Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/12**

Paper 1 Short Answer and Essay **March 2018**

MARK SCHEME

Maximum Mark: 40

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.

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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 descriptors 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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Question	Answer	Marks
1(a)	**Define the term 'random sampling'.** Random sampling is a sampling method in which members of the population are chosen at random (1). All members of a group or population have an equal chance of being selected (2). Sound definition (2 marks) Partial definition (1 mark) No creditable content (0 marks)	**2**
1(b)	**Briefly explain <u>two</u> benefits of using quota sampling when carrying out market research.** The benefits of quota sampling are said to include: • It ensures that the sample is chosen to be representative of all the strata in the population. • It is quicker to collect information from a quota sample as less individuals need to be contacted therefore results can be processed more rapidly to give the company information to act on. • Easier and more practical to collect information from a small number of individuals rather than a larger random sample especially when the whole population is large and spread over wide geographic region therefore keeping down costs and speeding up research. • It is cheaper to collect data from a smaller number of people as less researchers are needed therefore the cost of wages is reduced. • Allows more detailed information to be collected and analysed in the time allowed because the quality of interviewing can be better as there are less people to question. **Two** benefits soundly explained (3 marks) **One** benefit soundly explained or **two** partially explained (2 marks) **One** benefit partially explained or a list of **two** (1 mark) No creditable content (0 marks)	**3**

Question	Answer	Marks
2(a)	**Define the term 'entrepreneur'.** An entrepreneur is someone who sets up a new business (1). A risk taker (1) who supplies (own) capital (1) and organises factors of production (1). Sound definition – 2 of the 4 factors listed above (2 marks) Partial definition – 1 of the 4 factors listed above (1 mark) No creditable content (0 marks)	**2**
2(b)	**Briefly explain <u>two</u> qualities of a successful entrepreneur.** Answers may include: • **Risk taker** – able to take a calculated risk to invest in a business venture by seeing potential and evaluating chances of success. • **Prioritisation / goal setting** – able to decide between urgent and important matters and make the best use of limited resources to guarantee success. • **Planning** – able to put together a thoughtful, realistic business plan taking account of the business' strengths and weakness and considering contingencies. • **Multi-skilled** – able to undertake many roles and tasks to get the business idea up and running. • **Leadership** – the ability to motivate those involved in the start up business. • **Resilient / Passionate / Visionary / Energetic / Self-motivated / Driven / Self-starter / Multitasker / Focused / Flexibility / Positivity / Confidence / Creativity / Initiative / Low fear of failure / Hard worker / Innovative** **Two** qualities soundly explained (3 marks) **One** quality soundly explained or **two** partially explained (2 marks) **One** quality partially explained or a list of **two** (1 mark) No creditable content (0 marks)	**3**

Question	Answer	Marks
3	**Explain why mass customisation might be used by businesses.** Explanations may include the following: • Mass customisation is a company's ability to efficiently mass produce products that meet individual consumer wants and needs. • Examples may include functional and aesthetic features of computers, cars, clothing, M&Ms, trainers, cards, chocolates, a flower bouquet for a special occasion etc. • High customer satisfaction as they are getting exactly what they want which leads to improved company reputation and sales. • Reduced costs of inventories of unsold goods and raw materials • Higher profit expected if customer demand and satisfaction is high • High level of added value and therefore premium price can be charged • High level of involvement of consumer in design / production process • Customised products more attractive to consumers than uniform products • Companies can develop strong relationships with their customers and this loyalty leads to return business time and again • Workforce is more fulfilled as they take part in numerous tasks as opposed to one production line responsibility Effective explanation of why mass customisation might be used (4–5 marks) Limited explanation of why mass customisation might be used (2–3 marks) Understanding of mass customisation (1 mark) No creditable content (0 marks)	**5**

