

Cambridge IGCSE™ (9–1)

BUSINESS

0774/01

Paper 1 Short Answer and Data Response

For examination from 2027

MARK SCHEME

Maximum Mark: 80

Specimen

This document has **20** pages.

Generic Marking Principles

All examiners must apply these general marking principles when marking candidate responses. Examiners must apply them alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme must 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 descriptions for the question
- the specific skills defined in the mark scheme or in the generic level descriptions 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 descriptions.

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 descriptions in mind.

**Social Sciences-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require n reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (**1**) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Abbreviations

The following abbreviations may be used in the mark scheme.

Abbreviations	Use
k = Knowledge	Indicates knowledge and understanding of the concepts and issues relating to the question.
app = Application	Indicates appropriate reference to the information in the stem.
an = Analysis	Indicates where the answer has demonstrated analysis.
eval = Evaluation	Indicates where the answer has demonstrated evaluation (part (d) questions only).
Accept all valid responses	This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

Assessment objectives**AO1 Knowledge and understanding**

- Demonstrate knowledge and understanding of business concepts, terms and theories.
- Use business terminology.

AO2 Application

- Apply knowledge and understanding of business concepts, terms and theories to a given business.

AO3 Analysis

- Select, organise and interpret business data and information in written, numerical and graphical forms.
- Analyse business information.

AO4 Evaluation

- Make justified decisions, reach conclusions and make recommendations based on evidence.

Question	Answer	Marks	Guidance
1(a)	<p>Define ‘factors of production’.</p> <p>Award 2 marks for clear understanding. Award 1 mark for some understanding.</p> <p>The resources that a business needs to be able to produce goods or services (2).</p> <p>Some understanding, e.g. what/things you need to make a product (1).</p>	2	Do not award examples as this does not define the term.
1(b)	<p>Outline <u>two</u> ways the appreciation of country X’s exchange rate might affect TGD when exporting its products.</p> <p>For each way: Award 1 mark for identification [k]. Award 1 mark for relevant application [app].</p> <p>Points might include:</p> <ul style="list-style-type: none"> • exports become more expensive/higher price [k] for this primary sector business [app] • reduces number of exports [k] below 80% [app] • may have to find new/other markets [k] for its gold [app]. <p>Accept all valid responses.</p>	4	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • gold • primary sector business • (6) mines • (exports) 80%. <p>Accept all valid examples.</p>

Question	Answer	Marks	Guidance
1(c)	<p>Explain <u>two</u> ways TGD's business activities might negatively affect the environment.</p> <p>For each way: Award 1 mark for identification [k]. Award 1 mark for relevant application [app]. Award 1 mark for relevant development [an].</p> <p>Points might include:</p> <ul style="list-style-type: none"> • pollution (or examples) [k] caused by the activities of this primary sector business [app] which can damage the health of the local community [an] • depletion of natural resources [k] of gold [app] which is not available for other purposes / use by future generations [an] • traffic congestion [k] when transporting materials to/from the 6 mines [app] which can cause/lead to delays for other businesses [an] • reduction in green spaces [k] less habitat available for wildlife [an]. <p>Accept all valid responses.</p>	6	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • gold • primary sector business • (6) mines • (exports) 80%. <p>Accept all valid examples.</p>

Question	Answer	Marks	Guidance
1(d)	<p>Do you think the advantages for TGD of introducing new technology are greater than the disadvantages? Justify your answer.</p> <p>Award up to 2 marks for each of the following:</p> <ul style="list-style-type: none"> • identification of relevant points [k] • relevant application of points [app] • relevant development of points [an] • a justified decision about whether the advantages for TGD of introducing technology are greater than the disadvantages [eval]. <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • fewer employees needed [k] than 3000 [app] which can save on labour costs [an] • increased productivity [k] when extracting gold [app] leading to lower unit costs [an] for the mine [app] • increased output [k] when using the factors of production [app] so able to meet more potential orders [an] • safer working conditions [k] so less risk of injury [an] • better quality [k] which could allow for higher prices [an]. <p>Disadvantages:</p> <ul style="list-style-type: none"> • expensive/high cost (of technology) [k] for this primary sector business [app] which would increase cash outflows [an] • (new technology) will become outdated quite quickly [k] so will need to be replaced if the business is to remain competitive [an] as it exports 80% of its products [app] • more skilled workers may be needed [k] increasing wage costs [an] • training requirements / need to retrain employees [k] which takes time / increases expenses [an] • demotivates employees [k] which could lower efficiency / increase absenteeism [an]. <p>Accept all valid responses.</p>	8	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • primary sector business • gold • (6) mines • (exports) 80% • 3000 (employees) • factors of production • environmental costs. <p>Accept all valid examples.</p> <p>Justification will depend on the points discussed in the answer and will usually follow on from relevant analysis. The justification should not repeat earlier points.</p>

