Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **March 2019**

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 'break-even' (line 6)

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No credible content	0

A correct definition should cover the following:
- expenditure (costs) and income (revenue) are equal
- the level of sales/units where there is no profit or loss
- TR = TC

Exemplar	Marks	Rationale
When a business makes enough sales/revenue/income to cover all the costs	2	Both elements covered
TC = TR	2	Both elements covered
Cost of sales is equal to sales revenue.	1	No understanding of total costs (CoS only covers direct costs)
The business makes no profit or loss	1	No understanding of the level of sales/units
The point at which a business stops making a loss and can start to make a profit	1	No understanding of the level of sales/units
Where the business has made enough sales to have broken even.	0	Tautological, no understanding

</td><td>**2**</td></tr>
</table>

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

Briefly explain the term ‘value added’ (line 7).

Award one mark for each point of explanation

<table>
<tr><th></th><th>Knowledge</th><th>Marks</th></tr>
<tr><td>C</td><td>Example or some other way of showing good understanding – e.g. refining raw materials, adding packaging etc., at different stages of production</td><td>1</td></tr>
<tr><td>B</td><td>To a customer/leading to an increase in price</td><td>1</td></tr>
<tr><td>A</td><td>The increase in worth of a product/service</td><td>1</td></tr>
</table>

<table>
<tr><th>Exemplar</th><th>Marks</th><th>Rationale</th></tr>
<tr><td>Adding value is the process of increasing the worth of a good (A) to a customer (B), such as refining a raw material (C).</td><td>3</td><td>All three elements</td></tr>
<tr><td>To increase how much a business can charge for of a good (A+B) at each stage of production (C)</td><td>3</td><td>All three elements ‘Can charge’ suggests more than just an increase in price – there is an element of value here.</td></tr>
<tr><td>The difference between the cost of a good to produce and the price at which it is sold (A+B).</td><td>2</td><td>A and B</td></tr>
<tr><td>Increase the worth of a good (1) at each stage of production (C)</td><td>2</td><td>A and C – ‘customer expectations’ is taken from the case study</td></tr>
<tr><td>To increase the selling price of a product (B)</td><td>1</td><td>This is just about increasing price, not value</td></tr>
<tr><td>To add value to a product</td><td>0</td><td>tautological</td></tr>
</table>

</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>
Calculate JF's forecast gross profit margin for Option 1.
<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>Correct answer (with or without calculation and/or %)</td><td>3</td></tr>
<tr><td>Attempt using correct figures/formula or correct calculation of gross profit ($90 000) and correct calculation of revenue ($150 000)</td><td>2</td></tr>
<tr><td>Correct formula or correct calculation of gross profit ($90 000) or correct calculation of revenue ($150 000)</td><td>1</td></tr>
<tr><td>No credible content</td><td>0</td></tr>
</table>
$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$ (1 mark)

$\frac{\text{Sales revenue} - \text{cost of goods sold}}{\text{Revenue (output} \times \text{SP)}} \times 100$ (1 mark)

$\frac{150\,000 - 60\,000}{150\,000} \times 100$

$\frac{90\,000}{150\,000} \times 100$

Answer = 60% (accept with or without %)

examples overleaf
</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>
<table>
<tr><th>Answer</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>60 (no working)</td><td>Correct answer – accept without %</td><td>3</td></tr>
<tr><td>$\frac{90\,000}{150\,000} = 0.6$</td><td>Not made into a % (one mistake)</td><td>2</td></tr>
<tr><td>0.6 (no working)</td><td>Wrong answer with no working to support the answer</td><td>0</td></tr>
<tr><td>$\frac{90\,000}{300\,000} \times 100 = 30\%$</td><td>Not calculated revenue – left as output (one mistake)</td><td>2</td></tr>
<tr><td>30% (no working)</td><td>Wrong answer with no working to support the answer</td><td>0</td></tr>
<tr><td>$90 000</td><td>Correct calculation of gross profit – allow even if there is no working</td><td>1</td></tr>
<tr><td>$150 000</td><td>Correct calculation of revenue – allow even if there is no working</td><td>1</td></tr>
<tr><td>$90 000 and $150 000</td><td>Correct calculation of gross profit and revenue</td><td>2</td></tr>
<tr><td>$\frac{240\,000}{300\,000} \times 100 = 80\%$</td><td>Not correctly calculated GP or revenue (two mistakes)</td><td>1</td></tr>
<tr><td>$\frac{40\,000}{150\,000} \times 100 = 26.67\%$</td><td>Added expenses to the CoGS (1 mistake)</td><td>2</td></tr>
<tr><td>100 + 50 + 60 = 210

150 – 210 = -60 (net loss)

