Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **February/March 2018**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.
The businesses described in this paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **3** printed pages, **1** blank page and **1** Insert.

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CAMBRIDGE International Examinations

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1 Paul's Clothes (PC)

PC is a sole trader business that is owned and managed by Paul. Paul financed the business using a mortgage on his home. PC has two retail clothes shops in neighbouring towns in country A. Both shops sell a range of suits, shirts, ties and footwear for men. PC has been trading for four years and Paul has been pleased with the profits made. Paul is now deciding on a new business objective.

PC has a Unique Selling Point (USP) that focuses on quality. The range of clothes sells at high prices. Unemployment has started rising in the country and average incomes are falling. Paul has prepared an overall cash flow forecast for both shops, as shown below in Table 1.

Paul is considering buying a computerised inventory management system.

Table 1: Cash flow forecast for the next six months ($000s)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Cash in:						
Revenue	12	10	9	5	4	**X**
Cash out:						
New computerised inventory system	10	0	0	0	0	0
Employee costs	3	3	3	3	3	2
Purchases	5	4	4	4	4	2
Marketing	2	2	2	2	2	1
Opening Balance	15	7	8	8	4	(1)
Closing Balance	7	8	8	4	(1)	1

*Numbers in brackets indicate a negative figure.

The purchase of a new computerised inventory management system will be an important innovation for PC. It will ensure that Paul can access sales information about products quickly and place orders with suppliers before items are sold out.

(a) (i) Define the term 'Unique Selling Point (USP)' (line 6). [2]

(ii) Briefly explain the term 'business objective' (line 5). [3]

(b) (i) Refer to Table 1. Calculate the value of **X**. [2]

(ii) Explain **two** methods that PC could use to improve its cash flow. [4]

(c) Analyse **one** advantage and **one** disadvantage to PC of purchasing the computerised inventory management system. [8]

(d) Evaluate Paul's decision to set up PC as a sole trader. [11]

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2 Luxury Carpets (LC)

LC is a large public limited company operating in country B. LC produces and sells a range of luxury carpets and other floor coverings. The carpets are sold to households through the many shops that LC has in country B. LC also sells directly to business markets including hotels, offices and restaurants. Aziz, the Marketing Director, uses market segmentation.

Table 2: Percentage of LC's revenue by market segment for the year ended 31 December 2017

Market segment	Percentage of revenue
Households	20%
Hotels	40%
Offices	20%
Restaurants	20%

The Finance Director, Sam, has produced the following information:

- Total revenue from LC's income statement (for year ended 31 December 2017) was $50 000 000.
- Over the last four years, revenue has increased by 25% in total.
- There has been no change over the last four years in the percentage of revenue earned from each market segment.

The production process to manufacture carpets in LC's factory is capital intensive and uses a flow production method. The Production Director, Sally, has recently installed a new machine, which cost $300 000, to improve productivity. LC employs 500 production workers. Many of the workers are unhappy about their working conditions and their pay. Workers feel that the directors care more about productivity than they do about them. They complain that communication between management and workers is poor.

(a) (i) Define the term 'productivity' (line 20). [2]

(ii) Briefly explain the term 'public limited company' (line 1). [3]

(b) (i) Refer to Table 2. Calculate the **value** of the growth in revenue earned by LC from the hotel market segment over the last four years. [4]

(ii) Explain **one** way LC could use the information in its income statement. [2]

(c) Analyse **two** benefits to LC of increasing worker participation. [8]

(d) Discuss the importance of market segmentation to LC. [11]

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