CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/21**

Paper 2 Case Study **October/November 2025**

MARK SCHEME

Maximum Mark: 80

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 descriptions 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.

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Social Science-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.

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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.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point.
	Incorrect point.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague to be given credit.
REP	Indicates where content has been repeated.
NAQ	Used when the answer or parts of the answer do not answer the question asked.
APP	Indicates appropriate reference to the information in the stem.
OFR	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
L1	Level 1 – Used in part (b) questions to indicate where a response includes limited knowledge and/or understanding.
L2	Level 2 – Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3 – Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>two</u> advantages and <u>two</u> disadvantages of a business being a private limited company.** Award 1 mark for each advantage/disadvantage (max 2 advantages/max 2 disadvantages). Award 1 additional mark for **each** explanation of the advantage/disadvantage. There are no application marks for this question. Relevant advantages might include: • Has a separate legal identity – company can be sued but not usually the owners • Can sell shares to family and friends to raise capital – larger amounts of capital may be raised than if a sole trader / partnership • Limited liability – owners will not lose personal possessions if business is unable to pay its debts • Cannot be taken over without the consent of the shareholders • Provides continuity on the death of the owner Relevant disadvantages might include: • Accounts are not private – competitors may access the accounts • Cannot sell shares to the public / shares cannot be sold on the stock exchange - not easy to transfer shares so family and friends may be less willing to buy shares • Legal formalities required to operate the company – need to have accounts audited and registered with government which takes time and increases costs • Legal formalities setting up the company – has to complete paperwork to register the company which takes time and money / may take more time for owner than setting up as a sole trader/partnership For example: Cannot sell shares to the public on the stock exchange (1) as it is not easy to transfer / sell shares family and friends may be less willing to buy shares in the first place (1).	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider the following <u>three</u> economies of scale for LB. Which economy of scale is likely to have benefited LB the most? Justify your answer.

Financial
Purchasing
Managerial

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more economies of scale.

Well-justified conclusion.

Candidates discussing all three economies of scale, in context and with a well-justified conclusion, including why the alternative economies of scale were rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one economy of scale.

Judgement with some justification / some evaluation of choice made.

Candidates discussing in detail two or more economies of scale and applying these to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the economies of scale with little/no explanation.

Simple judgement with limited justification/limited evaluation of choice made.

Candidates outlining all three economies of scale in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:

<table>
<tr><td>Financial</td><td>• Raise finance more easily and cheaply – as lower risk of not repaying debts due to larger size of business
• Banks may offer lower interest rates – lower costs of borrowing for the expansion of the large business than if it was a smaller business</td></tr>
<tr><td>Purchasing</td><td>• Bulk buy components – discounts / cheaper prices for bulk purchases – reduces average / unit cost of components
• May be able to lower prices – as average cost of each product is lower – becomes more competitive – increases sales of bathroom products – revenue increases</td></tr>
<tr><td>Managerial</td><td>• Specialist managers can be employed – better at their jobs / more knowledgeable as only carried out this task – e.g. marketing manager knows best place to advertise to be more cost efficient
• Able to attract the most talented managers – more efficient in manufacturing luxury bathroom products</td></tr>
<tr><td>Conclusion</td><td>Justification might include:
• Financial economies of scale will have the greatest effect as LB plans to expand and build a new factory in another country and will probably need to raise some of the finance by borrowing. This will keep down the repayment costs of expanding. LB is already producing on a large scale so the increased benefits from the purchasing and managerial economies may be limited leaving financial economies giving the biggest reduction in unit costs.
• Purchasing economies of scale will have the greatest effect on LB’s average costs as it produces bathroom products on a large scale so discounts on components will reduce unit costs by a significant amount, increasing gross profit and profit.
• Managerial economies of scale will have the biggest effect on unit costs as all managers will be experienced in producing showers and baths and are specialists in their areas leading to efficiencies in all departments of the business.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
2(a)	**Explain <u>two</u> advantages and <u>two</u> disadvantages to LB of using primary market research.** Award 1 mark for each advantage/disadvantage (max 2 advantages/max 2 disadvantages). Award a maximum of 1 additional mark for **each** explanation of the advantage/disadvantage **in context**. Relevant advantages might include: • Is up to date – finds out about current trends in bathroom products • Relevant to the business as direct contact with potential customers – that produces basins and showers • Is first–hand information / planned and carried out by those who want the information – about this very competitive market • Effective at gathering information about a specific problem – as to which new designs to choose to produce • Not available to other businesses Relevant disadvantages might include: • Can be expensive to collect information – about sales through specialist retail shops • May take time to collect / not available immediately – for this company that has been operating for over 20 years • May not be accurate if people carrying it out are not experienced in this type of research / interviewer bias • Less accurate results gathered if sample does not represent the target market For example: The information is up to date (1) so the business will be aware of current trends in designs of bathroom products (app). **Application** might include: luxury bathroom products; baths/basins/showers; plan to produce a new range of bathroom products; started 20 years ago; sells in specialist retail shops; website contains information on product range; operates in a very competitive market; need to decide which new designs to produce.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Consider the advantages and disadvantages of the <u>two</u> options LB could use to distribute its new product range in country X. Which channel of distribution should LB use? Justify your answer.