Question	Answer	Marks
4(a)	**Define the term 'labour turnover'.** The proportion of a firm's workforce that leaves (1) during a specific time period. (2) The number of people leaving a business in a year. (1) $\frac{\text{Number of employees leaving during the period}}{\text{Average number employed during the period}} \times 100$ (2) Sound definition (or correct formula) (2 marks) Partial definition (1 mark) No creditable content (0 marks)	**2**
4(b)	**Briefly explain <u>two</u> possible causes of high labour turnover in a business.** Answers could include: • Changes in strategy e.g. closure of a location making employees redundant • Issues with pay causing employees to leave to take up better paid employment elsewhere • Conflicts with management or poor communication leading to employees leaving the business • Poor motivation caused by conditions, relationships, pay, hours, holidays, the work itself etc. causing employees to leave due to dissatisfaction with their job • Poor promotion prospects • Lack of training • Poor working conditions • Illness, accident, death, retirement **Two** causes soundly explained (3 marks) **One** cause soundly explained or **two** partially explained (2 marks) **One** cause partially explained or a list of **two** (1 mark) No creditable content (0 marks)	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>
Analyse the benefits of a job description <u>and</u> a person specification when recruiting a new employee.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>4</td><td>Good analysis of the benefits of a job description and a person specification when recruiting a new employee</td><td>7–8</td></tr>
<tr><td>3</td><td>Some analysis of the benefits of a job description and/or a person specification when recruiting a new employee or good analysis of the benefits of one document</td><td>5–6</td></tr>
<tr><td>2</td><td>Explanation/application of a job description and/or person specification to recruiting a new employee</td><td>3–4</td></tr>
<tr><td>1</td><td>Understanding of job description and/or person specification</td><td>1–2</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Answers could include:
• A job description is a detailed explanation of the roles and responsibilities of the post advertised. Refers to the post available rather than the person.
• Most applicants will ask for a job description before applying for the job.
• Job description is important as it sets out what the person will be expected to do so that applicants can assess whether or not they are able to undertake the role and therefore should apply.
• It will stop most unsuitable applicants from applying therefore saving time at the shortlisting stage when reading through the applications.
• A person specification sets out the kind of qualifications, skills, experience and personal attributes a successful candidate should possess. Refers to the person rather than the post.
• The person specification is a vital tool in assessing the suitability of job applicants.
• Person specification is important as it clearly sets out the required standards for the post and gives valid reasons for rejecting candidates at application form stage if they have not obtained the required qualifications and experience.
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(b)</td><td>

Discuss which leadership style is likely to be the most effective for a large clothing manufacturer.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>4</td><td>Effective evaluation of which leadership style is likely to be most effective for a large clothing manufacturer</td><td>9–12</td></tr>
<tr><td>3</td><td>Limited evaluation of which leadership style is likely to be most effective for a large clothing manufacturer</td><td>7–8</td></tr>
<tr><td>2</td><td>Analysis and some application of which leadership style is likely to be most effective.</td><td>3–6</td></tr>
<tr><td>1</td><td>Understanding of leadership styles</td><td>1–2</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Answers may include:
- Understanding of leadership styles – autocratic, paternalistic, democratic, laissez-faire or McGregor.
- Size of workforce – the larger it is the more difficult it may be to be democratic and laissez-faire.
- Skills and experience of workforce – lower the skill and experience level the more likely is autocratic and Theory X.
- Type of decisions being made – instant decisions and emergencies need autocratic style. Decisions relating to the long-term well-being of workers better with democratic style.
- Organisation structure – flat needed for laissez-faire to work well. Tall may be more autocratic but democratic is also evident.
- Amount of delegation – none = autocratic, most = laissez faire.
- Attitudes to decision making – culture of the business may have shaped the leadership style over time and expectations exist as to the best leadership style to adopt. Workers may expect to be told what to do or may expect to be consulted.
- Motivation of the workforce – low level motivation may need autocratic approach; high motivation may require laissez-faire.
- Amount of change – rapid changes in strategy require strong, decisive leadership, possibly with a democratic approach to a point but able to change to autocratic if resistance is encountered.
- Personality of the leader – eg decisive, forceful, easy-going, open.

Discussion of the above relevant points will only move a candidate into Level 3 if a reasonable attempt at application to the context is made.

Effective evaluation is likely to consider specific scenarios where a variety of factors might work together and therefore candidates will be able to justify why the most effective leadership style may vary.

</td><td>12</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>6</td><td>
‘A family retail business should stay small rather than setting growth as an objective’. Do you agree? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>5</td><td>Effective evaluation of whether a family retail business should stay small rather than setting growth as an objective, with a clear justified decision</td><td>17–20</td></tr>
<tr><td>4</td><td>Good analysis and limited evaluation of whether a family retail business should stay small rather than setting growth as an objective</td><td>13–16</td></tr>
<tr><td>3</td><td>Analysis of the benefits of remaining small with application to a family retail business</td><td>11–12</td></tr>
<tr><td>2</td><td>Limited analysis of the benefits of remaining small / or the problems/advantages of growth as an objective</td><td>5–10</td></tr>
<tr><td>1</td><td>Understanding of business size and /or growth objectives</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Answers may include:
• A traditional small business usually has five to 25 employees and does $1 million to $5 million in sales.
• Growth objectives are goals to increase the size of the business in the future whether by earnings, products or locations.

