CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/13**

Paper 1 Short Answer/Data Response **May/June 2026**

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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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).

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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.

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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.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates appropriate reference to the information in the stem.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation (part (e) questions only).

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Annotation	Meaning
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.

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Question	Answer	Marks	Guidance
1(a)	**Identify <u>two</u> cash inflows a business might have.** Award one mark per cash inflow (max 2). Points might include: • <u>Cash</u> sales • Trade receivables / <u>cash</u> from debtors • (Bank) loan / grants / borrowing money (from external source) • <u>Sale of</u> non-current assets / sell unwanted machinery/ land • <u>Funds/money</u> from investors/shareholders / money from selling shares / Share capital / money from owner Other appropriate responses should be credited.	**2**	Only award the first two responses given.
1(b)	**Calculate <u>X</u> and <u>Y</u>.** Award one mark per answer (max 1 for each). X: $380 000 or 380 Y: $160 000 or 160	**2**	Only award the first answer given for each part. $ sign not needed. If no answer is written in the response area, check Table 1.1.

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Question	Answer	Marks	Guidance
1(c)	**Identify <u>four</u> ways a business could respond to an increase in competition.** Award 1 mark per way (max 4). Points might include: • <u>Decrease</u> prices / competitive pricing • Increase advertising / (or examples such as) social media / television • Increase sales promotion / (or examples such as) BOGOF/competitions / free gifts / promotional pricing/ discounts • Add/develop new products/services/new features • <u>Improve/maintain</u> quality (of existing products) • <u>Improve/maintain</u> branding/brand image • <u>Improve/maintain</u> packaging • Enter/sell in new markets • Sell in new locations/sell via ecommerce • <u>Improve/maintain</u> customer relationships/loyalty/ offer better customer service • Takeover/merge/buy out a competitor • <u>Increase</u> added value Other appropriate responses should be credited.	**4**	Only award first four answers given. Notes: • Accept promotion where no specific examples (e.g. advertising or sales promotion.

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Question	Answer	Marks	Guidance
1(d)	**Explain <u>two</u> ways George could use MCL's cash flow forecast**. Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • To know how much <u>cash</u> will be available for paying bills/wages [k] so can arrange an overdraft (if necessary) [an] to pay for fruit/vegetables [app] • To support loan applications [k] as operates in a competitive market [app] to show if MCL could afford to pay the interest [an] • To help attract investors [k] to show if the business will have sufficient cash to reward the investors [an] in this wholesaler business [app] • To help plan/planning/budgeting / manage cash flow better / help <u>avoid/predict</u> cash flow problems/insolvency [k] • To show if the business is likely to run short of <u>cash</u> / identify if there will be a cash-flow problem [k] such as the minus $10 000 in net cash flow in August [app] so can cut back on spending / take corrective action / avoid having a lack of liquidity [an] • To help make decisions [k] so waste fewer resources [an] • To see if holding too much <u>cash</u> [k] which could be better used [an] • Identify how much a business might need to borrow/size of overdraft [k] • Track timing of funds/cash entering and leaving the business / track <u>cash</u> inflows **and** <u>cash</u> outflows [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Wholesaler • Fruit/vegetables or other examples • Competitive (market) / increase in competition • $(10 000) /-$10 000 in August • $30 000 net cash flow in September • (Customers are) small retail business • Other appropriate examples can be credited. Notes: • Some points could be awarded as [k] or [an] but only award once.

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Question	Answer	Marks	Guidance
1(e)	**Do you think the advantages for a small retail business of buying products from a wholesaler are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about whether the advantages for a small business of buying from a wholesaler are greater than the disadvantages. Points might include: Advantages: • Wholesaler **'break bulk'**/retailer can buy in small quantities / retailer can buy amount want/need [k] reducing cash outflow [an] • Retailer can hold less inventory / wholesaler does most of the storage [k] less storage space / lower storage costs [an] • Retailer may be offered credit terms [k] which helps with cashflow [an] • Wholesaler may offer advice about what sells well [k] which can save time carrying out market research [an] • Wholesaler will advertise/promote/raise awareness of the products [k] which can lower marketing costs [an] • Retailer can obtain a variety/range of products [k] • Wholesaler will pay the transport cost to the retailer [k] Disadvantages: • Price may be higher (for retailer) [k] as wholesaler will add own mark-up / which lowers profit margin [an]/ could lower sales [an] • May be far away from retailer [k] which increases transport costs [an] • Wholesaler may not have full range of products to sell [k]	**6**	This is a generic question so there are no marks for application. To access evaluation, must refer to one relevant advantage and one relevant disadvantage. Notes: • Some points can be [k] or [an] but only award once e.g. less storage space needed, lower storage cost. • Do not award mirror answers.