Question	Answer	Marks	Guidance
1(d)	<p>Example answer including justification: Advantage(s): Fewer employees needed [k] than 3000 [app] which saves labour costs [an]. Disadvantage(s): The business must consider the cost of technology [k] which could increase cash outflows [an]. Justification: The disadvantages are greater because the business might not be able to afford the cost of machinery [eval] especially as the business has 6 mines [app]. Also, any labour cost saved on having fewer employees may have to be spent on retraining the remaining workers [eval].</p>		

Question	Answer	Marks	Guidance
2(a)	<p>Define ‘dynamic pricing’.</p> <p>Award 2 marks for clear understanding. Award 1 mark for some understanding.</p> <p>When a business sets flexible prices for products/services based on current market demand (2).</p> <p>Some understanding e.g. prices change with demand (1).</p>	2	
2(b)(i)	<p>Use Table 2.1 to calculate the value of X and Y.</p> <p>Award 1 mark per correct value.</p> <p>X = \$(300) or –300</p> <p>Y = \$1500 or 1500</p>	2	<p>The answer for X should be shown as a negative value.</p> <p>Only award the first response given for X/Y.</p> <p>\$ sign not required.</p>

Question	Answer	Marks	Guidance
2(b)(ii)	<p>Identify <u>one</u> cash inflow and <u>one</u> cash outflow a business might have.</p> <p>Award 1 mark for identification of a relevant cash inflow/outflow.</p> <p>Cash inflows might include:</p> <ul style="list-style-type: none"> • money from cash/credit sales • sale of non-current assets • funds received from bank loan / overdraft / other sources of finance. <p>Cash outflows might include:</p> <ul style="list-style-type: none"> • payments/wages paid to employees • rent paid • interest payments • payments to suppliers • tax payments • dividend payments. <p>Accept all valid responses.</p>	2	Only award the first response given for cash inflow/outflow.

Question	Answer	Marks	Guidance
2(c)	<p>Explain <u>one</u> advantage and <u>one</u> disadvantage of Oscar using leaflets to advertise his business.</p> <p>For each advantage/disadvantage: Award 1 mark for identification [k]. Award 1 mark for relevant application [app]. Award 1 mark for relevant development [an].</p> <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • contains detailed information [k] which can be handed out outside the nursery [app] to inform (potential) customers [an] • can be given to many people / put through doors in local area [k] to raise awareness [an] of this start-up business [app] • low cost/cheap method [k] so may limit cash outflows [an] of \$1900 (in month 1) [app] • can use colour/images [k] to attract parents/customers attention [an] • can refer to later [k] which can help avoid disagreements [an]. <p>Disadvantages:</p> <ul style="list-style-type: none"> • time to design (effective) leaflet [k] which could be spent doing other tasks [an] such as deciding on a pricing method [app] • might not reach target market [k] as aimed at parents of children aged 1 to 3 years [app] leading to fewer sales [an] • people may throw leaflets away / see leaflets as litter [k] which means funds may be wasted [an] • may not be read / not seen as important [k]. <p>Accept all valid responses.</p>	6	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • start-up/new business • nursery • children aged 1 to 3 years • pricing methods/dynamic pricing • correct use of data from Table 2.1. <p>Accept all valid examples.</p>

Question	Answer	Marks	Guidance
2(d)	<p>Explain <u>two</u> factors Oscar should consider when deciding on a suitable source of finance for his business. Which factor is likely to be the most important? Justify your answer.</p> <p>Award up to 2 marks for each of the following:</p> <ul style="list-style-type: none"> • identification of relevant points [k] • relevant application of points [app] • relevant development of points [an] • a justified decision about which factor is likely to be the most important when deciding on a suitable source of finance for his business [eval]. <p>Points might include:</p> <ul style="list-style-type: none"> • cost of finance/interest [k] will increase cash outflows/expenses [an] meaning less funds to advertise the business [app] • amount of finance required [k] as a large amount of funds are not available through some sources [an] to help fund this start-up business [app] • how long the finance is needed for / when need to repay [k] as if need for any non-current assets for the nursery [app] would require a long-term source [an] • how quickly the finance is needed [k] as some sources of finance might take time to arrange [an] • legal form [k] because if he is a sole trader, he may be seen as high risk [an] so offered higher interest rates [an] • security required/available to offer [k] as lenders may want assets that they can sell in case the business is unable to repay [an] • size of business [k]. <p>Accept all valid responses.</p>	8	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • start-up/new business • nursery • children aged 1 to 3 years • pricing methods/dynamic pricing • correct use of data from Table 2.1 • advertise the business. <p>Accept all valid examples.</p> <p>Do not award:</p> <ul style="list-style-type: none"> • identification of sources of finance • level of existing borrowing as [k] as this is a new business. <p>Justification will depend on the points discussed in the answer and will usually follow on from relevant analysis. The justification should not repeat earlier points.</p>

