Cambridge International AS & A Level

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Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **March 2018**

MARK SCHEME

Maximum Mark: 60

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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(i)</td><td>Define the term ‘unique selling point’ (line 6).

<table>
<tr><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partially correct definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

A correct definition should cover the following aspects.
• Differentiates
• Features

• A unique selling point is something that makes a product stand out from its competitors, such as a phone with a new feature that no other phones have.
• It is a feature that none of the other businesses have and means the product can be sold for a higher price.</td><td>2</td></tr>
<tr><td>1(a)(ii)</td><td>Briefly explain the term ‘business objective’ (line 5).

Award one mark for each point of explanation:

<table>
<tr><th></th><th>Rationale</th><th>Marks</th></tr>
<tr><td>C</td><td>Example or some other way of showing good understanding</td><td>1</td></tr>
<tr><td>B</td><td>A feature of business objectives, e.g. specific, measurable, achievable, realistic, time-based, based on market research, resourced, short-term, long-term, can change over time/in response to factors, set by management, SMART etc.</td><td>1</td></tr>
<tr><td>A</td><td>Something a business is trying to achieve, direction, aim, target, goal etc.</td><td>1</td></tr>
</table>

Note: A, B and C marks are independent of each other

Exemplar:
This is a specific target that a business aims to achieve. Examples include survival, profit and entering new markets.</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>
Refer to Table 1. Calculate the value of <u>X</u>.
<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct calculation of the value of X (no $ or 000s required) with or without correct working</td><td>2</td></tr>
<tr><td>Correct formula or correct calculation of cash out (with working)</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
Formula:
Opening Balance + cash in-cash out = closing balance

Cash out = $5000 (allow 5)

-1 + X – 5 = closing balance of 1
-1 + 7 – 5 = closing balance of 1
X = 7

Answer = 7 ($7000)

Common answers
<table>
<tr><th>Answer</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>7 (no working)</td><td>Correct answer</td><td>2</td></tr>
<tr><td>2 + 2 + 1 = 5</td><td>Correct calculation of cash out</td><td>1</td></tr>
<tr><td>5 (no working)</td><td>Without working there is no way to know where this figure came from</td><td>0</td></tr>
</table>
</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain <u>two</u> methods that PC could use to improve its cash flow.

Level	Knowledge and Application	Marks
2 (APP+APP)	Explanation of **two** methods of improving cash flow in context	4
2 (APP)	Explanation of **one** method of improving cash flow in context	3
1b (K+K)	Identification of **two** methods of improving cash flow	2
1a (K)	Identification of **one** method of improving cash flow	1
0	No creditable content	0

Cash flow could be improved by:
- Decreasing cash out (without decreasing cash in)
- Increasing cash in (without increasing cash out)

Context and content is likely to come from:

Method	Context
Revenue	• Declining in forecast • Focus on market segment suitable for country with rising unemployment
New computerised inventory system	• $10 000 – could use a different source of finance (i.e. not cash)
Employee costs	• Reduce number of workers in one/both stores • Reduce wages (seems to be happening in month 6 anyway – can this be done earlier) • Unemployment in country is rising, so may be able to reduce wages.
Purchases	• Revenue is forecast to fall significantly but purchases do not fall by same proportion – can these be reduced?
Marketing	• Will reduction in the marketing budget mean sales reduce further? • High spending on marketing budget (50% of revenue in Month 6) – is this necessary?
Sources of finance	• To cover short term issue in Month 5

</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
Analyse <u>one</u> advantage and <u>one</u> disadvantage to PC of purchasing the computerised inventory management system.
<table>
<tr><th>Level</th><th>Knowledge and application</th><th>Marks</th><th>Analysis</th><th>Marks</th></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Shows understanding of inventory management in context</td><td>4</td><td>Good analysis of one advantage <u>and</u> one disadvantage of purchasing an inventory management system in context</td><td>4</td></tr>
<tr><td>3</td><td>Good analysis of one advantage <u>or</u> one disadvantage of purchasing an inventory management system in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Shows knowledge of inventory management</td><td>2</td><td>Limited analysis of one advantage <u>and</u> one disadvantage of purchasing an inventory management system</td><td>2</td></tr>
<tr><td>1</td><td>Limited analysis of one advantage <u>or</u> one disadvantage of purchasing an inventory management system</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Inventory management is the control of stock – this could be raw materials, work in progress of finished products.