Selling to specialist retail shops
Selling directly to customers through LB’s website

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both options.

Well-justified recommendation.

Candidates discussing in detail both options, in context and with a well-justified recommendation, including why the alternative option was rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one option.

Judgement with some justification / some evaluation of choice made.

Candidates discussing in detail at least one option and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the options with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both options in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Selling to specialist retail shops</td><td>• May be able to sell bathroom products in larger quantities to retailers – more likely to improve cash flow
• Reduces distribution costs – if sell to a few large retail shops rather than direct to customers – fewer journeys for delivery lorries
• Already has a relationship with these shops – may be familiar with the quality of the luxury bathroom products – can pass this information and advice on to customers – sales may be higher
• Lower level of inventories – as some products are sent to the retailer
• Retailer may pay for some of the advertising – may reduce marketing costs
• Customers are already familiar with LB’s products being displayed in these specialist shops so may make it easier to sell a new range of products</td><td>• Have less control over the way the basins and showers are displayed
• Will be displayed alongside competitors’ products – may lead to fewer sales if luxury nature of products is less obvious
• Price may be higher after retail profit margin added – leading to fewer sales
• No direct contact with customers – so may not be able to emphasise the luxury bathroom products</td></tr>
</table></td><td></td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Selling directly to customers through LB's website</td><td>• Lower price can be charged as no profit margin for the retailer included – may lead to higher demand – increased sales and revenue
• Direct contact with customers – may gain useful feedback on showers and baths – less market research needed in the future
• LB controls the way its new bathroom range is described and information provided for customers – more accurate than if sold through a retailer</td><td>• Delivery costs paid by customers will be high as baths are large and heavy – may reduce sales
• May get damaged when being delivered to customers' homes – increasing costs from repair or replacement of products
• The luxury nature of the products cannot be appreciated using online sales as customers cannot see or feel the luxury bathroom products – customers may not be willing to pay the higher price as do not appreciate the high quality
• Storage costs will be higher – as products stored before being dispatched in small quantity to each customer
• Increased cost of website being adapted to be able to take customer orders – also ongoing maintenance costs</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer		Marks
2(b)	Recommendation	Justification might include: • LB should sell the new bathroom range to the existing specialist retail shops as it already has a good relationship with them, and their employees are likely to be familiar with LB's products so can advise customers about their **luxury nature** encouraging customers to think paying the higher price is worth it. Selling directly to customers through its website will be a new way of distributing its products and may not be successful due to LB's lack of experience. • LB should sell the **new bathroom range** directly to customers through LB's website as it will allow LB to sell to a wider range of customers across a wider area than the current specialist retail shops and therefore have higher sales.	

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Question	Answer	Marks
3(a)	**Explain <u>two</u> reasons why working capital is important to LB.** Award 1 mark for each reason why working capital is important (max 2). Award a maximum of 3 additional marks for **each** explanation of why working capital is important – **one of which must be applied to this context**. Relevant reasons might include: • To be able to pay for day-to-day expenses / fixed costs / variable costs / overheads – if not able to pay for these costs then output cannot be produced – and no products could be produced • To prevent cash flow problems – so the business does not lack liquidity – and does not become insolvent / cease trading / not survive • To support a bank loan application – as having enough working capital will help to show an ability to repay the loan • To be able to offer customers credit terms to encourage sales (1) • To pay for unexpected expenses (1) For example: Needed to pay day-to day expenses (1) as LB will need to buy components to manufacture the bathroom equipment (app). If there is insufficient working capital, the business may not have the cash to pay wages and other expenses (1) it will be difficult for LB to continue trading (1). **Application** might include: luxury bathroom products; baths/basins/showers; started 20 years ago; plan to produce a new range of bathroom products; sells in specialist retail shops; website contains information on product range; operates in a very competitive market.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Using Appendix 2 and other information, consider the <u>three</u> employees that LB could make redundant. Which employee should LB choose? Justify your answer.

Naga
Reeta
Amy

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more employees.

Well-justified recommendation.

Candidates discussing all three employees, in context and with a well-justified recommendation, including why the alternative employees were rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one employee.

Judgement with some justification / some evaluation of choice made.

