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Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **May/June 2017**

MARK SCHEME

Maximum Mark: 60

Published

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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 'long term sources of finance' (lines 18–19).

Knowledge and Application	Mark
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

A correct definition should cover the following:

- Understanding of 'source(s) of finance' – any reference to where money/capital/cash etc. comes from i.e. reference to a source of finance, such as a mortgage or equity (i.e. shares, debentures)
- Understanding of 'long term' – this can be reference to any time period more than a year

Exemplar	Mark	Rationale
When a business gets money from a bank for more than a year	2	Both elements covered
Finance for more than a year, e.g. Mortgage	2	Both elements covered
Money that the business gets from a bank that does not need to be paid back quickly	1	Understanding of source of finance but too vague about long term
A way to get new cash into the business that does not have to be paid back for a long time	1	An understanding of source of finance but 'long time' is too vague and partly tautological.
A long term source of finance is a source of finance that does not have to be paid back for a long time.	0	Tautological, showing 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 ‘diversity and equality’ (line 14).

Award one mark for each point of explanation:

<table>
<tr><td>C</td><td>Example or some other way of showing good understanding, i.e. A development of an example used in B, link to motivation, link to culture, legal requirements etc.</td><td>1 mark</td></tr>
<tr><td>B</td><td>Understanding of diversity – different groups of employees, or an example of different groups</td><td>1 mark</td></tr>
<tr><td>A</td><td>Understanding of equality – no discrimination in the workplace – do not just reward ‘are equal’ there must be some understanding of treating people equally</td><td>1 mark</td></tr>
</table>

No discrimination in the workplace, for example, against different groups of employees. Can be used to develop a reputation as a good employer. Helps attracts and keep employees.

<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Getting rid of discrimination between different groups of worker, and treating them equally which is a legal requirement</td><td>3</td><td>All three elements</td></tr>
<tr><td>Treating all workers the same way no matter what differences they might have, such as men and women should be paid equally if they do the same job</td><td>3</td><td>All three elements</td></tr>
<tr><td>Giving employees equal rights for different people, such as different races</td><td>2</td><td>A and B mark</td></tr>
<tr><td>Equal rights for different races</td><td>1</td><td>B mark only</td></tr>
<tr><td>Everybody has the same treatment</td><td>1</td><td>A mark only</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>

Refer to Figure 1. The total value of market sales in country A was $50m. Calculate the <u>total</u> value of sales for the three largest businesses.

<table>
<tr><th>Mark</th><th>Rationale</th></tr>
<tr><td>3</td><td>Correct calculation the total value of sales for the three largest businesses (with or without working or $ or m)
OR
Correct calculation of all three companies value of sales ($14m, $11m and $10m) (with or without working or $ or m)</td></tr>
<tr><td>2</td><td>Correct calculation of two of the top three companies value of sales (with or without working or $ or m)</td></tr>
<tr><td>1</td><td>Correct formula or correct calculation of % share of top three companies (70%- with or without working or %)
OR
Correct calculation one of the top three companies value of sales (with or without working or $ or m)</td></tr>
<tr><td>0</td><td>No creditable content</td></tr>
</table>

Total value of market sales x Percentage share of market

Top 3 = 28% + 22% + 20% = 70%
$50m × 70% (70/100) = $35m

Common incorrect answers

<table>
<tr><th>Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>35</td><td>3</td><td>Allow an answer of 35 with or without $ or m (no working required)</td></tr>
<tr><td>28% = $14m
22% = $11m</td><td>2</td><td>Two correct</td></tr>
<tr><td>70</td><td>1</td><td>Allow this for 1 mark, even without working. Any variation of 70 worth 1 mark</td></tr>
<tr><td>28% = $14m
22% = $11m
20% = $10m</td><td>3</td><td>All correct but no total</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)(ii)</td><td>

Explain <u>two</u> appropriate methods (other than market share) that could be used to measure the size of PP.