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Question	Answer	Marks	Guidance
1(e)	• Can take longer for fresh products to reach the shops [k] which may lower quality [an] Other appropriate responses should be credited. Justification might include: Using a wholesaler means a small retailer can hold less inventory [k] lowering storage costs [an]. The price may be higher [k] as wholesaler will add their own mark-up [an]. The advantages are greater because even though the price of each item may be slightly higher, being able to buy only what is needed may lower the overall cost of sales [eval], especially as a small retail business may not have sufficient funds to buy in large quantities. [eval]		

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Question	Answer	Marks	Guidance
2(a)	**Identify <u>two</u> benefits to employees of being members of a trade union**. Award 1 mark per benefit (max 2). Points might include: • Improved conditions of employment e.g. pay/holidays/hours • Improved/safer <u>working</u> conditions • Protect job security / protect against possible redundancy / protect against unfair dismissal • More power when dealing/negotiating with employers/strength in numbers / collective bargaining • Provide <u>support</u>/legal advice • Protect employee rights / ensure workers are not exploited / protect interests • Improved sickness/retirement/redundancy benefits • Provides services (or examples such as) insurance / training / social activities / discounts. Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
2(b)	**Identify <u>two</u> legal controls over employment that might affect a business.** Award 1 mark per legal control (max 2). Points might include: • Contract of employment/conditions of employment or examples e.g. holiday entitlement/sick days • Health and safety / working conditions • Legal <u>minimum</u> wage • Legal <u>minimum</u> age / child labour • <u>Working</u> hours/time • Discrimination/equal opportunities • (Unfair) dismissal • Redundancy • Right to work / work visa / work permit / health check / proof of identity • Termination/notice period Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
2(c)	**Outline <u>two</u> financial methods of motivation CCH could use for its production employees.** Award 1 mark for each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Salary [k] for its 1800 employees [app] • Time-rate / time-based / <u>increase</u> pay/wages /pay rise [k] for those working in the factory [app] • Bonus [k] when making boats [app] • Fringe benefits / (or examples e.g.) discounts (on business products) [k] which could be encouraged by the trade union [app] • Piece-rate [k] • Profit sharing [k] • Performance-related pay [k] • Share ownership [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • (Large) boats • Factory • 1800 employees • Trade union (members) • On-the-job training Other appropriate examples can be credited. Notes: • Max 1 mark for examples of fringe benefits. • On-the-job training is [app] only.

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Question	Answer	Marks	Guidance
2(d)	**Explain <u>two</u> advantages to CCH of changes in technology.** Award 1 mark for identification of each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Increase efficiency/productivity [k] reducing <u>average</u> cost / increase output [an] of making boats [app] • New/variety of products can be designed/made [k] in the factory [app] which could increase demand [an] • Fewer employees / can replace workers [k] below 1800 employees [app] reducing (labour) costs [an] • Different skill set needed for employees [k] which is why they are offered on-the-job training [app] so employees are more flexible [an] • Better quality [k] which could improve reputation / increase sales [an] • Fewer mistakes / less waste [k] which could reduce variable costs [an] • High(er)/faster output [k] which could affect financial methods of motivation offered [app] • Fewer accidents/safer workspace [k] so less chance of legal action [an] • More complex work possible [k] • Could allow for continuous production [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • (Large) boat • Factory • 1800 employees • On-the-job training • Trade union members • Financial methods of motivation • Legal controls over employment Other appropriate examples can be credited. Notes: • Some analysis can be used for different points, but only award once e.g. increase output. The following are [an] only: • Lower (average) costs • Higher price • Access new markets

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Question	Answer	Marks	Guidance
2(e)	**Do you think the advantages to a business of using on-the-job training are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about whether the advantages to a business of using on-the-job training are greater than the disadvantages. Points might include: Advantages: • Employees can carry on working whilst being trained [k] so some work is done [an] • Can control what is taught/employees learn exact way business wants things done / tailored to needs of business [k] so workers only learn skills needed [an] AND/OR fewer mistakes [an] • Cheap(er) (than off-the-job) [k] reducing training costs [an] • Some product is made/service provided [k] so able to meet demand [an] • No need for time away from the workplace [k] which may reduce transport costs [an]	**6**	This is a generic question so there are no marks for application. To access evaluation, must refer to one relevant advantage and one relevant disadvantage. Notes: • Some points can be [k] or [an] but only award once e.g. lower transport costs. • The same analysis could be awarded for different points, but only award once.

