

Cambridge IGCSE™ Business Studies

(0450/12)

MarkScheme—February / March 2026

General Marking Principles

- **Part (a) and (b) Questions [2 marks]:** 2 marks for a complete definition or two identified points. 1 mark for a partial definition or one point.
- **Part (c) Questions [4 marks]:** 2 marks for Knowledge (identifying points) + 2 marks for Application (linking explicitly to the business scenario).
- **Part (d) Questions [6 marks]:** 2 marks for Knowledge + 2 marks for Application + 2 marks for Analysis (explaining the operational/financial impact or consequences).
- **Part (e) Questions [6 marks]:** 2 marks for Knowledge/Analysis (arguments for/against) + 2 marks for Application + 2 marks for Evaluation (making a justified judgment).

Question 1: MCL (Toys Manufacturing)

(a) Define 'private limited company'.

[2]

- **Clear Definition (2 marks):** A business owned by shareholders whose liability is limited to the amount they invested, and whose shares cannot be sold to the general public.
- **Partial Definition (1 mark):** A business where shares are sold to friends and family / has limited liability.

(b) Define 'sustainable development'.

[2]

- **Clear Definition (2 marks):** Development that meets the needs of the present population without compromising the ability of future generations to meet their own needs.
- **Partial Definition (1 mark):** Doing business in a way that does not harm the environment or deplete natural resources.

(c) Outline one advantage and one disadvantage to MCL of using primary market research.

[4]

- **Advantage (2 marks):** 1 mark for identifying an advantage + 1 mark for application to MCL.
 - *Points:* Data is up-to-date, highly specific to the business needs, or unavailable to competitors.

- *MCL Application:* It will help them find out exactly what types of **toys** children or parents want before starting production, ensuring they don't waste **recycled plastic**.
- **Disadvantage (2 marks):** 1 mark for identifying a disadvantage + 1 mark for application to MCL.
 - *Points:* Expensive to carry out, time-consuming to gather, or risk of researcher bias/unrepresentative sample.
 - *MCL Application:* Conducting surveys will take time, which could delay solving their current **cash flow problem**.

(d) Explain two ways MCL could overcome its cash flow problem.

[6]

- **Way 1 (3 marks):** 1 mark for identifying method + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Delay payments to creditors / trade suppliers.**
 - *Application:* MCL can ask the suppliers of **recycled plastic** for extended credit terms (e.g., from 30 to 60 days).
 - *Analysis:* This slows down immediate cash outflows, allowing the business more time to build up liquid cash reserves from its toy sales.
- **Way 2 (3 marks):** 1 mark for identifying method + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Offer discounts to cash-paying buyers / reduce credit terms given to buyers.**
 - *Application:* MCL can offer a discount to the **retailers** who purchase their toys if they pay immediately with cash rather than on credit.
 - *Analysis:* This speeds up cash inflows into the business bank account, lowering their working capital strain and helping clear the cash flow deficit quickly.

(e) Do you think retailers are the best channel of distribution for a manufacturing business to use? Justify your answer.

[6]

- **Arguments for Retailers (Knowledge / Analysis):** Retailers buy in bulk, save the manufacturer from distributing directly to thousands of final consumers, and offer excellent market reach/shelf space. This cuts the manufacturer's storage and distribution costs.
- **Arguments against Retailers (Knowledge / Analysis):** Retailers take a profit margin (markup), which lowers the manufacturer's profit margin or raises the final price for consumers. The manufacturer also loses direct contact with consumers and control over how the product is displayed.
- **Application (MCL context):** **Toys** are consumer goods that benefit from being physically seen and touched on retail shelves. Retailers help a plastic toy manufacturer reach a wider mass market.

- **Evaluation / Conclusion (2 marks):** Retailers are generally the best channel for a toy manufacturer because toy purchasing is highly dependent on visual retail exposure to children and parents. While selling via e-commerce offers higher profit margins, the distribution logistics for physical toys to individual homes globally would be too complex and costly for a private limited manufacturer. Therefore, utilizing retailers balances lower operational stress against a smaller margin.

Question 2: LMB (Healthcare Services)

(a) Define 'public sector business'.

[2]

Clear Definition (2 marks): A business or organization that is owned, controlled, and funded by the government/state to provide essential goods or services to the public.

Partial Definition (1 mark): A business run by the government / funded by taxes.

(b) Identify two benefits to a business of having a well-motivated workforce.

