the planning that they did/or could have done in their enterprise experience.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of planning or its process without any application to an example.

**Level 0 (0 mark)**

Candidate is unable to demonstrate any knowledge or understanding of any aspect of planning.

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(b) Harley completed the market research for the project.

Evaluate the methods of market research that would be most suitable for identifying potential customers for your enterprise project. [15]

**Level 4 (10–15 marks)**

Candidate is able to offer an evaluation of advantages and disadvantages with respect to at least two market research methods. For 13-plus marks, there should be a stated conclusion.

**Level 3 (6–9 marks)**

Candidate is able to offer an explanation showing the suitability or not of different market research methods to their own enterprise. To gain 7-plus marks, two or more methods must be explained.

**Level 2 (3–5 marks)**

Candidate is able to apply knowledge and understanding of market research using examples from their own enterprise project.

**Level 1 (1–2 marks)**

Candidate is able to demonstrate some knowledge and understanding of market research but there is no application.

**Level 0 (0 mark)**

Candidate is unable to demonstrate any knowledge or understanding of market research.