



EXAMINATIONS COUNCIL OF ESWATINI
Eswatini General Certificate of Secondary Education

BUSINESS STUDIES

6897/02

Paper 2

October/November 2019

Confidential

MARK SCHEME

{6897/02}

MARKS: 100

This document consists of 15 printed pages

GUIDANCE TO LEVELS-BASED MARKING TABLES

1. Column 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 5 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 10 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. Column 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. Column 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 4 knowledge marks for four (4) 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 5 marks.
 - A level 2 response can only attain a maximum of 8 marks for four (4) analysed 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 10 marks.
 - A level 3 response can only attain a maximum of 8 marks for four (4) well analysed points plus 2 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		9-10 marks for demonstrated analysis and evaluation	12 marks (max.)
2	2 marks maximum for reference to case.	5-8 marks for demonstrated analysis	10 marks (max.)
1	1 mark for limited reference to case	1-4 marks for stating 4 relevant points	5 marks (max.)

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Question	Answer	Marks	Guidance
1. (a)	<p>Fabgarments Ltd uses a market segmentation strategy to sell its products.</p> <p>Identify and explain any two criteria for market segmentation that Fabgarments Ltd could use.</p> <p>Knowledge (1x2) – award one mark for each relevant criteria identified Analysis (2x2) – award two mark for a relevant explanation of each criteria Application (1x2) – award one application marks for each relevant application.</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Socio-economic factors e.g. income level, education, social class, occupation. Religion etc. • Geographic factors e.g. regions, rural or urban etc. • Demographic factors e.g. age, gender, marital status etc. • Behavioural factors e.g. how often customers buy certain products <p>Example: Fabgarments Ltd might segment the clothing market using geographical location (1k). The company operates internationally (1ap) and the customers who experience hot climatic conditions might prefer lighter clothing designs (1an) than those who live in hotter areas. So considering the geographical location could make the company design relevant clothing designs for its international customers (1an).</p> <p style="text-align: right;">[2k, 2app, 4an]</p>	8	

Possible Application words

Clothing, textile, market segments, wear, designs, the company, material, yard, sewing machine, suits, dresses etc.

There may be other examples in context which have been included here

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Question	Answer	Marks	Guidance												
1. (b)	<p>The business depends on specialisation and division of labour in its production process.</p> <p>Do you think that specialisation and division of labour would contribute to the success of the business? Support your answer.</p> <p>Possible answers could include:</p> <table border="1"> <thead> <tr> <th>Advantages of specialisation</th> <th>Disadvantages of specialisation</th> </tr> </thead> <tbody> <tr> <td>Workers become experts on what they do/ repetition increases skills and efficiency</td> <td>Repetition leads to monotony and boredom/ demotivation</td> </tr> <tr> <td>It saves on buying and replacing tools.</td> <td>The absence of one worker can stop/delay the whole production process</td> </tr> <tr> <td>Workers become more efficient/ productivity high</td> <td>Loss of flexibility</td> </tr> <tr> <td>Team work saves time</td> <td>Limits workers' innovation</td> </tr> <tr> <td>Errors are detected earlier in production</td> <td>An error by one department can affect whole production</td> </tr> </tbody> </table> <p>Example: Specialisation lead to increased skills and efficiency (L1) since workers do the same tasks over and over again. This leads to skills mastery and tailors spend less time on making attires (App/L2). However the absence of one worker can halt or delay the whole production leading to the business failing to meet production targets (L2). Therefore specialisation would lead to the success of the business because it saves on costs of tools as workers only get needed tools for their tasks (L3).</p>	Advantages of specialisation	Disadvantages of specialisation	Workers become experts on what they do/ repetition increases skills and efficiency	Repetition leads to monotony and boredom/ demotivation	It saves on buying and replacing tools.	The absence of one worker can stop/delay the whole production process	Workers become more efficient/ productivity high	Loss of flexibility	Team work saves time	Limits workers' innovation	Errors are detected earlier in production	An error by one department can affect whole production	12	
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LEVEL	APPLICATION	KNOWLEDGE/ANALYSIS/EVALUATION
3		9-10 Marks Level 2 + well justified argument on whether specialisation could help the company improve its performance or not.
2	2 Marks use of the case/ or related to the case	5-8 Marks Advantages and Disadvantages of specialisation well explained or compared in relation to the case
1	1 Mark use of the case/ or related to the case	1-4 marks List of advantages and / or disadvantages of specialisation. Limited application.