[2]

- 1 mark per benefit identified (Maximum 2 marks):
 - Higher productivity / efficiency.
 - Lower rates of employee absenteeism.
 - Lower labor turnover (fewer workers leaving).
 - Improved customer service quality.
 - Better reputation / easier to recruit new staff.

(c) Identify four stages in the recruitment process.

[4]

- 1 mark per correct stage identified in a logical or standard contextual order (Maximum 4 marks):
 1. Job Analysis (identifying the vacancy).
 2. Job Description (outlining duties and responsibilities).
 3. Person Specification (outlining required qualifications, skills, and experience).
 4. Advertising the vacancy.
 5. Shortlisting applicants / processing applications.
 6. Interviewing / Testing candidates.

(d) Explain one advantage and one disadvantage to LMB of using on-the-job training.

[6]

- **Advantage (3 marks):** 1mark for identification + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Cost-effective / Cheaper than sending employees away.**
 - *Application:* LMB doesn't have to pay external trainers to train **500 additional employees.**

- *Analysis*: Trainees perform real duties while learning, meaning healthcare facility workflows remain uninterrupted, and care is generated even during training phases.
- **Disadvantage (3 marks)**: 1 mark for identification + 1 mark for application + 1 mark for analysis.
 - *Suggested Point*: **Bad habits of senior staff can be passed down / Trainer productivity drops.**
 - *Application*: An experienced healthcare worker at LMB must take time out to train new hires caring for patients **aged 70 years and above.**
 - *Analysis*: This slows down the trainer's regular duties, reducing overall care efficiency, and there is a risk that mistakes could threaten vulnerable patient health.

(e) Do you think using email is the best method for a business to use to communicate with its employees? Justify your answer.

[6]

- **Arguments for Email**: Provides a permanent written record for future reference, can be sent simultaneously to hundreds of employees, and allows attachments (e.g., policy updates or rosters).
- **Arguments against Email**: Lacks personal touch, risk of information overload (emails ignored), and no guarantee the message was read or fully understood immediately. There is no immediate feedback compared to oral channels.
- **Application**: LMB has a massively expanding workforce (recruiting **500 more workers** and continuing to grow), making frequent face-to-face meetings difficult for company-wide updates.
- **Evaluation (2 marks)**: Email is highly effective for mass communication across a growing organization like LMB because it ensures all 500 new and existing workers receive uniform written instructions simultaneously. However, for critical operational matters like sensitive patient healthcare shifts, it is not the *best* standalone method; it should be backed up by direct verbal handovers or mobile alerts to ensure instant acknowledgment.

Question 3: KYX (Beds Manufacturer)

(a) Define 'economic growth'.

[2]

- **Clear Definition (2 marks)**: An increase in the total value of goods and services produced by an economy over a specific period of time (increase in real GDP).
- **Partial Definition (1 mark)**: When a country's wealth increases / output grows.

(b) Calculate KYX's margin of safety. Show your working.

[2]

- **Formula:** $\text{Margin of Safety} = \text{Current Output} - \text{Break-even Level of Output}$
- **Working:** $\$13,000 \text{ units} - 10,000 \text{ units}$
- **Answer: 3,000 units** (2 marks for correct answer with or without working. 1 mark for correct formula or accurate layout with arithmetic error).

(c) Outline two reasons why KYX holds a high level of inventory.

[4]

- **Reason 1 (2 marks):** 1 mark for identification + 1 mark for application.
 - *Point:* To meet unexpected spikes in consumer demand without running out of stock.
 - *Application:* KYX faced a massive **30% increase in demand for beds** last year due to economic growth, meaning high inventory keeps them prepared.
- **Reason 2 (2 marks):** 1 mark for identification + 1 mark for application.
 - *Point:* To benefit from purchasing raw materials in bulk.
 - *Application:* KYX manufactures large items like **beds**, which require bulk components (wood, steel springs, foam). Storing raw material stock prevents production lines from halting if a supplier delays shipments.

(d) Explain two external sources of finance KYX could use to fund the new factory.

[6]

- **Source 1 (3 marks):** 1 mark for identification + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Long-term Bank Loan.**
 - *Application:* KYX can secure a fixed mortgage from a commercial bank in **country Y** specifically to buy land or build the **new factory**.
 - *Analysis:* This allows them to spread the massive capital cost over 15–20 years, ensuring they do not completely deplete their current operating working capital.
- **Source 2 (3 marks):** 1 mark for identification + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Issue new shares / Rights Issue.**
 - *Application:* As a **public limited company (plc)**, KYX can advertise and sell shares to the general public or existing shareholders on Country Y's stock market.
 - *Analysis:* This generates massive capital sums that never have to be repaid, and carries no monthly interest burden, protecting the business cash positions during the early construction phase of the factory.