Level	Knowledge and Application	Mark
2b (APP+APP)	Knowledge and understanding of **TWO** methods to measure the size of PP	3
2a (APP)	Knowledge and understanding of **ONE** method to measure the size of PP	2
1 (K)	Knowledge and understanding of method(s) to measure the size of a business	1
	No creditable content	0

K marks can only be awarded ONE mark in total, no matter how many instances

Context and content is likely to come from:

- Number of employees, national chain with 10% of the national market is likely to have a large number of employees therefore a large business
- Revenue, e.g. chain 1 has 15% of $50 m which is $5 m, this would be a large business
- Capital employed

Method of measurement (K)	Possible context (APP)
Number of employees	National chain with 10% of the national market is likely to have a large number of employees therefore a large business
Revenue/Sales turnover	Use of figures from Fig 1 to show comparative size
Capital/assets employed	Reference to the likely capital/assets that a pizza business might have e.g. tables, kitchens etc.
Number of outlets	Pizza-shops/restaurants – must be specific to PP, not generic
Number of customers	Number of people who eat in the pizza-restaurants
Sales volume	Number of pizzas/meals sold

</td><td>3</td></tr>
</table>

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

Analyse <u>two</u> factors Paul should consider when selecting a restaurant manager.

<table>
<tr><th>Level</th><th colspan="2">Knowledge and application</th><th colspan="2">Analysis</th></tr>
<tr><td rowspan="2">2</td><td>Shows understanding of TWO factors of selection in context</td><td>4</td><td>Good analysis of TWO factors of selection in context</td><td>4</td></tr>
<tr><td>Shows understanding of ONE factor of selection in context</td><td>3</td><td>Good analysis of ONE factor of selection in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows understanding of TWO factors of selection</td><td>2</td><td>Limited analysis of TWO factors of selection</td><td>2</td></tr>
<tr><td>Shows understanding of ONE factor of selection</td><td>1</td><td>Limited analysis of ONE factor of selection</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Highlight the factors as you mark
One factor analysed in context, max 3+3

Contextual analysis likely to come from:

- Need to have customer service experience; marketing skills, communication etc.
- Will be in charge of other employees; management skills
- Will require skills in inventory management
- New business so may need to be willing to work on lower salary

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

Question	Answer	Marks

Examples of factors of selection	Examples of application/context	Examples of possible analysis
Qualifications	Any relevant restaurant management qualifications, customer service qualifications, inventory management etc… Diversity and equality	Better qualified manager → improved customer service → more sales → more profit
Location	Local town in country A – will need to live here or can relocate.	Lives near restaurant → more likely to be on time to work → better staff management
Skills	Customer service, supervising employees, inventory management.	Good inventory management → less wastage in the restaurant → lower costs → increased profit
Experience	In other (pizza) restaurants, one of the competitors, other PP restaurants. Experience in customer service, supervising employees, inventory management.	Worked in another PP restaurant → knows the procedures → less training needed → lower costs → increased profit
Cost		

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

Evaluate whether Paul should enter into a franchise agreement with PP.

<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 evaluation based on arguments in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Developed evaluation based on arguments in context</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement based on arguments in context</td><td>5</td></tr>
<tr><td rowspan="2">Shows understanding of PP entering into a franchise agreement</td><td rowspan="2">3–4</td><td>Argument (two sided) based on the impact(s) of Paul entering into a franchise agreement with PP</td><td>4</td></tr>
<tr><td>Argument (one sided) based on the impact(s) of Paul entering into a franchise agreement with PP</td><td>3</td></tr>
<tr><td rowspan="2">Shows knowledge of franchises</td><td rowspan="2">1–2</td><td>Limited analysis of TWO impacts of entering into a franchise agreement</td><td>2</td></tr>
<tr><td>Limited analysis of ONE impact of entering into a franchise agreement</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td></tr>
</table>

Impacts can be positive or negative – a balanced argument will cover both positive and negative impacts.
Annotate analysis and arguments FOR in the left hand margin and AGAINST in the right hand margin

</td><td>11</td></tr>
</table>

Question	Answer	Marks
	Context/content: Advantages • less risk to Paul as he benefits from the expertise and reputation of PP brand • Assistance from PP so Paul makes less mistakes in his business-decisions such as the policies for diversity and equality; • Access to local marketing and the PP website will help generate sales; Disadvantages • Up-front costs to purchase the franchise ($40 000); • The royalty fee of 5% may be a drain on his cash flow • Clash of ideas as Paul will have to follow the criteria set out in his franchise agreement – this may limit his freedom to make decisions. Evaluation is likely to come from a candidate: 1. Judging whether the advantages outweigh the disadvantages 2. Weighting their response, for example, “this is the main advantage because” is likely to lead an evaluative response.	

