Cambridge International AS & A Level

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Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

Paper 2 Data Response **May/June 2016**

MARK SCHEME

Maximum Mark: 60

Published

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Question | | **Mark**

1 (a) (i) **Define the term 'demographic segmentation' (line 3).** — 2

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

A correct definition should include:

- structure of the population/market segmentation
- split up in some way, i.e. age, income etc.

(ii) **Briefly explain the term 'business enterprise' (line 13).** — 3

Example or some other way of showing good understanding	1 mark
Entrepreneurial activity (i.e. risk taking/profit aim/organises other factors, setting up business etc.)	1 mark
Provision of goods/services/ideas/innovation	1 mark

NB Business enterprise can be explained as an organisation OR as a skill/factor of production. Examples of both are rewardable.

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

Mark	Rationale
2 marks	Correct answer with or without working
1 mark	Correct formula OR attempt with relevant data
0 marks	No creditable content

(opening balance + cash in) – cash out

Opening balance 5
Add cash in 12
Less cash out 11
X = 6 (accept 6 or $6000)

If a candidate provides a WRONG answer with NO working to support their thinking, then this is 0 marks.
i.e. 12 000 – 11 000 = 1000 – award 1 mark
$1000 with no working award 0 marks

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Question		Mark
(ii)	**Explain the difference between profit and cash for SS.** **Level / Knowledge and Application / Marks** 2b (APPAPP) – Explanation of the **difference** between profit and cash – 4 2a (APP) – Identification of the **difference** between profit and cash – 3 1b (KK) – Knowledge of profit AND cash – 2 1a (K) – Knowledge of profit OR cash – 1 0 – No creditable content – 0 *NB it is not possible to determine the profit from the cash flow forecast in Table 2 – any suggestion that SS make a loss based on Table 2 is wrong.* Context and content is likely to come from: • Cash is physical flow of money in and out of the business, for example, cash flow is shown by cash flow forecast • Profit is revenue minus costs, shown in the income statement • Cash flow is important to SS as it is a new business and is more important for survival in the first year, different to profit which may not be made in the initial months of trade by SS. • Cash is only one asset which may represent profits	4

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Question		Mark
(c)	**Analyse <u>two</u> suitable promotional methods that Steve could use to raise awareness of SS in the town.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of two or more promotional methods in context	4	Good analysis of two or more promotional methods in context	4
2a	Shows understanding of one promotional method in context	3	Good analysis of one promotional method in context	3
1b	Shows knowledge of two or more promotional methods	2	Limited analysis of two or more promotional methods	2
1a	Shows knowledge one promotional method	1	Limited analysis of one promotional method	1
0	No creditable content			

NB Accept above and below the line as methods of promotion

Context/content likely to come from:

- Demographics/targeting his marketing – age range/incomes who would purchase sailing products so methods that target age 44–66 or those that have interest in sailing (local newspaper, sailing magazine, leaflets)
- Analysis of costs linked to the method – small business, limited budget and this will impact on the choice available to him (so local methods such as local newspaper, local radio)
- Entrepreneur starting a new business with marketing budget included in business plan/cash flow

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Question		Mark
(d)	**Discuss the usefulness to Steve of producing the cash flow forecast in Table 2.**	11

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		Justified judgement(s) that follow on from an argument of two or more uses of cash flow forecasts in context	7
		Judgement(s) that follow on from an argument of two or more uses of cash flow forecasts in context	6
		A balanced argument (two sided) based on one use of cash flow forecasts in context	5
Shows understanding of two or more uses of cash flow forecasts in context	4	Argument based on the usefulness of two or more uses of cash flow forecasts in context	4
Shows understanding of one use of cash flow forecasts in context	3	Argument based on the usefulness of one use of cash flow forecasts in context	3
Shows knowledge of usefulness of cash flow forecasts	2	Limited analysis of two or more uses of cash flow forecasts	2
Shows knowledge of cash flow forecasts	1	Limited analysis of one use of cash flow forecasts	1
No creditable content			

Context/content likely to come from:

- SS is a new business and looking for a grant, having a cash-flow forecast will be required to earn the grant (strong business plan in the case study)
- Allows Steve to plan ahead and manage the budget more effectively e.g., the deficit in the first few months
- Many small businesses fail due to a lack of cash flow so this allows Steve to plan and, for example, arrange an overdraft in Months 2–4
- Allows Steve to manage cash flow, e.g. it can be seen the deficit in Months 2, 3 and 4 could be overcome from reductions in cash out i.e. marketing.
- May not be useful if forecast is not researched properly to ensure the figures are as accurate as possible, particularly revenue expected from customers in the first six months.