Contextual analysis likely to come from:
Advantages:
• PC is in fashion business so being able to respond to customer need important e.g., not running out of sizes or style of clothes
• Will allow PC to identify sales patterns quickly and respond to demand, boost revenue and cash in, possibly improve cash flow

Disadvantages:
• Economy slowing down so making sure not over ordering is important so not left with clothes/footwear that does not sell
• Initial outlay expensive and economy slowing down, is this the best time to be investing in a stock control system?
• Training for Paul on using the new system – will he have time as a sole trader running two shops? Can he afford it?
</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

Evaluate Paul's decision to set up PC as a sole trader.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Justified evaluation based on argument(s) in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Developed evaluation based on argument(s) in context</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement based on argument(s) in context</td><td>5</td></tr>
<tr><td>Shows understanding of setting up as a sole trader in context</td><td>3–4</td><td>Argument about Paul's decision to set up PC as a sole trader</td><td>3–4</td></tr>
<tr><td>Shows knowledge of being a sole trader</td><td>1–2</td><td>Limited analysis of being a sole trader</td><td>1–2</td></tr>
<tr><td colspan="3">No creditable content</td><td>0</td></tr>
</table>

Note: A candidate may evaluate the decision in terms of setting up as a sole trader or in terms of not setting up as another legal structure (or both).

- Paul gets to make his own decisions –he has been through survival and now focusing on maximising profits/sales. Gets to decide what he wants to do with the business e.g., opened up the second shop, investing in the new stock control system
- Paul keeps the profits to himself and he has been pleased with the level of profit made. Rewards for his investment/entrepreneurial skills.
- Unlimited liability = higher risk especially if economy slowing down and considering Paul's market, cash flow slowing down and so if the business fails Paul is liable.
- Unlimited liability – heightened risk as Paul financed PC with mortgage on his home
- Loss of income for Paul as revenue expected to slow for at least the next 6 months. This will affect his livelihood and his standard of living.
- More susceptible to competition/changes in the economy.

</td><td>**11**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>Define the term ‘productivity’ (line 20).

<table>
<tr><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partially correct definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

A correct definition should cover both of the following aspects of productivity:
• A measure/ratio of the efficiency of inputs (e.g. labour, capital, time etc.)
• Of a business/machine/capital/labour/outputs.
• Could give formula for calculating labour or machine productivity. A correct formula would cover both aspects.</td><td>2</td></tr>
<tr><td>2(a)(ii)</td><td>Briefly explain the term ‘public limited company’ (line 1).

<table>
<tr><th></th><th>Rationale</th><th>Marks</th></tr>
<tr><td>C</td><td>Example or some other way of showing good understanding, such as:
• Limited liability
• Continuity
• Separate legal identity
• Corporation tax must be paid (not income tax
• Accounts need to be published
• Run by a Board of Directors
• Dividends may be paid
• Legal formalities (i.e. Articles, Memorandum etc.)</td><td>1</td></tr>
<tr><td>B</td><td>Sold on the stock exchange/to general public</td><td>1</td></tr>
<tr><td>A</td><td>Owned by shareholders/sells shares</td><td>1</td></tr>
</table>

Note: C mark cannot be awarded until both A and B marks have been awarded</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(i)</td><td>
Refer to Table 2. Calculate the <u>value</u> of the growth in revenue earned by LC from the hotel market segment over the last four years.
<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer (no $ required) with or without correct working</td><td>4</td></tr>
<tr><td>Good attempt at calculation</td><td>3</td></tr>
<tr><td>Reasonable attempt at calculation</td><td>2</td></tr>
<tr><td>Some attempt at calculation</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
(A) Correctly calculate revenue from hotel sector ($20m) – 1 mark
(B) Attempt at calculating revenue four years ago – 1 mark
(C) OFR correct attempt at calculating 25% of revenue – 1 mark

Revenue is currently $50 000 000 hotel 40% so now segment is $20 000 000

It has increased by 25% in 4 years so 4 years ago total revenue was
$50 000 000 × 100/125 = $40 000 000, hotels 40% so $16 000 000

Was $16 000 000 now $20 000 000, answer is $4 000 000
</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>
Explain <u>one</u> way LC could use the information in its income statement.
<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2 (APP)</td><td>Explanation of one way LC could use the information in context</td><td>2</td></tr>
<tr><td>1
(K)</td><td>Identification of one way LC could use the information</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Note: The income statement already includes calculations of gross profit, operating profit, profit for the year etc.