Positive analysis of the statement could include:
• Small businesses are easy to control.
• Profits can be high as overheads tend to be low.
• Strong relationship with customers leads to repeat sales.
• A small business may flourish in a niche that enables them to charge high prices.
• Better working atmosphere as employees know each other.
• Growth requires capital which may not be available.
• Growth requires systems and procedures to be developed.
• Growth will require recruitment and possibly new premises.
• Growth may require management techniques not possessed within the business.
• Staying small is safe as long as there is room in the market and demand remains consistent.
• Small business owners may find the implications of growth daunting.
</td><td>20</td></tr>
</table>

Question	Answer	Marks
6	Negative analysis of the statement could include: • Staying small is not very challenging for an entrepreneur with strong ambitions. • May be unable to take advantage of market growth so lose market share to competitors. • Growth may increase profitability by taking greater advantage of reduced costs through economies of scale. • Growth may increase sales revenues by selling a wider range of products or increasing the number of outlets to cater for increasing demand. • Growth provides a business with greater focus and can motivate the employees. • Internal growth can build on existing activities – products, quality, specialisation, concentrating resources on doing what the firm is already good at so should be supported by customer loyalty. • External growth can spread the business name quickly to new locations. Evaluation may recognise that: • There are different markets and circumstances influencing small business owners and unless circumstances change there may be no need to consider growth. • Staying small may be profitable enough for the owner and there may be no desire to grow. A lot may depend on the family members and who manages the business. Younger family members may have greater ambitions than older ones. • A lot may depend on the skills and finance available within the business as well as the potential for growth in the market. In a recession staying small is advisable but, in a boom, internal growth will be justified.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>7(a)</td><td>
Analyse how a business might use break-even analysis when planning to launch a new product.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>4</td><td>Good analysis of how a business might use break-even analysis when planning to launch a new product</td><td>7–8</td></tr>
<tr><td>3</td><td>Some analysis of how a business might use break-even analysis when planning to launch a new product</td><td>5–6</td></tr>
<tr><td>2</td><td>Some explanation/application of the use of breakeven analysis.</td><td>3–4</td></tr>
<tr><td>1</td><td>Understanding of breakeven analysis</td><td>1–2</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Answers may include:
• Break-even analysis uses revenue, fixed costs and variable costs at different production levels to show at what point the business will make neither a loss or a profit. This can be shown on a graph or in a calculation (BE = FC/R–VC). Credit examples.
• For a business planning to launch a new product, it shows what output or sales they need to make before they begin to make profit, based on the predictions of revenues and costs. Is reliant on accurate calculations of fixed and variable costs.
• Helps to judge the viability of the new product so informs the decision to go ahead with the launch. Useful planning tool.
• Helps to understand the level of risk involved in the launch of the new product and decide whether to take it.
• Can be used to persuade potential lenders/investors of finance if the breakeven analysis is encouraging.
• Encourages the focus on keeping costs down by monitoring expenses and revenues. Costs can change over time so breakeven analysis will need to be amended.
• Margin of safety shows how far sales can fall before a loss is made, in case of early problems arising.

Candidates may well consider the limitations of break-even analysis.
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>7(b)</td><td>
Discuss the <u>factors</u> that directors of a large pharmaceutical company should consider when choosing how to finance growth.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>4</td><td>Effective evaluation of the factors that directors of a large pharmaceutical company should consider when choosing how to finance growth</td><td>9–12</td></tr>
<tr><td>3</td><td>Limited evaluation of the factors that directors of a large pharmaceutical company should consider when choosing how to finance growth</td><td>7–8</td></tr>
<tr><td>2</td><td>Analysis and some application of factors that should be considered when choosing how to finance growth</td><td>3–6</td></tr>
<tr><td>1</td><td>Understanding of sources of finance and/or factors to consider when choosing how to finance growth</td><td>1–2</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Answers may include:
• Understanding of sources of finance – bank loans, overdraft, share capital, venture capital, trade credit, sale of assets, retained profit, crowd funding
• Understanding of factors affecting choice of funding – business ownership, profitability, amount of finance needed, short or long term finance, what finance is required for, how easy finance will be for business to obtain, stage of development of the business, cost of finance, attitude to risk, effect on control of business.
• Limited company can raise share capital but will dilute ownership and control.
• Track record of success makes borrowing easier. Well known firm with recognised brands likely to be a PLC and able to offer new share issue to raise large amounts of finance.
• State of the economy – borrowing is easier in a boom when confidence is high. Business may delay growth until it is easier to borrow money.
• High interest rates make borrowing expensive. Retained profit would be ideal as no interest to pay but only available to a previously profitable business.
• High amount of funding for fairly short term could use overdraft or retained profit, one with high interest, the other with none. Would need a quick return from the growth to justify the overdraft.
• Short term injection of low amount of cash could sell assets no longer needed or sale and lease back. If a business is growing this may not be the ideal source of finance as will need more assets not less.

For Level 4 several appropriate sources of finance to fund growth may be analysed and an evaluation made of the most suitable to use in the business context.
</td><td>12</td></tr>
</table>