



EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

BUSINESS STUDIES

6897/02

Paper 2

October/November 2020

Confidential

MARK SCHEME

{6897/02}

MARKS: 80

This document consists of **12** printed pages.

GUIDANCE TO LEVELS-BASED MARKING TABLES

1. Row 1 describes levels based on the quality of responses produced by candidates
 - A level 1 response is where the candidate has only listed relevant points without providing the required analysis or explanation. A good level 1 response yields a maximum of 2 marks
 - A level 2 response is where a candidate has identified relevant point (s) and went on to provide the required analysis or explanation. A good level 2 response yields a maximum of 6 marks
 - A level 3 response is where a candidate has identified relevant points, analysed them and went on to evaluate them as per the requirements of the question. A perfect level 3 response can yields 12 marks

2. Row 2 provides guidance to markers on how application marks should be awarded. For example, a level 1 candidate can only get a maximum of 1 mark for application while level 2 and level 3 candidates can possibly get a maximum of two marks for application. No candidate should be awarded more than 2 marks for application in a given essay.

3. Row 3 provides guidance to markers on how marks should be awarded on knowledge, analysis and application skills.
 - A level 1 response can only attain a maximum of 2 knowledge marks for two (2) stated points. No marks should be awarded for analysis and evaluation to a level 1 response. If required application has been demonstrated in the response, a candidate can attain 1 mark for application. Therefore a level 1 response is limited to a maximum of 3 marks.
 - A level 2 response can only attain a maximum of 4 marks for two (2) analysed points in addition to two knowledge points. No marks for knowledge and evaluation should be awarded to a level 2 response. If required application has been demonstrated in the response, a candidate can attain an additional 2 marks for application. Therefore, a level 2 response is limited to a maximum of 8 marks.
 - A level 3 response can only attain a maximum of 6 marks for two (2) well analysed points plus 4 marks for evaluation. If required application has been demonstrated in the response, a candidate can attain 2 additional marks for application. Therefore, a level 3 response is limited to a maximum of 12 marks.

4. Awarding total marks in levels-based marking:

Levels	Application	Knowledge/analysis/evaluation	Totals
3	2 marks maximum for reference to case	7-10 marks for demonstrated analysis and evaluation	12 marks (max.)
2	2 marks maximum for reference to case	3-6 marks for demonstrated analysis	8 marks (max.)
1	1 mark for limited reference to case	1-2 marks for stating 2 relevant points	3 marks (max.)

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Question	Answer	Marks	Guidance
1(a)	<p>PD Gardens intends to improve its internal and external communication methods.</p> <p>Explain one reason for internal communication and one reason for external communication at PD Gardens.</p> <p>Knowledge [2x2], Analysis [2x1], Application [2x1]</p> <p>Possible answers include:</p> <p>Internal communication:</p> <ul style="list-style-type: none"> • to train workers • to delegate • to get feedback from workers • to motivate workers <p>External communication:</p> <ul style="list-style-type: none"> • to promote products • to place orders • to conduct market research • to make public announcements. <p>Example To motivate workers (1K), businesses will need to communicate internally to understand workers (1K) at packing the factory (1APP) so that they can be able to offer them useful benefits (1AN)</p>	8	<p>One mark should be awarded for each identified reason, another one knowledge mark should be awarded for describing each reason.</p> <p>one mark should also be awarded for analysis.</p> <p>one application mark should be awarded for applying to the case</p>