Question	Answer	Marks

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>ANAN
(one sided)</th><th>EVAL</th></tr>
<tr><td rowspan="2">It is expensive to set up a franchise. (K)</td><td>An independent restaurant would cost $25 000 whereas a PP franchise is $40 000. (APP)</td><td>Which increases the costs of staring up a restaurant to Paul. (AN)</td><td>Which increases the costs of starting up a restaurant to Paul and may make it harder to break even or survive in his first year of trading. (ANAN – one sided)</td><td rowspan="2">Overall Paul should enter into a franchise agreement because the extra sales are likely to cover the extra costs. (EVAL – statement)

However he should do some market research to see just how much more the sales would be in a PP franchise. (EVAL – developed)

If the extra sales did not cover the extra costs then he would probably be better opening the independent restaurant. (EVAL – justified)</td></tr>
<tr><td>National above the line promotion will be provided within the setup cost. (APP)</td><td>Which is likely to increase sales in the first year. (AN)</td><td>However the reputation of PP may gain more sales in the first year making it more likely that he would break even and survive. (ANAN – two sided)</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 'batch production' (line 3).

Knowledge and Application	Mark
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

- Separate groups/set amount/limited number – do not accept batch
- Go through production process together before moving on to the next

Batch production is where quantities of identical goods are produced in small groups. They go through the production process at the same time. Production is then switched over to allow another batch to be produced. Example(s) not required.

Exemplar	Mark	Rationale
Batch production is where quantities of identical goods are produced together and then move on to the next process	2	A correct definition
A group of products go from one stage of production to the next together	2	Both elements covered
When products are made in small quantities	1	Partial definition
Products made one a time	0	Confusion with job production
Products made continuously and are all the same	0	Confusion with flow/mass production

</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 ‘co-operative’ (line 1).

Award one mark for each point of explanation:

<table>
<tr><td>C</td><td>Example or some other way of showing good understanding, i.e. bulk buying, common in agriculture, motivational, slow decision making, development of a point used in B etc.</td><td>1 mark</td></tr>
<tr><td>B</td><td>• Responsibilities are shared
• Owners may contribute to the running of the business
• Shared decision making
• All members have one vote
• Profits are shared</td><td>1 mark</td></tr>
<tr><td>A</td><td>• Owned/financed by workers/customers/members</td><td>1 mark</td></tr>
</table>

A co-operative is a business structure where the workers are the owners. The profits are shared with workers. Workers (owner) do not have to run the business, they will vote for Directors. In smaller co-operatives such as worker co-operatives then workers may also run the business.

<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Members (A) own a co-operative and share the running (B) of the business. QL is a worker co-operative which mean the workers are the members (C).</td><td>3</td><td>A, B and C</td></tr>
<tr><td>A co-operative can be owned by customers or workers (A) who will each have a vote (B). Because they own it, they are motivated for it to do well (C).</td><td>3</td><td>A, B and C</td></tr>
<tr><td>A co-operative has shared profit (A) and responsibilities (B)</td><td>2</td><td>A and B</td></tr>
<tr><td>Members (A) who join together to benefit from bulk buying (C)</td><td>2</td><td>A and C</td></tr>
<tr><td>A co-operative is made up of people who share the responsibilities of the business (B). Each person has a vote and the decision making is shared.</td><td>1</td><td>Three points but all from B, so only one mark.</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>

Refer to Table 1. Calculate the gross profit margin for 2016.

<table>
<tr><th>Mark</th><th>Rationale</th></tr>
<tr><td>3</td><td>Correct calculation of gross profit margin (with or without working or %)</td></tr>
<tr><td>2</td><td>Correct formula and correct calculation* of gross profit</td></tr>
<tr><td>1</td><td>Correct formula or correct calculation* of gross profit</td></tr>
<tr><td>0</td><td>No creditable content</td></tr>
</table>

Formula can be implied through the correct use of figures
**working required or explicit identification*

$\frac{\text{Gross profit}}{\text{Revenue}} \times 100$

= 240 – 80 = 160

$= \frac{160}{240} \times 100$ = 66.67% (accept 66.7% and 67%)

- Allow an answer of 66% or 66.6% or 66.66% as a TWO mark answer with or without working as the candidate has made one mistake in not rounding correctly.
- Also allow an answer of 0.67 as a TWO mark answer with or without working as the candidate has made one mistake by not calculating a percentage

Allow full marks for a correct answer with or without working or %
67% or 66.7% or 66.67%