Question	Answer	Marks	Guidance
2. (a)	<p>The company is planning to attract local and COMESA customers by using penetration pricing and competitive pricing respectively.</p> <p>Explain any two pricing strategies suitable in the two identified markets other than competitive and penetrative strategies.</p> <p>Knowledge [1x2] - award 1 mark for each relevant pricing strategy Application [1x2] - award 1 mark for each relevant applied explanation Analysis [2x2] – award 2mark for each relevant explained pricing strategy.</p> <p>Possible answers could include:</p> <ul style="list-style-type: none"> • Cost-plus pricing • Psychological pricing • Price skimming • Promotional pricing 	8	.

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	<p>Example: Price skimming (1k): the business could set the high prices for the suits and dresses (1app) in the COMESA market for a while then reduce the price (1an). This would help the business recover development cost and attract customers since they would think that the clothing is of high quality (1an)</p> <p style="text-align: center;">[2k, 2app, 4an]</p>		
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Possible application words:

Clothing, textile, market segments, wear, designs, the company, material, yard, sewing machine, suits, dresses etc.

There may be other examples in context which have been included here

Question	Answer	Marks	Guidance										
2. (b)	<p>Fabgarments Ltd continues to use batch production methods even though it has become a multinational company.</p> <p>Do you think that changing from batch production to flow production will benefit the company? Justify your answer.</p> <p>Possible answers might include:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Advantages of batch production</th> <th style="width: 50%;">Disadvantages of batch production</th> </tr> </thead> <tbody> <tr> <td>Production line is flexible</td> <td>It has longer lead time</td> </tr> <tr> <td>Offers variety of products/customer choice</td> <td>Warehouse is needed to store stocks of raw material</td> </tr> <tr> <td>Promotes job satisfaction/workers do varied work.</td> <td>Poor quality products may be produced since its more labour intensive</td> </tr> <tr> <td>Suitable for products with less variety</td> <td>Average cost of production high</td> </tr> </tbody> </table>	Advantages of batch production	Disadvantages of batch production	Production line is flexible	It has longer lead time	Offers variety of products/customer choice	Warehouse is needed to store stocks of raw material	Promotes job satisfaction/workers do varied work.	Poor quality products may be produced since its more labour intensive	Suitable for products with less variety	Average cost of production high	12	
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Level	Application	Analysis
Level 3		9 – 10 Marks: Level 2 + Good judgement/ Recommendation on whether batch production/ flow production would benefit the company
Level 2	2 Marks: Any 2 points well applied to the case	5 - 8 Marks: Analysed reasons on how adopting batch production/ flow production would benefit the company.
Level 1	1 Mark: Limited application	1 – 4 Marks: List of advantages and/ disadvantages of batch production/ flow production

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Question	Answer	Marks	Guidance
3. (a)	<p>The company is struggling to pay its workers on time and so the workers have raised this matter as a grievance against the employer.</p> <p>Identify and explain any two forms of industrial action the workers can take to show their dissatisfaction about the late pay.</p> <p>Knowledge [1x2] - award 1 mark for each form of industrial action Application [1x2] - award 1 mark for each relevant applied explanation Analysis [2x2] – award 2mark for each relevant explanation of form of industrial action</p> <p>Possible answers may include:</p> <ul style="list-style-type: none"> • Picketing • All out strike/mass stay away/general strike • Overtime ban • Selective strike • Work to rule • Go slow strike • Wild cat strike <p>Example: Overtime ban (k) workers can stop working overtime to put pressure on the employer to deal with their grievances promptly (an). This industrial action could lead to the business being unable to meet orders for suits (ap) which could damage the reputation of the company (an).</p> <p style="text-align: right;">[2k, 2app, 4an]</p>	8	

Possible application words:

Textile workers; demonstration; chanting; placards; bargaining; negotiation

There may be other examples in context which have been included here

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Question	Answer	Marks	Guidance																				
3. (b)	<p>At some point the company considered seeking financial assistance from government rather than taking a bank loan to finance its operations.</p> <p>Advice the company on which source of finance is more suitable. Support your answer. Possible answers might include:</p> <table border="1"> <thead> <tr> <th>Advantages of government assistance</th> <th>Disadvantages of government assistance</th> </tr> </thead> <tbody> <tr> <td>Does not need to be repaid</td> <td>Conditions attached to the finance</td> </tr> <tr> <td>No collateral needed</td> <td>Funding is restricted to lower limits / less amount may be received</td> </tr> <tr> <td>Fewer formalities required when applying</td> <td>Depends on the availability of funds / it may not be available</td> </tr> <tr> <td>No interest charges incurred</td> <td>May take long to receive funds</td> </tr> <tr> <td>Govt may offer technical support/ training</td> <td>Too much paper work and beaurocracy.</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Advantages of a bank loan</th> <th>Disadvantages of a bank loan</th> </tr> </thead> <tbody> <tr> <td>Funds are always available</td> <td>Repaid with interest</td> </tr> <tr> <td>Easy to arrange</td> <td>Collateral is needed</td> </tr> <tr> <td>Apply for the amount needed</td> <td>Company may lose assets for failure to pay</td> </tr> </tbody> </table> <p>Example: Government assistance does not require the provision of collateral (L1) which the company may not have (L2) while a bank loan attracts high interest rates which may increase costs and reduce business profits (L2). However government assistance has conditions attached which may not be favorable for the clothing (app) business (L2). A bank loan is paid over a long period which allows the business to have time to pay back without pressure (L2). I therefore think a bank loan would be more beneficial since the business may apply and get the exact amount needed which may not be the case with government assistance (L3).</p>	Advantages of government assistance	Disadvantages of government assistance	Does not need to be repaid	Conditions attached to the finance	No collateral needed	Funding is restricted to lower limits / less amount may be received	Fewer formalities required when applying	Depends on the availability of funds / it may not be available	No interest charges incurred	May take long to receive funds	Govt may offer technical support/ training	Too much paper work and beaurocracy.	Advantages of a bank loan	Disadvantages of a bank loan	Funds are always available	Repaid with interest	Easy to arrange	Collateral is needed	Apply for the amount needed	Company may lose assets for failure to pay	12	
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LEVEL	APPLICATION	KNOWLEDGE/ANALYSIS/EVALUATION
3		9-10 Marks Level 2 + well justified argument on whether government assistance and/or loan could help the company improve its performance or not.
2	2 Marks use of the case/ or related to the case	5-8 Marks Advantages and Disadvantages of government assistance and/or loan well explained or compared in relation to the case
1	1 Mark use of the case/ or related to the case	1-4 marks List of advantages and / or disadvantages of government assistance and/or loan. Limited application.

Question	Answer	Marks	Guidance
4 (a)	<p>Fabgarments Ltd has identified COMESA as a new market destination for its products. COMESA is one of the largest regional trading blocs in Africa.</p> <p>Identify and explain any two benefits to Swaziland of being a member of COMESA.</p> <p>Knowledge [1x2] - award 1 mark for each relevant benefit Application [1x2] - award 1 mark for each relevant applied explanation Analysis [2x2] – award 2mark for relevant explanation of each benefit</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Common visa/ common currency • No tariffs to member countries • Free movement of labour / access to experts • Free movement of capital • Wider market • Favourable balance of payment • Promotion of peace in the region • Favourable balance of payment 	8	

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	<p>Example:</p> <p>Free movement of labour (k) being a member of the COMESA will enable businesses to acquire skilled labour from other countries (an) which may lead to improved productivity of the clothing (app) that may improve the country's GDP (an).</p> <p style="text-align: right;">[2k, 2app, 4an]</p>		
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Possible Application words

<p>Free flow of goods, tariffs, duty-free, international trade, exports, imports, BOP.</p> <p>There may be other examples in context which have been included here</p>
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Question	Answer	Marks	Guidance
4. (b)	<p>Calculate the relevant profitability ratios for Fabgarments in the COMESA and Lesotho markets using information on appendix 2.</p> <p style="text-align: center;">COMESA</p> <p>Profitability ratio 1</p> <p>Gross profit Margin = $\frac{GP \times 100}{Sales}$</p> <p style="text-align: center;">= $\frac{3000\ 000 \times 100}{4100\ 000 \quad 1}$</p> <p style="text-align: center;">= 73%</p> <p>Profitability ratio 2</p> <p>Net profit Margin = $\frac{NP \times 100}{Sales}$</p> <p style="text-align: center;">= $\frac{1\ 300\ 000 \times 100}{4100\ 000 \quad 1}$</p> <p style="text-align: center;">= 32%</p>	12	

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	<p>LESOTHO <u>Profitability ratio 1</u></p> <p>Gross profit Margin = $\frac{GP \times 100}{Sales}$ $= \frac{11\,300\,000 \times 100}{14\,500\,000}$ $= 78\%$</p> <p><u>Profitability ratio 2</u></p> <p>Net profit Margin = $\frac{NP \times 100}{Sales}$ $= \frac{9\,000\,000 \times 100}{14\,500\,000}$ $= 62\%$</p>		
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Do you think the company should open its branch in Lesotho? Support your answer.