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Question	Answer	Marks	Guidance
1(b)	<p>PD Gardens conducts primary research to make informed decisions and reduce the risk of business failure.</p> <p>Do you think using primary research is a suitable method for collecting data to check whether customer needs are satisfied? Justify your answer.</p> <p>Advantages of Primary research</p> <ul style="list-style-type: none"> • Follow up questions maybe asked • Relevant information collected • Body language reinforces responses <p>Disadvantages of Primary research</p> <ul style="list-style-type: none"> • Time consuming • Expensive • Researcher bias high <p>e.g. Personal interviews allow interviewers the opportunity to ask follow up questions (L1) which could be a benefit since more information can be collected about the fruits (1AP/1L2). Unlike in the use of questionnaires where respondents can ignore questions (1L2). I therefore think primary research would be more appropriate since relevant information is collected which would enable the business to make the informed decisions (2L3). Outdated information if used can lead to wrong decisions (2L3)</p>	12	<p>A maximum 2 (L1)marks should be awarded for stating advantages and disadvantages of primary research</p> <p>A maximum of 6 (L2) marks should be awarded for analysed advantages and disadvantages of primary research.</p> <p>A maximum of 2 application marks should be awarded for applying to the case of to business.</p> <p>A maximum of 4 (L3) marks for evaluation on whether using primary research is an appropriate or not.</p>

Level	Application	Knowledge + analysis + evaluation	Totals
Level 3	2 Marks: Any 2 points well applied to the case	7–10 Marks: Level 2 + Good judgement/ Recommendation on whether using of primary research is appropriate or not.	12
Level 2	2 Marks: Any 2 points well applied to the case	3-6 Marks: Explained advantages and/ or Disadvantages of primary research	8
Level 1	1 Mark: Limited application	1 – 2 Marks: List of advantages and /or disadvantages of primary research	3

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Question	Answer	Marks	Guidance
2(a)	<p>One of PD Gardens' business aims is to expand.</p> <p>Explain two possible reasons why PD Gardens would want to expand its business.</p> <p>Knowledge [2x2], Analysis [2x1], Application [2x1]</p> <p>Possible answers include:</p> <p><u>Advantages of growth:</u></p> <ul style="list-style-type: none"> • larger market share • economies of scale • higher profits • spread risk <p>Example</p> <p>Growth can lead to the business making higher profits (1K) increasing members' returns on the money invested (1K) in the farm business (1AP). However, growing the business can lead to lack of control which may lead to losses being made (1AN).</p>	8	<p>One mark should be awarded for each identified reasons, another one knowledge mark should be awarded for describing reasons for expansion.</p> <p>one mark should also be awarded for analysis</p> <p>one application mark should be awarded for applying to the case.</p>

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Question	Answer	Marks	Guidance
2(b)	<p>Some members of the close corporation felt that offering the business as a franchise would only benefit PD Gardens franchisees.</p> <p>Do you think that operating as a franchise would only benefit PD Gardens franchisees? Justify your answer.</p> <p><u>Advantages to franchisor:</u></p> <ul style="list-style-type: none"> • easy to get expansion capital • not responsible for managing franchise business <p><u>To franchisee:</u></p> <ul style="list-style-type: none"> • gets a well-known and advertised business • advertising cost incurred by franchisor. <p><u>Disadvantages to franchisor:</u></p> <ul style="list-style-type: none"> • if one outlet is poorly managed whole franchise gets a bad reputation <p><u>To franchisee:</u></p> <ul style="list-style-type: none"> • license can be very expensive • has to pay royalties <p>E.g. Franchising the business will enable the members to expand without spending money (L1) since the franchisees will pay for the license hence growing the fruits business (1APP/1L2). However franchisees have to pay royalties reducing their profits (1L2). Franchising is a good idea since a well-known business is easily financed by banks (2L3). It would otherwise be considered risky if the franchisee had to start a new unknown business(2L3)</p>	12	<p>A maximum 2 (L1) marks should be awarded for stating advantages and disadvantages of franchising</p> <p>A maximum of 6 (L2) marks should be awarded for analysed advantages and disadvantages of franchising.</p> <p>A maximum of 2 application marks should be awarded for applying to the case of to business.</p> <p>A maximum of 4 (L3) marks for evaluation on whether operating as a franchise is a good idea or not.</p>

Level	Application	Knowledge + analysis + evaluation	Totals
Level 3	2 Marks: Any 2 points well applied to the case	7–10 Marks: Level 2 + Good judgement/ Recommendation on whether operating as a franchise is beneficial or not.	12
Level 2	2 Marks: Any 2 points well applied to the case	3-6 Marks: Explained advantages and/ or Disadvantages of franchising	8
Level 1	1 Mark: Limited application	1 – 2 Marks: List of advantages and /or disadvantages of franchising	3

