Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Data Response **February/March 2022**

1 hour 30 minutes

8509810851

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 Rehana Recycles (RR)

Rehana is very environmentally aware. One year ago, Rehana identified a business opportunity to reuse waste products and set up Rehana Recycles (RR) as a sole trader.

A local company sells bottled drinks and reuses the empty glass bottles that are returned by customers. It cannot reuse any damaged bottles, so they are dumped as waste. Rehana asked this company if she could have the damaged glass bottles. The company agreed she could have them at no cost.

RR melts down the glass and makes unique vases and other glassware products. RR's mission statement is 'Make waste beautiful'. Rehana markets her products as 'Lovely for the planet, lovely for you'. The business has a strong local brand image. Rehana has recently invested in marketing which focuses on her unique selling point of recycling waste.

To help satisfy demand, Rehana recently employed two local artists who are also very environmentally aware. They are skilled in making handmade glass jewellery. RR currently makes handmade products using job production. Rehana has a democratic leadership style.

Rehana has produced some financial data shown in Table 1.1.

Table 1.1 Financial data

	$
Current assets	
Cash	2000
Inventory	12000
Total current assets	14000

	$
Current liabilities	
Trade payables	3000
Overdraft	5000
Total current liabilities	8000

As demand has grown, Rehana needs to increase her output. Rehana has identified two ways of increasing output. She could either:

- keep using job production and employ more artists to create unique glassware products using the RR brand, or
- change to batch production and make a larger number of standardised glassware using the RR brand.

(a) (i) Define the term 'mission statement' (line 7). [2]

(ii) Explain the term 'democratic leadership style' (line 13). [3]

(b) (i) Refer to Table 1.1. Calculate the acid test ratio for RR. [3]

(ii) Explain **one** method Rehana may use to improve liquidity. [3]

(c) Analyse **two** benefits for RR of having a unique selling point (USP). [8]

(d) Evaluate whether RR should change to batch production. [11]

2 Benjamin's Beds (BB)

Benjamin's Beds (BB) is a large manufacturer of beds and has a strong brand image for quality. Its main channel of distribution is through the producer market (B2B) to national hotel chains. Recently, BB has also entered the consumer market (B2C) by selling online direct to customers.

BB uses flow production. BB's existing machinery is old and cannot satisfy the increased demand. The directors of BB have decided its existing machinery needs replacing. Table 2.1 shows data for existing and proposed new machinery.

Table 2.1 Data for existing and proposed new machinery

	Variable cost per unit ($)	Output per year
Existing machinery	50	5000
New machinery	40	7500

Fixed costs are $500 000 per year. Using new machinery would reduce this by 10%.

BB sales data suggests that its market share is growing rapidly. The consumer market (B2C) is becoming more important to BB because online orders are increasing. However, online demand is for a wide range of bed styles. The consumer market requires a substantial marketing budget and some retraining of employees.

Orders from national hotel chains in the producer market (B2B) are for a more limited range of bed styles. These orders remain constant with low marketing costs. However, BB is increasingly under pressure to reduce prices to hotels.

BB uses non-financial motivators and until recently had a motivated workforce. Efficiency is falling due to employees having to work longer hours because of increased demand. This is decreasing staff morale and welfare.

(a) (i) Define the term 'market share' (line 14). [2]

(ii) Explain the term 'efficiency' (line 21). [3]

(b) (i) Refer to Table 2.1 and other information. Calculate BB's total annual cost if it uses the proposed new machinery. [3]

(ii) Explain **one** possible limitation to BB of using the proposed new machinery. [3]

(c) Analyse **two** possible disadvantages to BB of decreased staff morale and welfare. [8]

(d) Recommend whether BB should focus on the producer market (B2B) or the consumer market (B2C). Justify your recommendation. [11]

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