$\frac{-60}{150} \times 100 = -40\%$</td><td>Has added all costs (including start-up costs), and then has the correct process (OFR). Two mistakes (using all costs and adding start-up costs) but correct process</td><td>1</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>
Explain <u>one</u> reason why JF might aim for a high gross profit margin.
<table>
<tr><th>Level</th><th>Knowledge and application</th><th>Marks</th></tr>
<tr><td>2a (APP)</td><td>Explains one reason for aiming for a high gross profit margin in context</td><td>3</td></tr>
<tr><td>1b (K+K)</td><td>Explains one reason for aiming for a high gross profit margin (no context)</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Identifies one or more reasons for aiming for a high gross profit margin (no context)</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Note: this question asks specifically about GP marking – to reward any answer that links to overall (net) profit or net profit margin, there must be a link, i.e. high GP margin may allow JF to make more NP to give to shareholders.

Some reasons for aiming for a high GPM:

Shows potential investors/shareholders that the business can produce efficiently
To leave enough to pay the business expenses/indirect costs
To increase the overall (net) profit of the business

<table>
<tr><th>Knowledge of a reason why JF might aim for a high GPM (K)</th><th>Explanation (K+K)</th><th>Possible context (APP)</th></tr>
<tr><td>Measure of efficiency</td><td>JF may need to prove it is operating efficiently to any potential investors</td><td>Particularly important because it is a private limited company</td></tr>
<tr><td>To cover expenses/indirect costs</td><td>Otherwise JF may not make any profit for the year</td><td>The expenses are $50 000 for option 1</td></tr>
<tr><td>To increase (net) profit for the year</td><td>Which will allow the owners to have more income</td><td>The owners are shareholders (Ltd)
The (net) profit is currently $40 000 for option 1</td></tr>
</table>
</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>Recommend which option Jim should choose using the information in the case study. Justify your view.
<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 rowspan="3"></td><td rowspan="3"></td><td>A justified recommendation based on a developed argument of both options</td><td>7</td></tr>
<tr><td>A developed recommendation based on a developed argument of both options</td><td>6</td></tr>
<tr><td>A basic recommendation/ judgement based on a developed argument of both options</td><td>5</td></tr>
<tr><td>Shows understanding of Option 1 (healthy snacks) and Option 2 (healthy cooking oil)</td><td>4</td><td>Developed argument based on the impact on JF of choosing Option 1 (healthy snacks) and Option 2 (healthy cooking oil)</td><td>4</td></tr>
<tr><td>Shows understanding of Option 1 (healthy snacks) or Option 2 (healthy cooking oil)</td><td>3</td><td>Developed argument based on the impact on JF of choosing Option 1 (healthy snacks) or Option 2 (healthy cooking oil)</td><td>3</td></tr>
<tr><td rowspan="2">Shows knowledge of product development</td><td rowspan="2">1-2</td><td>Limited analysis of product development</td><td>2</td></tr>
<tr><td>Limited analysis of Product development</td><td>1</td></tr>
<tr><td colspan="3">No creditable content</td><td>0</td></tr>
</table></td><td>11</td></tr>
</table>

Question	Answer	Marks
1(c)	Content: **Option 1 (healthy snacks)** • A new market opportunity for JF but no experience of marketing/selling these healthy snacks • Mass market – high sales but possibility of high competition • A growth market (10%) but less than Healthy cooking oil (15%) • Society sees this as an important issue – good publicity for JF • High price can be charged for a quality product • Can JF produce this product? • Will the supermarkets purchase from JF? • Higher start up costs ($100 000) than Healthy cooking oil ($75 000) • Higher expenses ($50 000) than healthy cooking oil ($75 000) • Lower CoGS ($60 000) than healthy cooking oil ($75,000) • Forecast sales higher (300 000) than healthy cooking oil (100 000) • Lower price ($0.50) than healthy cooking oil ($2.00) • Lower forecast revenue ($150 000) than healthy cooking oil ($200 000) • Lower GPM (60%) than healthy cooking oil (62.5%) • Lower NPM (26.7%) than healthy cooking oil (45%) • Forecast to make a loss (–$60 000) in Year 1 compared to profit of healthy cooking oil (+£15 000) **Option 2 (healthy cooking oil)** • Synergy with JF's current product range • Lower start up capital required ($75 000) than Healthy snacks ($100 000) • Lower fixed costs/annual expenses ($35 000) than Healthy snacks ($50 000) • Higher forecast market growth (15%) than Healthy snacks (10%) • A development from what JF already produces – less risk • Attracts high income consumers/customers • High price can be charged ($2) than Healthy snacks ($0.50) • Could enhance JF's image • JF already has a link to distribution through supermarkets **ARA**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
Analyse two suitable sources of finance JF could use for the option you have chosen in 1(c)
<table>
<tr><th>Level</th><th>Knowledge and application (4 marks)</th><th>Mark</th><th>Analysis (4 marks)</th><th>Mark</th></tr>
<tr><td>2b</td><td>Shows understanding of two suitable sources of finance in context</td><td>4</td><td>Developed analysis of two suitable sources of finance in context</td><td>4</td></tr>
<tr><td>2a</td><td>Shows understanding of one suitable source of finance in context</td><td>3</td><td>Developed analysis of one suitable sources of finance in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two sources of finance</td><td>2</td><td>Limited analysis of two sources of finance</td><td>2</td></tr>
<tr><td>Shows knowledge of one source of finance</td><td>1</td><td>Limited analysis of one sources of finance</td><td>1</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td><td>0</td></tr>
</table>
Answers could include:

Long term loan to pay for the fixed costs of milling/bottling etc.
Re-mortgaging/extending the mortgage on the farm
Attracting new shareholders into the farm (Note: JF is a Ltd)
Leasing/HP for additional machinery
Overdrafts for the short term variable costs
Trade credit for short term variable costs

Any answer which mixes a long term solution for a short term problem should not be classed as suitable.
</td><td>8</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 ‘induction’ (line 12).
<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No credible content</td><td>0</td></tr>
</table>
Note: Do not reward ‘training’ as it is too generic

A correct definition could cover the following:

Introduction to the business rules, regulations and procedures (or an example)
Provided when first joining a business

<table>
<tr><th>Exemplar</th><th>Marks</th><th>Rationale</th></tr>
<tr><td>A general introduction to the business rules provided to all new starters</td><td>2</td><td>Two elements covered</td></tr>
<tr><td>Generic training such as fire safety provided to new employees</td><td>2</td><td>Two elements covered</td></tr>
<tr><td>Provided to new employees</td><td>1</td><td>A simple statement</td></tr>
<tr><td>General training and information about the rules and regulations in a business</td><td>1</td><td>An understanding but too vague</td></tr>
<tr><td>A type of training</td><td>0</td><td>Too vague</td></tr>
</table>
</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(ii)</td><td>
Briefly explain the term ‘social enterprise’ (line 5).

Award one mark for each point of explanation

<table>
<tr><th></th><th>Knowledge</th><th>Marks</th></tr>
<tr><td>C</td><td>Example or some other way of showing good understanding – triple bottom line, not a charity, people, planet and profit</td><td>1</td></tr>
<tr><td>B</td><td>Profits are reinvested in order to meet the organisations aim or a loss allowed to meet aims of organisation</td><td>1</td></tr>
<tr><td>A</td><td>Understanding of social enterprise – main aim/objective is to fulfil a social need/not maximisation profit</td><td>1</td></tr>
</table>

The organisations aim is to make a profit not for the shareholders but to meet a social or environmental need. It is often referred to as the triple bottom line.

<table>
<tr><th>Exemplar</th><th>Marks</th><th>Rationale</th></tr>
<tr><td>Business making a profit to meet the social needs of a section of society, often called the triple bottom line</td><td>3</td><td>All three elements</td></tr>
<tr><td>Business venture whose main aim is to help a social need (A) rather than make a personal profit (C)</td><td>2</td><td>All and C only</td></tr>
<tr><td>Meeting the needs of society</td><td>1</td><td>A only</td></tr>
<tr><td>The 3 Ps/ People, planet and profit</td><td>1</td><td>Identified key themes only, no real understanding</td></tr>
<tr><td>No identifiable content</td><td>0</td><td></td></tr>
</table>
</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>
SSR uses cost-based pricing to add 60% to variable costs when pricing each meal.

Refer to Table 2.1. Calculate the average price of each meal in the proposed <u>city centre</u> restaurant.

<table>
<tr><th>Level</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>2 (APP)</td><td>Correct calculation (with or without working and/or $)</td><td>3</td></tr>
<tr><td>1b (KK)</td><td>Correct process</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Correct formula or correct calculation of VC ($3.75)</td><td>1</td></tr>
<tr><td>0 mark</td><td>No credible content</td><td>0</td></tr>
</table>

Total price = Total variable costs × 1 + mark-up (1)
OR
$\frac{\text{Total variable costs}}{100} \times 60 + \text{TVC}$ (1)

Allow any reasonable formula

City Centre = ($1.50 + $2.25) = $3.75 (1) × 1.6 (1)
= $6.00 (3)

Allow full marks for a correct answer with or without working or $ (3)