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Question	Answer	Marks	Guidance
3(a)	<p>PD Gardens' profit and loss account show that expenses (fixed and variable) decreased in 2019.</p> <p>Explain one example of a fixed cost and one example of a variable cost that might be incurred by PD Gardens.</p> <p>Knowledge [2x2], Analysis [2x1], Application [2x1]</p> <p>Possible answers include:</p> <p>Fixed costs:</p> <ul style="list-style-type: none"> • salaries • insurance • rent and rates • hire purchase instalments <p>Variable costs:</p> <ul style="list-style-type: none"> • electricity • stationery • wages • seedlings • packaging materials. <p>Example:</p>	8	<p>One mark should be awarded for each identified fixed/variable cost another one knowledge mark should be awarded for describing costs identified.</p> <p>one mark should also be awarded for analysis</p> <p>one application mark should be awarded for applying to the case.</p>

	Variable cost Electricity (1K) the business will have to pay electricity at the factory (1AP) where the products are packaged depending(1K) on how many hours are spent (1AN)		
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Question	Answer	Marks	Guidance
3(b)	<p>One of PD Gardens' members suggested that price skimming should be used in the new target market (South Africa).</p> <p>Do you think price skimming would be a suitable pricing strategy for the business in the new target market? Justify your answer.</p> <p>Points for price skimming: -</p> <ul style="list-style-type: none"> • covers development costs • help launch product • increase sales • product is presented as of superior quality. <p>Against price skimming:</p> <ul style="list-style-type: none"> • could scare away customers, • lose markets to cheaper substitutes. <p>E.g. Price skimming would enable the business to recover costs of setting up the factory (1AP) fast (1L1) since they will charge high prices (1L2). However potential customers maybe scare off by the high price leading to low sales (1L2). I therefore think price skimming will help present the vegetables as high quality and attract more customers (2L3) which may not be the case if the products were to be introduced with low prices (2L3)</p>	12	<p>A maximum 2 (L1) marks should be awarded for stating advantages and disadvantages of price skimming</p> <p>A maximum of 6 (L2) marks should be awarded for analysed advantages and disadvantages of price skimming.</p> <p>A maximum of 2 application marks should be awarded for applying to the case of to business.</p> <p>A maximum of 4 (L3) marks for evaluation on whether using price skimming is a good idea or not.</p>

Level	Application	Knowledge + analysis + evaluation	Totals
Level 3	2 Marks: Any 2 points well applied to the case	7–10 Marks: Level 2 + Good judgement/ Recommendation on whether using price skimming. is beneficial or not.	12
Level 2	2 Marks: Any 2 points well applied to the case	3-6 Marks: Explained advantages and/ or Disadvantages of using price skimming.	8
Level 1	1 Mark: Limited application	1 – 2 Marks: List of advantages and /or disadvantages of using price skimming.	3

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Question	Answer	Marks	Guidance
4(a)	<p>The government of Eswatini has reduced corporate tax rate to encourage new business start-ups as well as benefit existing businesses.</p> <p>Explain one positive effect of reduced corporate tax rate on PD Gardens and one positive effect to the government.</p> <p>Knowledge [2x2], Analysis [2x1], Application [2x1]</p> <p>Possible answers include:</p> <p>For businesses:</p> <ul style="list-style-type: none"> • more profit will be kept by businesses • expansion • reduced costs. <p>For government:</p> <ul style="list-style-type: none"> • reduced unemployment • more taxes • increased exports • GDP will improve • encourage FDIs 	8	<p>One mark should be awarded for each identified benefit of reduced profit tax, another one knowledge mark should be awarded for describing each effect.</p> <p>one mark should also be awarded for analysis</p> <p>one application mark should be awarded for applying to the case.</p>

