Cambridge International AS & A Level

**Cambridge International Examinations**
Cambridge International Advanced Subsidiary and Advanced Level

**BUSINESS** **9609/21**

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

**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 question 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 **4** printed pages and **1** insert.


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CAMBRIDGE International Examinations

## 1 Peterson Manufacturing (PM)

PM is a large public limited company operating in the secondary sector. PM manufactures four types of industrial ovens. PM only sells its ovens to other businesses. Most of PM's customers are bakeries which use the ovens to produce bread and cakes.

Jacob is the Marketing Director of PM. He has been examining the data shown in Table 1.

**Table 1: Revenue data by oven type ($000s)**

| Oven Type | 2013 | 2015 |
|---|---|---|
| A | 855 | 770 |
| B | 745 | 755 |
| C | 550 | 450 |
| D | 350 | 400 |

Jacob is worried about the future success of PM. He is aware of how the market for PM's products has been changing.

- Market research shows that customers prefer the more advanced products of competitors.
- The sales team has reported that customers are becoming more demanding when negotiating prices.
- In PM's industry there is an increasing emphasis on developing effective customer relationships.
- PM relies on trade fairs to attract new customers. However customer attendance at these fairs is declining.

Jessica, the Human Resources Director, is proposing to replace the performance related pay scheme with a profit sharing scheme. The current system of bonuses, based on meeting production targets, will end. Table 2 contains a summary of these pay schemes.

**Table 2: Summary of different pay schemes**

| Current performance related pay scheme | Proposed profit sharing scheme |
|---|---|
| • Workers are paid an hourly wage.<br>• Workers also receive a bonus based on meeting production targets each month.<br>• 90% of production targets were met in 2015. | • Workers will be paid an hourly wage.<br>• Workers will also receive a bonus based on the profit of PM each year. |

Some workers are not happy about this change and worker representatives have asked for a meeting with Jessica. Workers know that revenue and profit have been declining over the last few years. Workers blame poor marketing and a lack of product development. However PM managers hope that new types of oven will improve company performance in the future. Workers' bonuses have been rising but only due to increased hours worked.

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

**(ii)** Briefly explain the term 'worker representatives' (line 32). [3]

**(b) (i)** Refer to Table 1. Calculate the percentage decrease in **total** revenue between 2013 and 2015. [3]

**(ii)** Briefly explain **one** likely effect on PM of this decrease in total revenue. [3]

**(c)** Analyse how PM could use the 4Cs to improve its customer relationships. [8]

**(d)** Discuss the advantages and disadvantages to PM's employees of the change from performance related pay to a profit sharing scheme. [11]

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**[Turn over**

## 2 Prestige Jewellery (PJ)

PJ is a partnership operating in a small niche market. It was set up by Tariq and Tanbir five years ago. PJ manufactures and sells a range of jewellery. PJ specialises in using high quality diamonds in its product range. PJ has a manufacturing workshop at the back of its business premises. PJ also has a shop at the front of the premises where it sells directly to customers.

PJ's product portfolio includes bracelets, necklaces, rings and earrings. PJ's unit cost is high as each product is handmade using job production. PJ employs four full-time production workers.

PJ has an excellent reputation for quality. Customers visit PJ and have a 'design consultation' with either Tariq or Tanbir. During the consultation, customers choose the design, diamonds and gold for their product and agree a price. Customers pay a 25% deposit when they place an order. The lead time from design to delivery is typically four weeks.

Tariq has extracted the following financial data from the latest income statement.

**Table 3: Summary financial data for PJ (year ended 30 June 2015)**

| | |
|---|---|
| Revenue | $400 000 |
| Cost of sales | $300 000 |

Tariq and Tanbir are planning to open a new jewellery shop in a neighbouring town. Tanbir understands the importance of selecting the right person to manage this new shop. This will be an important human resource management decision as they cannot risk any damage to the reputation of PJ. The new manager will need to recruit three employees for the new shop and be responsible for marketing of this shop. Tariq and Tanbir cannot agree on the best methods of selecting a new shop manager.

**(a) (i)** Define the term 'income statement' (line 13). [2]

**(ii)** Briefly explain the term 'human resource management' (line 19). [3]

**(b) (i)** Refer to Table 3. Calculate PJ's gross profit margin. [3]

**(ii)** Explain **one** benefit to PJ of accurate cost data. [3]

**(c)** Analyse the advantages to PJ of using job production. [8]

**(d)** Discuss the methods of selection that PJ could use to **select** a manager for the new shop. [11]

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