Common incorrect/incomplete answers
<table>
<tr><th>Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>$6</td><td>3</td><td>Correct answer</td></tr>
<tr><td>($1.50 + $1.30) x 1.6 =$4.48</td><td>2</td><td>Edge of city figures (correct process but wrong figures – one mistake)</td></tr>
<tr><td>$4.48 (no working)</td><td>0</td><td>Incorrect answer</td></tr>
<tr><td>60% of $3.75 = $2.25</td><td>2</td><td>Correct calculation of VC and mark up</td></tr>
<tr><td>$2.25 (no working)</td><td>0</td><td>An incorrect answer with no working</td></tr>
<tr><td>Total variable costs x 1.6</td><td>1</td><td>Correct formula</td></tr>
<tr><td>$5.50 x 1.6 = $8.80</td><td>1</td><td>Used price not VC but process is correct</td></tr>
<tr><td></td><td>0</td><td>No creditable content</td></tr>
</table>
</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>Briefly explain <u>one</u> advantage to SSR of using cost-based pricing.
<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2 (APP)</td><td>Explanation of 1 or more advantages to SSR of using cost-based pricing</td><td>3</td></tr>
<tr><td>1b (KK)</td><td>Explanation of 1 or more generic advantages of cost based pricing</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Knowledge of cost based pricing</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Context is likely to come from:
• Food is seasonal and prices change so ensures a suitable profit margin is kept
• Customers are happy that they are paying reasonable prices based on what they are eating/ not being charged premium prices</td><td>3</td></tr>
</table>

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

Analyse <u>two</u> possible impacts on stakeholders of SSR if the second restaurant is successful.

<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>Shows knowledge of two stakeholders in context</td><td>4</td><td>Developed analysis of two impacts of success of the second restaurant on two stakeholder groups in context</td><td>4</td></tr>
<tr><td>Shows knowledge of one stakeholder in context</td><td>3</td><td>Developed analysis of one impact of success of the second restaurant on one stakeholder group in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two stakeholder groups</td><td>2</td><td>Limited analysis of two impacts of success on two stakeholder groups</td><td>2</td></tr>
<tr><td>Shows knowledge of one stakeholder group</td><td>1</td><td>Limited analysis of one impact of success on one stakeholder group</td><td>1</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td><td>0</td></tr>
</table>

Note: Do not allow analysis of the impact on any stakeholder group of the factors in Tables 2.1 and 2.2. This question is about the impact of SUCCESS not the location.

Major stakeholders: customers, local education provider, local government, employees, competition, investors, suppliers, job centre (any reasonable answer accepted)

Contextual analysis likely to come from:

- Government – increased size of training scheme impacts on jobless figures which is good for job seekers payments
- Customers – more seating/bigger restaurant means more availability for local customers means lower waiting time
- Employees – more jobs means that more young people will be able to work and gain new skills leading to better chances of gaining future employment
- Suppliers – two successful restaurants lead to more orders and in turn increased profit.

</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>Recommend which location SSR should choose for its second restaurant. Justify your recommendation.
<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 recommendation based on a developed argument of both options</td><td>7</td></tr>
<tr><td></td><td></td><td>A developed recommendation based on a developed argument of both options</td><td>6</td></tr>
<tr><td></td><td></td><td>A basic recommendation/ judgement based on a developed argument of both options</td><td>5</td></tr>
<tr><td>Shows understanding of decision making factors for city centre AND out of town location for SSR restaurant</td><td>4</td><td>Developed argument based on factors for city centre AND out of town location for SSR restaurant</td><td>4</td></tr>
<tr><td>Shows understanding of decision making factor(s) for city centre OR out of town location for SSR restaurant</td><td>3</td><td>Developed argument based on factor(s) for city centre OR out of town location for SSR restaurant</td><td>3</td></tr>
<tr><td>Shows knowledge of two factors affecting location</td><td>2</td><td>Limited analysis of two factors affecting location</td><td>2</td></tr>
<tr><td>Shows knowledge of one factor affecting location</td><td>1</td><td>Limited analysis of one factor affecting location</td><td>1</td></tr>
<tr><td colspan="3">No creditable content</td><td>0</td></tr>
</table></td><td>11</td></tr>
</table>

Question	Answer	Marks
2(d)	Content/context and analysis: **City Centre:** • Already has restaurant layout > less initial investment but no personal touch? • Competition from established restaurants > might reduce custom but a popular location for new customers? • Lack of parking > might impact on ability of people to visit but may be well serviced by public transport • Higher average price per mean – $6 • Higher sales revenue per month = $6000 • Higher net profit per month = $1750 **Edge of city:** • Permission to convert > can create personalised style but expensive • Location has fewer potential customers but less competition – captive audience • Lower monthly fixed costs – less pressure on the finances • Lower average price per mean – $4.48 – better for a social enterprise? • Lower forecast sales revenue per month = $3360 • Lower forecast (net) profit per month = $885	

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