Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Data Response **February/March 2021**

1 hour 30 minutes

6873096621

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Any blank pages are indicated.

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1 Flora's Fitness (FF)

Flora is a self employed personal trainer and she trades as Flora's Fitness (FF). She invested $10 000 as start-up capital. She has seen reports showing that keeping fit is becoming a trend in country P.

ABC is a national bank with a focus on corporate social responsibility (CSR).

Flora thinks there is an opportunity to provide group fitness sessions to employees at ABC's head office. These sessions could include exercises and stretching techniques. She could also offer yoga and other fitness related classes. These sessions would allow ABC to promote itself as a 'healthy employer'.

Flora is keen to show the benefits of fitness sessions to ABC. A survey has shown that many employees do not currently visit gyms or fitness centres. High prices and lack of time are given as the most important reasons.

She has arranged a meeting with John, the Human Resource Director at ABC. He is interested in offering fitness sessions as a fringe benefit for employees. He has asked Flora to provide a business proposal for the meeting.

She plans to provide one session before work and one session at lunchtime five days per week. Flora proposed two pricing strategies (see Table 1.1).

Table 1.1 – Proposed pricing strategies

Pricing strategy 1	Pricing strategy 2
Price per person $5	Total price per session $75
Maximum 20 people per session	Maximum 20 people per session

(a) (i) Define the term 'corporate social responsibility (CSR)' (line 4). [2]

(ii) Explain the term 'start-up capital' (line 2). [3]

(b) (i) Refer to Table 1.1 and any other relevant information. Calculate the maximum weekly revenue for pricing strategy 1. [3]

(ii) Explain **one** advantage to FF of pricing strategy 2. [3]

(c) Analyse **two** sources of secondary information Flora could use to find out more about trends in the fitness market. [8]

(d) Evaluate the benefits to ABC of offering employees fitness sessions. [11]

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2 Free Burgers (FB)

FB is a private limited company that produces premium meat-free burgers. FB has two shareholders, Bill and Sanjay. They each own 50% of the shares.

FB's burgers are produced in a factory using batch production. FB employs semi-skilled workers in the factory and promotes its burgers as being 'hand-made'.

FB has been operating in country Q for three years. The demand for premium meat-free burgers in country Q has increased significantly in this period. An extract from FB's financial data over this time period is shown in Table 2.1.

Table 2.1: Financial data for FB

	2018	2019	2020
Gross profit ($m)	0.6	3	12
Revenue ($m)	1.8	7.2	25
Gross profit margin	33.33%	41.67%	**X**%

The brand awareness and market share of FB has also been increasing. Bill thinks this is because of effective advertising, good customer retention and an effective price strategy. However, FB's current factory is not modern enough to keep up with this increase in demand.

Bill and Sanjay want to change from batch production to flow production to modernise the factory. However, this will require an external source of finance.

Bill has suggested two possible sources of finance to fund this change.

Source 1 – venture capital
A venture capitalist has offered to buy 10% of FB for $1m. She wants to be part of the decision-making at FB. She has experience of helping businesses to grow within country Q.

Source 2 – a bank loan
A bank has offered to loan FB $1m at a high interest rate. The bank manager is worried that the demand for meat-free burgers may decline in the future and would require the loan to be paid back within one year.

(a) (i) Define the term 'private limited company' (line 1). [2]

(ii) Explain the term 'shareholders' (line 2). [3]

(b) (i) Refer to Table 2.1. Calculate the gross profit margin for 2020. [3]

(ii) Explain **one** possible reason for the change in FB's gross profit margin. [3]

(c) Analyse **one** advantage and **one** disadvantage to FB of changing from batch production to flow production. [8]

(d) Recommend which source of finance FB should choose to fund the change of production method. Justify your recommendation. [11]

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