COMMENTS

- Gross profit margin for Lesotho is higher (78%) compared to COMESA (73%)
- Net profit margin for Lesotho is higher (62%) compared to COMESA (32%)
- Therefore it will be more profitable to invest in Lesotho than in the COMESA based on the profitability ratio above which shows a higher GPM and NPM for Lesotho as compared to COMESA.

LEVEL	APPLICATION	KNOWLEDGE/ANALYSIS/EVALUATION
3		9-10 Marks Level 2 + well justified argument on whether the business should open a new branch in Lesotho
2		5-8 Marks Correct calculations of profitability ratios and well explained
1		1-4 marks List of advantages and / or disadvantages of technology or labour intensive methods. Limited application. No calculations shown.

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Question	Answer	Marks	Guidance
5. (a)	<p>Fabgarments Ltd is in negotiations on a merger with the business that supplies it with fabric.</p> <p>Identify and explain any two benefits to Fabgarments Ltd of the planned merger.</p> <p>Knowledge (1x2) – award one mark for each relevant benefit of a merger. Analysis (2x2) – award one mark for a relevant explanation of a benefit each of a merger. Application (1x2) – award one application marks for each relevant application.</p> <p>Possible answers might include:</p> <ul style="list-style-type: none"> • Constant supply of raw material is guaranteed • To enjoy the profits made by the other business subsidiary. • Other competitors may be prevented from getting raw materials from the same source • Control over the quality of raw materials <p>Example: Constant supply of suit' (app) raw material is guaranteed (k), as the supplier of fabric has direct interest in the production of the clothes (an). This will enable the business to keep on offering suits even when there is a shortage of fabric (an).</p> <p style="text-align: right;">[2k, 2app, 4an]</p>	8	

Possible Application words

Integration; profits; growth in size; increased; yard/ material; inputs, lining, shoulder pads, zip, buttons

There may be other examples in context which have been included here

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Question	Answer	Marks	Guidance																
5. (b)	<p>The company is planning to invest in other countries that have access to the American market.</p> <p>Do you think multinational firms always benefit the host country? Support your answer. Possible answers might include:</p> <table border="1"> <thead> <tr> <th>Advantages of multinational firms</th> <th>Disadvantages of multinational firms</th> </tr> </thead> <tbody> <tr> <td>Employment of a large number of people</td> <td>Repatriation of profits to country of origin</td> </tr> <tr> <td>New investment on infrastructure</td> <td>The job they create in the host country is often unskilled job / no transference of skills/ low wages</td> </tr> <tr> <td>Larger tax payments</td> <td>They may force local businesses to close down/ unfair competition</td> </tr> <tr> <td>Increase of exports and foreign currency</td> <td>They often use scarce or non- renewable resource / pollution problems</td> </tr> <tr> <td>Supply local businesses with clothes</td> <td>Negative influence on govt policies that may only favor them</td> </tr> <tr> <td>Access to bigger international markets</td> <td></td> </tr> <tr> <td>Increase GDP</td> <td></td> </tr> </tbody> </table>	Advantages of multinational firms	Disadvantages of multinational firms	Employment of a large number of people	Repatriation of profits to country of origin	New investment on infrastructure	The job they create in the host country is often unskilled job / no transference of skills/ low wages	Larger tax payments	They may force local businesses to close down/ unfair competition	Increase of exports and foreign currency	They often use scarce or non- renewable resource / pollution problems	Supply local businesses with clothes	Negative influence on govt policies that may only favor them	Access to bigger international markets		Increase GDP		12	
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	<p>Example:</p> <p>Multinational firms create employment opportunities (L1) in the host country since fashion designers (app) are hired to work in the business. The unemployment rate in the country goes down and the people's standard of living improves (L2). However multinational firms usually send profits to their country of origin and that money does not benefit the host country (L2). Therefore I think multinational firms do not benefit host countries since the jobs they create in the host country are usually unskilled jobs since they bring their own management leading to locals remaining unskilled and low income earners.(L3)</p>		
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LEVEL	APPLICATION	KNOWLEDGE/ANALYSIS/EVALUATION
3		9-10 Marks Level 2 + well justified argument on whether multinational benefit host countries.
2	2 Marks use of the case/ or related to the case	5-8 Marks Advantages and Disadvantages of multinationals well explained in relation to the case
1	1 Mark use of the case/ or related to the case	1-4 marks List of advantages and disadvantages of multinationals. Limited application.