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Question | | **Mark**

2 (a) (i) **Define the term 'lead time' (lines 4–5).** — 2

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

A correct definition should include:

- Time taken from start of a process e.g. placing an order with a supplier
- Until the completion of the process e.g. goods are delivered

(ii) **Briefly explain the term 'mission statement' (line 2).** — 3

Example or some other way of showing good understanding (i.e. used to formulate business objectives, can be used to promote business, etc.)	1 mark
Covers values/culture/vision/aims of the business	1 mark
Summary/core statement/short statement/one statement/brief statement/etc.	1 mark

(b) (i) **Refer to Table 3. Calculate CC's acid test ratio.** — 3

Mark	Rationale
3 marks	Correct answer with or without working
2 marks	Attempt with two correct calculations
1 mark	Correct formula OR one correct calculation
0 marks	No creditable content

$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} \qquad \frac{\text{Trade receivables} + \text{Cash}}{\text{Trade payables} + \text{Other current liabilities}}$$

Current Assets = 14 + 13 = 27
Current Liabilities = 16 + 11 = 27
So 27/27 = **1:1 (allow 1)**

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Question		Mark
(ii)	**Explain <u>one</u> reason why the acid test ratio is useful to CC's Finance Director**. **Level** / **Knowledge and Application** / **Marks** 2b / Explanation of a use of the acid test ratio in context / 3 2a / Identification of a use of the acid test ratio in context / 2 1 / Identification of a use of the acid test ratio / 1 0 / No creditable content / 0 • Measure of liquidity/check of risk of illiquidity. At 1.0 it is above the industry average so reassuring. Likely to be positive sign. • Need to look at trends over time, 1.0 this year but what was it last year? If declining then there could be a worry about future liquidity.	3

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<table>
<tr><th>Question</th><th></th><th>Mark</th></tr>
<tr><td>(c)</td><td>

Analyse the benefits to CC of having a CSR objective.

<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 rowspan="2">2</td><td>Shows understanding of two or more benefits to CC of having CSR as an objective</td><td>4</td><td>Good analysis of two or more benefits of CSR as an objective in context</td><td>4</td></tr>
<tr><td>Shows understanding of one benefit to CC of having CSR as an objective</td><td>3</td><td>Good analysis of one benefit of CSR as an objective in context</td><td>3</td></tr>
<tr><td>1b</td><td>Shows knowledge of CSR as an objective</td><td>2</td><td>Limited analysis of two or more benefits of CSR as an objective</td><td>2</td></tr>
<tr><td>1a</td><td>Shows knowledge of objectives</td><td>1</td><td>Limited analysis of one benefit of CSR as an objective</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Context/content likely to come from:

- CC is a large public limited company, profits are rising, many stakeholders will expect a plc like CC to have a CSR policy
- Benefits:
  - Image of CC as a plc in the marketplace and ‘giving back’
  - Could encourage positive PR/image/brand
  - Impact on sales/profits of this
  - Employment benefits – attracting and retaining employees and how the CAM proposal is communicated to employees, e.g. will there be redundancies, so if they have a CSR policy, could limit some damage to their image etc.

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

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<table>
<tr><th>Question</th><th></th><th>Mark</th></tr>
<tr><td>(d)</td><td>
Discuss the advantages and disadvantages to CC from introducing and using CAM.
<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Mark</th><th>Analysis and Evaluation (7 marks)</th><th>Mark</th></tr>
<tr><td></td><td></td><td>Justified judgement(s) that follow on from an argument of the advantages AND disadvantages of introducing/ using CAM in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Judgement(s) that follow on from an argument of the advantages AND disadvantages of introducing/ using CAM in context</td><td>6</td></tr>
<tr><td></td><td></td><td>A balanced argument based on one or more advantages AND one or more disadvantages of introducing/ using CAM in context</td><td>5</td></tr>
<tr><td>Shows understanding advantages AND disadvantages of introducing/ using CAM</td><td>4</td><td>Argument based on two or more advantages OR two or more disadvantages of introducing/using CAM in context</td><td>4</td></tr>
<tr><td>Shows understanding advantages OR disadvantages of introducing/ using CAM</td><td>3</td><td>Argument based on one advantage OR one disadvantage of introducing/ using CAM in context</td><td>3</td></tr>
<tr><td>Shows knowledge of introducing AND using CAM</td><td>2</td><td>Limited analysis of advantages AND disadvantages of introducing/ using CAM</td><td>2</td></tr>
<tr><td>Shows knowledge of introducing OR using CAM</td><td>1</td><td>Limited analysis of advantages OR disadvantages of introducing/ using CAM</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td></tr>
</table>
</td><td>11</td></tr>
</table>

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Question		Mark
	Context/content could come from: **ADVANTAGES** • Assists in reducing costs in the long term so help in maximising value for shareholders (links to mission statement) • Reduces costs and will help continue to improve profits (they have been rising in the last few years) • Assist CC in being competitive – the car industry and suppliers are competitive, so CAM will reduce cost pressures and assist CC in being price competitive **DISADVANTAGES** • May conflict with CSR, CAM could result in redundancies if automation develops further and may be seen as not socially responsible (damage to image) • Impact on employees and morale – fear of redundancies, change, could conflict with the mission statement from an employee perspective.	

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