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Question	Answer	Marks	Guidance
2(e)	Disadvantages: • Pass on errors/bad habits of trainer [k] can lower quality / cause mistakes [an] • Mistakes can be made [k] which could damage reputation [an] AND/OR increasing waste / lowering efficiency/productivity [an] • Trainer is less productive when training others [k] • Trainer may not have the skills (to train the employees) [k] • Productivity/efficiency decreases (in the short term) / slow down production [k] reducing output [an] Other appropriate responses should be credited. Justification might include: On-the-job training allows employees to carry on working whilst being trained [k] so some work is done [an]. However, it could mean mistakes are made [k] which could damage the businesses' reputation [an]. The disadvantages are greater because a poor reputation could mean fewer sales [eval], and if the work includes mistakes, this can simply increase the cost/time of rework. [eval]		

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Question	Answer	Marks	Guidance
3(a)	**Define 'business objective'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • (A statement of) a specific target that a business works towards [2] • (A statement of) a specific target to be achieved [2] Partial definition e.g. • Target/goal/aim [1] • Something the business works towards/wants to achieve [1]	**2**	1 mark for the idea of a target. 1 mark for the idea that it is something to work towards/achieve.
3(b)	**Identify <u>two</u> external stakeholder groups a business might have.** Award 1 mark per stakeholder group (max 2). Points might include: • Customers • Suppliers • Banks/lenders • <u>Potential</u> investors/shareholders • Government • (Local) community • Competitors/other businesses e.g. insurance, accountants • Pressure groups Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
3(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to CNR of being a private limited company.** Award 1 mark for each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: Advantages: • <u>Limited</u> liability [k] for shareholders/owners of the bank [app] • Can raise large amount of finance [k] so can have more than 36 000 employees [app] • Can decide who to sell/issue shares to [k] to fund its growth [app] • Separate legal identity [k] • Continuity [k] Disadvantages: • Need to publish (some) financial accounts [k] for its 8000 branches [app] • Shareholders may expect dividends [k] especially after the merger [app] • Can only sell shares <u>to friends and family</u>/cannot sell shares <u>to public</u> [k] • Legal formalities to set up/run [k] • Separation of ownership and control / owners have a say in decisions [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Bank • 8000(locations) • Branches • 36 000 employees • Merger/merge • Objective • Growth Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
3(d)	**Explain <u>two</u> methods of communication CNR could use to inform its employees about the merger.** Award 1 mark for identification of each relevant method (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Email [k] the 36 000 employees [app] as can send to many people at once [an] • (Online/in person) meeting [k] at each of the 8000 branches [app] allowing everyone to discuss points / get feedback [an] • Video conference/Zoom/Teams/Google Meet/FaceTime [k] as people/attendees do not have to travel [an] • Phone calls [k] about its objectives [app] • Text/SMS/ WhatsApp/WeChat/(Facebook) messenger [k] which can be saved for future reference [an] • Letter [k] give a professional image/confidential [an] • Notice/noticeboard/poster [k] as they can be placed in various locations (for employees to read) [an] • Website/social media or examples e.g. Facebook, TikTok [k] • <u>Internal</u> newspapers/newsletter/magazine [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Bank • Private limited company • 36 000 employees • 8000 (locations) • Branches • Objective • Growth Other appropriate examples can be credited. Can award the following as [an] for different methods but only once: • Low cost • Quick • Send to many people/all (at once) • Send <u>detailed/large amount</u> of information/attachments • Written record / can refer to • Get (instant) feedback / 2-way communication / can ask questions

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Question	Answer	Marks	Guidance
3(e)	**Explain <u>two</u> possible problems a business might experience as it grows. Which problem is likely to be the most important? Justify your answer**. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about which problem of growth is likely to be the most important. Points might include: • Communication problems/miscommunication [k] leading to mistakes/ errors [an] • Difficult to control (many people) [k] which could slow down decision-making [an] • Co-ordination problems (between departments) [k] which could decrease efficiency [an] • Lower levels of employee motivation/morale [k] leading to higher levels of absenteeism [an] • Need more finance / lack of finance / need more working capital / cash flow problems [k] • Difficult/need to find more space/larger building / lack of space [k] which could increase fixed costs/rent [an] • Difficult to access/find more raw materials [k] may increase variable costs [an] • Need/difficult to find <u>suitable</u> employees [k] leading to higher recruitment/training/labour costs [an] Other appropriate responses should be credited.	**6**	This is a generic question so there are no marks for application. To access evaluation, must refer to two relevant problems. Notes: • Some analysis could be used for different points but only award once. • Some points can be [k] or [an] but only award once e.g. motivation. • Accept ‘diseconomies of scale’ where no specific examples given.