(e) Explain two factors a manufacturing business should consider when deciding on a suitable location for a new factory. Which factor is likely to be the most important? Justify your answer.

[6]

- **Factor 1 (Knowledge/Analysis): Proximity to transport links / Infrastructure.** A factory needs access to major roads, rail links, or ports to receive heavy raw materials efficiently and ship finished products out without high transport overheads.
- **Factor 2 (Knowledge/Analysis): Cost and availability of labor.** Manufacturing is often labor-intensive, so the factory must be located in an area with an adequate supply of workers possessing the right skills at affordable wage rates.
- **Application:** KYX manufactures bulky items (**beds**) that are heavy and expensive to move. Also, they are experiencing a **30% spike in demand** and need to secure space and labor fast in **country Y**.
- **Evaluation / Choice (2 marks):** While labor costs dictate long-term profitability, **proximity to transport infrastructure** is the most critical factor for a heavy goods manufacturer like a bed company. Beds are bulky and expensive to distribute over long distances. Locating the factory near major logistical hubs significantly lowers ongoing distribution costs to retail markets, which yields higher cost savings over time than marginal differences in local labor wages.

Question 4: ASW (Website Management Business)

(a) Define 'business plan'.

[2]

- **Clear Definition (2 marks):** A formal written document outlining a business's objectives, strategies, target market, and financial forecasts, used to guide operations and secure funding.
- **Partial Definition (1 mark):** A document showing what a business intends to do in the future.

(b) Identify two examples (other than growth) of business objectives.

[2]

- 1 mark per objective identified (Maximum 2 marks):
 - Survival.
 - Profit maximization.
 - Increasing market share.
 - Providing a social/community service (Corporate Social Responsibility).
 - Improving customer satisfaction / quality.

(c) Outline two potential problems for ASW as the business continues to grow.

[4]

- **Problem 1 (2 marks):** 1 mark for identification + 1 mark for application.
 - *Point:* Communication barriers / Diseconomies of scale.
 - *Application:* As Asha expands beyond managing websites for **25 businesses**, it may become difficult to coordinate updates across multiple client platforms efficiently, leading to miscommunications.

- **Problem 2 (2 marks):** 1 mark for identification + 1 mark for application.
 - *Point:* Overtrading / Cash flow strain.
 - *Application:* ASW might need to hire more web developers or invest in server infrastructure before clients pay, draining cash reserves built over their **5years of operation**.

(d) Explain two ways ASW could be affected by an increase in taxes.

[6]

- **Way 1 (3 marks):** 1 mark for identification + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Higher Corporate/Income Tax reduces retained profits.**
 - *Application:* An increase in business profit taxes in **country Z** leaves Asha with less cash inside ASW.
 - *Analysis:* This limits the funds available for reinvestment into upgraded software or hiring skilled coders, stalling their long-term growth plans.
- **Way 2 (3 marks):** 1 mark for identification + 1 mark for application + 1 mark for analysis.
 - *Suggested Point:* **Higher Indirect Taxes (e.g., VAT/Sales Tax) reduces consumer disposable incomes.**
 - *Application:* If consumer taxes rise, the **25 businesses** managed by ASW will face falling sales.
 - *Analysis:* To cut their own overheads, these client businesses might cancel their website management contracts with ASW, directly lowering ASW's recurring monthly revenues.

(e) Do you think the opportunities of globalisation for a business are greater than the threats? Justify your answer.

[6]

- **Opportunities (Knowledge/Analysis):** Access to massive new international target markets, ability to source cheaper global inputs/labor, and opportunities for international collaboration or outsourcing.
- **Threats (Knowledge/Analysis):** Increased intense competition from foreign firms who may have lower operational costs, vulnerability to global supply shocks, and risk of exchange rate fluctuations.
- **Application:** ASW is a digital service firm that **sets up and manages websites**. They do not ship physical products, meaning they can serve overseas clients effortlessly via the internet because of **globalisation**.
- **Evaluation / Conclusion (2 marks):** For a service-oriented digital company like ASW, the opportunities of globalization far outweigh the threats. Because their product is completely digital (websites), they face zero shipping costs or physical border barriers. Globalization opens up an unlimited international market of businesses looking for web management, which easily offsets the threat of domestic tax rises or local market stagnation in **country Z**. Therefore, the digital expansion potential heavily minimizes localized risks.