Question	Answer	Marks	Guidance
2(d)	<p>Example answer including justification:</p> <p>Factor 1: The amount of funds required [k] because it may not be possible to obtain a large amount of finance through some sources [an].</p> <p>Factor 2: Cost of finance [k] as high rates of interest could increase cash outflows [an] above \$1500 in October [app].</p> <p>Justification: The amount needed is likely to be the most important because without sufficient funds, Oscar will not be able to start up the business [eval]. Without this there would be no opportunity to generate the revenue needed from the nursery [app] to repay the interest or any other costs [eval].</p>		

Question	Answer	Marks	Guidance
3(a)	<p>Calculate labour productivity. Show your working.</p> <p>Correct answer: 5000 units per employee (2)</p> <p>Correct method but incorrect answer:</p> <p>Output / number of employees (1)</p> <p>400 000 / 80 (1)</p>	2	<p>Where 5000 units is shown with no working, can award 2 marks.</p> <p>Award 1 mark for responses which represent the answer as a financial value e.g. \$5000.</p> <p>Do not award 440 000 / 80</p>

Question	Answer	Marks	Guidance
3(b)	<p>Outline <u>two</u> reasons why it is important for HLC to have business objectives.</p> <p>For each reason: Award 1 mark for identification [k]. Award 1 mark for relevant application [app].</p> <p>Points might include:</p> <ul style="list-style-type: none"> • provides a clear target/aim to work towards / guides the business in the right direction [k] when making chocolate [app] • helps provide a focus for decision-making [k] such as whether to proceed with the horizontal integration [app] • helps motivate employees [k] at its factory [app] • allows measurement of success / can judge performance / track progress [k] of this private limited company [app]. <p>Accept all valid responses.</p>	4	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • chocolate • private limited company • factory • 80 (employees) • 400 000 (units per week) • 440 000 (max output) • quality is important • horizontal integration • labour productivity. <p>Accept all valid examples.</p>

Question	Answer	Marks	Guidance
3(c)	<p>Explain <u>two</u> reasons why high quality might be important for HLC.</p> <p>For each reason: Award 1 mark for identification [k]. Award 1 mark for relevant application [app]. Award 1 mark for relevant development [an].</p> <p>Points might include:</p> <ul style="list-style-type: none"> • increase sales [k] of chocolate [app] which could increase revenue [an] • reduce waste / fewer returns / no need to replace faulty products [k] at the factory [app] reducing costs [an] • maintain a good reputation / avoid a bad reputation [k] for this private limited company [app] which can help maintain customer loyalty [an] • improve/maintain brand image [k] increasing sales/demand [an] • can charge a higher price [k] which would increase profit margin [an] • remain/more competitive [k] • avoid legal issues / likely to meet legal controls [k]. <p>Accept all valid responses.</p>	6	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • chocolate • private limited company • factory • 80 (employees) • 400 000 (units per week) • 440 000 (max output) • horizontal integration • labour productivity. <p>Accept all valid examples.</p> <p>Some points can be [k] or [an] but do not award the same point twice.</p>

Question	Answer	Marks	Guidance
3(d)	<p>Do you think the advantages to HLC of horizontal integration are greater than the disadvantages? Justify your answer.</p> <p>Award up to 2 marks for each of the following:</p> <ul style="list-style-type: none"> • identification of relevant points [k] • relevant application of points [app] • relevant development of points [an] • a justified decision about whether the advantages to HLC of horizontal integration are greater than the disadvantages [eval]. <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • larger customer base [k] which could increase revenue [an] for this private limited company [app] • remove competitor [k] that also sells chocolate [app] which will increase its market share [an] • possible economies of scale (or examples) [k] leading to lower average costs [an] • less risk of takeover [k]. <p>Disadvantages:</p> <ul style="list-style-type: none"> • diseconomies of scale or examples, such as harder to control a larger business / poor coordination / communication problem [k] which could lower labour productivity [an] at the factory [app] • different management styles / ways of working/objectives [k] such as whether quality is important [app] could demotivate employees [an] • cost of financing the deal [k] which could increase the level of debt [an]. <p>Accept all valid responses.</p>	8	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • chocolate • private limited company • factory • 80 (employees) • 400 000 (units per week) • 440 000 (max output) • quality is important • objective (is to expand) • labour productivity. <p>Accept all valid examples.</p> <p>Justification will depend on the points discussed in the answer and will usually follow on from relevant analysis. The justification should not repeat earlier points.</p> <p>‘Labour productivity’ can be awarded as [app] or [an] but only award once.</p>