	Example: More money will be kept by businesses (1K) which means the business will be able to grow more fruits and vegetables (1APP) enabling it to sell to more customers (1K) and make even more profit which will in turn increase tax revenue for the government. (1AN)		
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Question	Answer	Marks	Guidance																																				
4(b)	<p>Use information from Appendix 3, to calculate the business's net profit and return on capital employed for both years, 2018 and 2019.</p> <p>Recommend to PD Gardens' managers how they might increase the future profitability of the business. Justify your answer</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Items</th> <th style="width: 35%;">2018 (E000)</th> <th style="width: 35%;">2019 (E000)</th> </tr> </thead> <tbody> <tr> <td>Gross profit</td> <td style="text-align: right;">460</td> <td style="text-align: right;">200</td> </tr> <tr> <td>+ Other income</td> <td style="text-align: right;"><u>150</u></td> <td style="text-align: right;"><u>80</u></td> </tr> <tr> <td>Total income</td> <td style="text-align: right;">610</td> <td style="text-align: right;">280</td> </tr> <tr> <td>-Expenses</td> <td style="text-align: right;"><u>250</u></td> <td style="text-align: right;"><u>180</u></td> </tr> <tr> <td>Net profit</td> <td style="text-align: right;"><u>360</u></td> <td style="text-align: right;"><u>100</u></td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%;">2018</th> <th style="width: 35%;">2019</th> </tr> </thead> <tbody> <tr> <td>ROCE</td> <td style="text-align: right;"><u>Net profit</u> <u>x100</u></td> <td style="text-align: right;"><u>Net profit</u> <u>x100</u></td> </tr> <tr> <td></td> <td style="text-align: right;">Capital Employed</td> <td style="text-align: right;">Capital Employed</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>=360x100</u></td> <td style="text-align: right;"><u>=100x100</u></td> </tr> <tr> <td></td> <td style="text-align: right;">1800</td> <td style="text-align: right;">1100</td> </tr> <tr> <td></td> <td style="text-align: right;">= 20%</td> <td style="text-align: right;">= 9.1%</td> </tr> </tbody> </table> <p>Comment: The net profit of the business was E360 000 in 2018 and dropped to E100 000 in 2019 and the ROCE was 20% in 2018 and 9.1% in 2019 which was a very huge decrease. (1An)</p>	Items	2018 (E000)	2019 (E000)	Gross profit	460	200	+ Other income	<u>150</u>	<u>80</u>	Total income	610	280	-Expenses	<u>250</u>	<u>180</u>	Net profit	<u>360</u>	<u>100</u>		2018	2019	ROCE	<u>Net profit</u> <u>x100</u>	<u>Net profit</u> <u>x100</u>		Capital Employed	Capital Employed		<u>=360x100</u>	<u>=100x100</u>		1800	1100		= 20%	= 9.1%	12	<p>A maximum 2 (L1) marks should be awarded for stating advantages and disadvantages of closing the business</p> <p>A maximum of 6 (L2) marks should be awarded for calculations of net profit and ROCE.</p> <p>A maximum of 2 application marks should be awarded for the use of correct figures</p> <p>A maximum of 4 (L3) marks for evaluation of the calculations</p>
Items	2018 (E000)	2019 (E000)																																					
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Evaluation

With E260 000 and 10.9% drop in net profits and ROCE the members has suffered a great loss due to the drought. I would advise the members to reduce their expenses and increase their income generating activities **(2L3)**. The reduction in corporate tax could also help the business moving forward since there will be a reduction of business costs. **(2L3)**.

Level	Application	Knowledge + analysis + evaluation	Totals
Level 3	2 Marks: Any 2 points well applied to the case	7–10 Marks: Level 2 + Good judgement/ Recommendation	12
Level 2	2 Marks: Any 2 points well applied to the case	3-6 Marks: calculations of at least 2 of information obtained in the appendix and some analysis given	8
Level 1	1 Mark: Limited application	1 – 2 Marks: List of advantages and /or disadvantages of closing down	3