Answers may include:
<table>
<tr><th>Use</th><th>Possible context</th></tr>
<tr><td>To calculate profitability (profit margins)</td><td>• Of different market segments (households, hotel, offices, restaurants)
• Impact of increase in revenue over last 4 years (increase of 25%)</td></tr>
<tr><td>Analyse changes</td><td>• Between segments
• After introduction of new machine</td></tr>
<tr><td>To see trends</td><td>• In segments
• In costs of manufacturing the carpets</td></tr>
<tr><td>To compare</td><td>• Over past four years whilst revenue has increased
• Between segments
• With other carpet manufacturing firms</td></tr>
<tr><td>To measure performance</td><td>• Revenue increase by 25%
• Shareholder value
• Of different segments</td></tr>
<tr><td>To see if objectives have been reached</td><td>• PLC so could link to shareholder objectives</td></tr>
</table>
</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>
Analyse <u>two</u> benefits to LC of increasing worker participation.
<table>
<tr><th>Level</th><th>Knowledge and application</th><th>Marks</th><th>Analysis</th><th>Marks</th></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Shows understanding of worker participation in context</td><td rowspan="2">3–4</td><td>Good analysis of two benefits of increasing worker participation in context</td><td>4</td></tr>
<tr><td>Good analysis of one benefit of increasing worker participation in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Shows knowledge of worker participation</td><td rowspan="2">1–2</td><td>Limited analysis of two benefits of increasing worker participation</td><td>2</td></tr>
<tr><td>Limited analysis of one benefit of increasing worker participation</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Context:
• 500 workers – case says they are unhappy about their pay and working conditions
• Poor communication and feel directors do not care about them

So, benefits:
• Improved communication between directors and workers
• Could help improve productivity alongside the capital productivity from the machinery
• Could help avoid any labour turnover issues
• Could help avoid any quality concerns if employees are demotivated and not feeling cared for
• May help alleviate concerns with pay if workers can see conditions improving or directors are starting to listen to and respond to worker concerns.
</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>

Discuss the importance of market segmentation to LC.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>A justified judgement of the importance of market segmentation to LC based on the given arguments</td><td>7</td></tr>
<tr><td></td><td></td><td>A developed judgement of the importance of market segmentation to LC based on the given arguments</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement/judgement of the importance of market segmentation to LC based on the given arguments</td><td>5</td></tr>
<tr><td>Shows understanding of market segmentation in context</td><td>3–4</td><td>Argument based on the use of market segmentation in context</td><td>3–4</td></tr>
<tr><td>Shows knowledge of market segmentation</td><td>1–2</td><td>Limited analysis of market segmentation</td><td>1–2</td></tr>
<tr><td colspan="3">No creditable content</td><td>0</td></tr>
</table>

Contextual analysis likely to come from:
Why market segmentation may be important:
- **matching of customer needs** especially given proportions of sales to business markets, need to understand what hotels want that could be different from restaurants/office for example.
- **Enhanced profits/revenues for business**, revenue has increased by 25% over the last four years, likely as LC knows it customers and their needs well
- **Better opportunities for growth/more customers,** each segment will be different so if more hotels opening and so on then LC can ‘tap into this’ and therefore could be reason why revenue has increased.
- **Target marketing communications** so that LC can have the right message for the right segments e.g. in marketing to restaurants or offices.

Why market segmentation may not be important:
- **Segmentation increases costs**. LC makes carpets, this will increase the costs such as research and product development for the carpets and business customers will need different sales techniques
- **Larger inventory** has to be maintained by LC to cover the segments
- **Promotion and distribution costs** increase as LC will need different marketing campaigns for the different segments, for example, TV advertising for the showrooms and personal selling for the business markets.

</td><td>11</td></tr>
</table>