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Question	Answer	Marks	Guidance
3(e)	Justification might include: It can be difficult to control [k] which could slow down decision-making [an]. Another problem is that it may be difficult to recruit more employees [k] leading to higher recruitment costs [an]. Control is the most important problem because slow decisions could mean opportunities are missed [eval], whereas a business could introduce machinery reducing the number of employees needed [eval].		

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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> methods of primary market research**. Award 1 mark per method (max 2). Points might include: • Interview • Focus group • Observation • (Postal) questionnaires • (Online) survey Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
4(b)	**Identify <u>two</u> factors which could affect the accuracy of market research data.** Award 1 mark per factor (max 2). Points might include: • (Small) sample size / not asked enough people / not enough replies/results • Sample chosen / who is being asked / age/gender <u>of people asked</u> / how carefully the sample is drawn up / does sample represent the market / where research carried out • Interviewer experience/interviewer bias • Wording/language of the questions / questions are unclear • Who carried out research • Age <u>of information</u> / when data gathered / where data is out-of-date • People's actions do not always match what they say / untruthful/dishonest answers / person may say what think you want to hear • (Wrong) method of research selected/source of the data • Results recorded incorrectly • Data may have been recorded for a different purpose • Anonymity • Bots / use of AI Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
4(c)	**Outline <u>two</u> ways import quotas affect LKH.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • <u>Limit/reduce</u> the number of imports [k] to make clothes [app] • May have to find <u>alternative/local</u> suppliers / may not be able to find suitable supplies [k] especially as quality is important [app] • May lead to <u>lower/limit</u> (levels of) production [k] in its factories [app] • May have less <u>choice/quality</u> of raw materials [k] for this MNC [app] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Clothes or related words such as fabrics, cotton • Multinational company • Factories • 3 (countries) • Quality is important • Primary market research Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
4(d)	**Explain <u>two</u> reasons LKH wants to improve the quality of its products.** Award 1 mark for identification of each relevant reason (max. 2). Award 1 mark for each relevant reference to this business (max. 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Increase/maintain sales/demand / attract (new) customers [k] of its clothes [app] increasing revenue [an] • Helps maintain/increase customer loyalty / customers will <u>keep buying</u> [k] for this MNC [app] which could lower the costs of marketing [an] • Maintain/improve reputation/brand image [k] in the 3 countries [app] which could maintain/gain market share [an] • Increase added value [k] so can increase prices [an] • Increase/set high(er) prices [k] which can increase its profit margin [an] • No need to replace faulty work/less waste [k] in the factories [app] which can help lower costs [an] • To reduce customer complaints [k] • Gain competitive advantage/ remain competitive [k] • To meet legal requirements [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Multinational company / MNC • Factories • 3 (countries) • Clothes or related words such as fabrics, cotton • Primary market research • Import quotas Other appropriate examples can be credited. Notes: • Some points could be [k] or [an] but only award once e.g. increase prices, improve reputation, sales.

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Question	Answer	Marks	Guidance
4(e)	**Explain <u>two</u> possible disadvantages to a country of a multinational company (MNC) locating there. Which disadvantage is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about which disadvantage is likely to be the most important. Points might include: • Increased competition [k] reducing sales for <u>local</u> businesses [an] AND/OR local businesses may close [an] • **OR** Reduced sales for <u>local</u> businesses [k] reducing revenue [an] AND/OR can force local businesses to close [an] • Use up <u>scarce/finite</u> resources [k] so fewer resources for other uses / may stop <u>local</u> businesses from setting up [an] • May try to avoid/reduce amount of tax paid (in host country) [k] so less funds for the government to provide public services [an] • Repatriation of <u>profit</u>/ send <u>profit</u> back to home country [k] so less tax revenue for host country [an] • Often only <u>unskilled</u> jobs created / may offer <u>low</u> wages / <u>poor</u> working conditions / <u>exploitation</u> of labour [k] • <u>Undue</u> influence on government decisions/local economy / MNC may ask for large grants to <u>open/remain in the country</u> [k] • Environmental damage/create pollution (only once) [k] which could <u>damage</u> health of local people [an] • Country may lose cultural identity/loss of local/traditional products/practices [k]	**6**	This is a generic question so there are no marks for application. To access evaluation, must refer to two relevant disadvantages. Notes: • Some points could be awarded as [k] or [an], but do not award the same point twice. • Max 1 for examples of pollution.

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Question	Answer	Marks	Guidance
4(e)	Other appropriate responses should be credited. Justification might include: One threat is increased competition [k] reducing sales for local businesses [an]. The MNC can also use up scarce resources [k] so there are fewer resources available for other uses [an]. Competition is more important because it could force local businesses to close, [eval] which could mean there are fewer local businesses to use the resources anyway [eval].		

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