Candidates discussing in detail two or more employees and applying these to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the employees with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining all three employees in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><td>Naga</td><td>• Most expensive wages to keep paying at $400 per week – higher wage costs
• Highest redundancy payments to make at $8000 but this is a one-off payment, and highest wages no longer paid each week
• Has been a supervisor for the longest time at 15 years
• Has worked for LB for the longest at 20 years since the company was first started. Very loyal employee and is unlikely to leave in the future
• Is familiar with the production tasks of all LB’s bathroom products so is flexible and can be moved around the factory and supervise employees in other areas to carry out their tasks</td></tr>
<tr><td>Reeta</td><td>• Experience of 10 years working for a competitor so may bring new ideas from them – increasing efficiency in the factory
• Already familiar with the new machinery that LB has introduced – so may be able to train LB’s employees reducing costs
• Lowest redundancy payment required at $700
• Lowest wage at $350 per week
• Has been employed for the least amount of time at 2 years</td></tr>
<tr><td>Amy</td><td>• Been employed for 14 years so is more experienced than Reeta in LB’s production process
• Worked hard to get promotion and is loyal so unlikely to leave LB in the future – keeping future recruitment costs down
• Can repair machinery if it breaks down – reduces cost of repairs for LB
• Redundancy payments less than Naga at $5250 so less expensive / more than Reeta to make redundant</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer		Marks
3(b)	Recommendation	Justification might include: • Naga should be made redundant as she has the highest wages and therefore will save the greatest amount of wage costs. Reeta has the lowest wages per week so is cheaper to employ and Amy is very **loyal and hardworking** so is unlikely to leave in the future. • Reeta should be made redundant as she has worked the shortest time for LB, **at 2 years,** and therefore less experienced. • Amy should be made redundant as she has not worked for LB as long as Naga and has only been a supervisor for **5 years** which is less time than Naga so has less experience.	

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Question	Answer	Marks
4(a)	**Explain <u>two</u> factors LB's managers should consider when deciding which method of communication to use to inform employees about the expansion plans.** Award 1 mark for each relevant factor (max 2). Award a maximum of 3 additional marks for **each** explanation of the factor that LB's managers should consider when deciding which method of communication to use with employees about the expansion plans – **one of which must be applied to this context**. Relevant factors might include: • How many employees need to be informed – a large number of employees need to see the information – as everyone will be affected by the expansion • If feedback is needed – managers will know the message has been received – to make sure all employees understand what it will mean for their job role • How much information needs to be included in the message / complexity of the message – if it is a lot of information then a written form of communication should be used – such as an email or letter • If there is need for a written record – as legally a record may be needed for certain types of communication with employees – then there will be communication that can be referred to at some time in the future • Speed / urgency / importance of communication – employees need to be told quickly before rumours are spread around the factory • Cost of the communication methods chosen For example: How many employees need to be informed (1). A large number of employees will need to see the information (1) as everyone will be affected by the expansion plans (1) when building the new factory in country Y (app). **Application** could include: luxury bathroom products; baths/basins/showers; plan to produce a new range of bathroom products; plans to open a factory in another country; sells in specialist retail shops; website contains information on product range.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Using Appendix 3 and other information, consider the benefits and drawbacks for country Y of LB building its new factory there. Do you think the benefits for country Y are greater than the drawbacks? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both the benefits and drawbacks for country Y.

Well-justified conclusion.

Candidates discussing in detail both the benefits and drawbacks for country Y, in context and with a well-justified conclusion, including why the alternative benefits or drawbacks were rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of one benefit or drawback for country Y.

Judgement with some justification / some evaluation of choice made.

Candidates discussing in detail at least one benefit and one drawback for country Y and applying these to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the benefits and/or drawbacks with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining the benefits and drawbacks for country Y in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><th>Benefits</th><th>Drawbacks</th></tr>
<tr><td>• It creates jobs – lowering unemployment in country Y – raising incomes in the country and helping to increase economic growth/GDP
• Increased investment – the new factory for manufacturing bathroom products will mean new infrastructure may be built also benefiting local businesses
• LB could export from country Y – improving its balance of payments – earns foreign currency for country Y to purchase more imports
• LB may pay taxes to the government – increases tax revenue to provide more services for its population
• Increased consumer choice – more competition and more luxury bathroom products available to buy – as consumers have increasing incomes and it has increased demand for luxury products</td><td>• The jobs created may be unskilled and low paid – may make it more difficult for local businesses to meet their labour needs as they expand due to increasing economic growth
• There may be reduced sales for the local bathroom manufacturers as their costs and prices may be higher
• Profits may be sent back to country X – loss of government tax revenue in country Y
• Scarce resources may be used up quickly leaving few non-renewable resources remaining when LB leaves – making economic growth in the future slow down
• LB may have some political influence and gain financial support such as grants that could have been spent on local businesses
• Increased noise and air pollution when the factory producing bathroom products is being built – may cause damage to the environment and health of the local population</td></tr>
<tr><td colspan="2">Conclusion
Justification might include:
• Allowing LB to locate in the country has more benefits for country Y than it has drawbacks. The jobs created will help the country develop and may benefit from the transfer of new technology from LB to the many other bathroom producers in the country. This may increase their efficiency and improve their productivity. So many other local businesses may benefit which outweighs the drawbacks of LB causing pollution when building the new factory as this is only in the short term.
• The government in country Y should not allow LB to build a factory there as it may not gain tax revenue if the government of country Y has to offer financial support to attract LB to locate there. LB may have lower unit costs from the economies of scale it benefits from as it is a large business and therefore may cause the many local bathroom manufacturing businesses to close if they cannot compete.</td></tr>
</table></td><td></td></tr>
</table>

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