Question	Answer	Marks	Guidance
3(d)	<p>Example answer including justification: Advantage(s): It will remove a competitor [k] that also sells chocolate [app] which will increase HLC's market share [an]. Disadvantage(s): It could be harder to control a larger business [k] leading to mistakes [an] which could negatively affect quality which is important [app]. Justification: The disadvantages are greater because lower quality could damage HLC's reputation and may even lower its market share rather than increase it [eval], which defeats the whole point of expansion [eval].</p>		

Question	Answer	Marks	Guidance
4(a)	<p>Identify <u>two</u> disadvantages for the country where an MNC is located.</p> <p>Award 1 mark per disadvantage.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • increased competition • environmental damage • exploitation of natural resources • repatriation of profits. <p>Accept all valid responses.</p>	2	Only award the first two answers given.
4(b)	<p>Identify <u>four</u> reasons why some markets have become more competitive.</p> <p>Award 1 mark per reason.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • developments in technology / internet / growth of ecommerce • fewer legal controls / removal of tariffs/quotas • improvements in transport/infrastructure • globalisation/free trade • increase in number of competitors/businesses operating in the market. <p>Accept all valid responses.</p>	4	Only award the first four answers given.

Question	Answer	Marks	Guidance
4(c)	<p>Explain <u>one</u> advantage and <u>one</u> disadvantage of ZRE using emails to communicate with its suppliers.</p> <p>For each advantage/disadvantage: Award 1 mark for identification [k]. Award 1 mark for each relevant reference to this business [app]. Award 1 mark for each relevant explanation [an].</p> <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • written record [k] so can check/refer to details [an] about the clothing [app] • can be sent when suits ZRE [k] as it may be difficult to find a convenient time to speak to suppliers [an] especially as it operates in 20 countries [app] • can send to many suppliers at once [k] which saves time for other activities [an] • can be read when suits supplier [k] so no need to stop other activities to read it [an] • can include attachments/additional documents [k]. <p>Disadvantages:</p> <ul style="list-style-type: none"> • need internet connection/equipment to access it [k] which could prevent suppliers receiving message [an] about inventory needed for its shops [app] • no guarantee when suppliers read it [k] so products may not arrive in time [an] for ZRE to keep up with changes in fashion [app] • could end up in junk folder / may not receive message [k] leading to mistakes / wrong actions taken [an] by the MNC [app] • could be sent to wrong supplier [k]. <p>Accept all valid responses.</p>	6	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • clothing or related examples • fashion • (2700) shops/stores • 20 (countries) • multinational company/MNC • competitive market. <p>Accept all valid examples.</p>

Question	Answer	Marks	Guidance
4(d)	<p>Explain <u>two</u> methods of training ZRE might offer its employees to help them to provide good customer service. Which is likely to be the best method for ZRE to use? Justify your answer.</p> <p>Award up to 2 marks for each of the following:</p> <ul style="list-style-type: none"> • identification of relevant points [k] • relevant application of points [app] • relevant development of points [an] • a justified decision about which is the best method of training for ZRE to use [eval]. <p>Off-the-job [k]</p> <ul style="list-style-type: none"> • can focus (solely) on training [an] so less likely to make mistakes [an] in the shops [app] in the 20 countries [app] • access to up-to-date knowledge [an] about fashion [app] • high cost / may have to pay more (for specialists) [an] • business may not have the skills to train its employees [an]. <p>On-the-job [k]</p> <ul style="list-style-type: none"> • business can control what is taught [an] so standards are easier to maintain [an] for the 9000 (employees) [app] • still work while training so selling/sales do not stop [an] of clothing [app] • workers might not have the skills to train others [an] • slows down work of experienced employee [an]. <p>Induction [k]</p> <ul style="list-style-type: none"> • helps new employees understand / familiarise with the work / workplace / job role [an] as operating in a competitive market [app] • may be a legal requirement [an] so must offer to avoid any fines [an] for this MNC [app] • employees are not selling/working but are still being paid [an]. <p>Accept all valid responses.</p>	8	<p>For application marks to be awarded, the reference must make sense in relation to the point being made.</p> <p>Possible application might include:</p> <ul style="list-style-type: none"> • clothing or related examples • fashion • (2700) shops/stores • 20 (countries) • multinational company/MNC • 9000 (employees) • competitive market. <p>Accept all valid examples.</p> <p>Candidates may present advantages of one method as disadvantages of another, but only award the point once as mirror arguments are not credited.</p> <p>Do not award answers that clearly refer to production as this is a retailer.</p> <p>Justification will depend on the points discussed in the answer and will usually follow on from relevant points of analysis. The justification should not repeat earlier points.</p>

Question	Answer	Marks	Guidance
4(d)	Example answer including justification: Method 1: Off-the-job [k] can access to up-to-date knowledge [an] about fashion [app]. Method 2: On-the-job training [k] is cheaper than off-the-job [an]. Justification: Off-the-job training is better because knowledgeable employees could lead to more sales [eval] which could offset the higher cost [eval] especially as ZRE operates in a competitive market [app].		