</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td></td><td>Common incorrect answers
<table>
<tr><th>Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>GP=160</td><td>1</td><td>Explicit identification of gross profit</td></tr>
<tr><td>$160</td><td>0</td><td>We have to assume this is an answer to the question and with no working, this is incorrect and therefore no marks</td></tr>
<tr><td>66%</td><td>2</td><td>Correct formula (implied) and correct (explicit) calculation of gross profit but the calculation of the GP margin is incorrect (with or without working)</td></tr>
<tr><td>0.67</td><td>2</td><td>Allow with or without working</td></tr>
<tr><td>240 – 80 – 20 = 140
$\frac{140}{240}\times 100 = 58.33\%$</td><td>2</td><td>Formula mixed up with net profit margin, so wrong formula, but correct calculations based on this wrong formula</td></tr>
<tr><td>58.33%</td><td>0</td><td>A wrong answer with no working</td></tr>
<tr><td>$\frac{90}{150}\times 100 = 60\%$</td><td>2</td><td>Formula is correct (implied) but 2014 figures have been used correctly OFR</td></tr>
<tr><td>$\frac{115}{180}\times 100 = 63.89\%$</td><td>2</td><td>Formula is correct (implied) but 2015 figures have been used correctly OFR</td></tr>
</table></td><td></td></tr>
</table>

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

Explain the importance of profitability to QL.

Level	Knowledge and Application	Mark
2 (APP)	Explanation an importance of profitability in context	3
1b (KK)	Explain an importance of profitability	2
1a (K)	Identify an importance of profitability	1
0	No creditable content	0

Profitability is the margin between cost per unit and selling price (or the margin between total revenue and total cost). This is in contrast to profit which is the amount (i.e. not margin) made.

Candidates do not need to show their knowledge of either profit or profitability. They need to explain an IMPORTANCE of profitability.

Context and content is likely to come from:

- Profits pay owner/workers income, so profitability is essential
- As QL expands into Option A or Option B it will need to maintain profitability

Importance (K)	**Possible context (APP)**
The achieve the objectives of the business	In QL the gross profitability is improving (60% in 2014, 63.89% in 2015 and 66.67% in 2016 OFR) Net profit has also been improving (50% in 2014, 55.56% in 2015 and 58.33% in 2016)
To avoid business failure	QL has made a profit in each of the last three years
To fund business growth/expansion	QL needs the profits/profitability to fund the expansion into Option A or Option B
To reward owners	Owners are the ten owner-workers who make up the co-operative – without pay they are likely to sell the business
To make a profit	The owner/workers will derive their income form QL
To assess business performance	QL could benchmark themselves against similar bag producing business

</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>one</u> advantage and <u>one</u> disadvantage to the other owner-workers of Iqbal's leadership style.

<table>
<tr><th>Level</th><th colspan="2">Knowledge and application</th><th colspan="2">Analysis</th></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Shows understanding of democratic leadership in context</td><td rowspan="2">3–4</td><td>Good analysis of one advantage and one disadvantage of democratic leadership in context</td><td>4</td></tr>
<tr><td>Good analysis of one advantage or one disadvantage of democratic leadership in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Shows knowledge of leadership styles</td><td rowspan="2">1–2</td><td>Limited analysis of one advantage and one disadvantage of leadership style</td><td>2</td></tr>
<tr><td>Limited analysis of one advantage or one disadvantage of leadership styles</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Leadership styles outlined in the specification are:
Autocratic, democratic, laissez-faire, Theory X and Theory Y (McGregor)
Annotate advantages in the left hand margin and disadvantages in the right hand margin

Content (K) is likely to come from:

Advantages:
- More ideas taken into account
- Better communication
- Improved motivation
- Shared objectives/vision
- Reduced employee turnover

Disadvantages:
- Decisions may be discussed but the leader still makes the decisions – could demotivate
- Time wasted in discussion
- Employees may not have the 'full picture'

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

Question	Answer	Marks

Examples of features of democratic leadership	Examples of application/context	Examples of possible analysis
More ideas – advantage	The other nine owner/workers can add their ideas	Better decisions → revenue to continue to increase → profits for the owner/workers to continue to increase
Better motivation – advantage	More efficient production of bags, cases and wallets	Lower cost of production → less cost of sales → higher gross profit → more return for the owner workers
Wasted time in discussion – disadvantage	Less time for production of bags, cases and wallets	Increased cost of production → higher cost of sales → lower gross profit → less return for the owner workers
Poor decision making	Other owner/workers may not understand the data about the two options for expansion.	Choose wrong option → Expansion does not increase value of QL → profits for the owner/workers reduce

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>Recommend which option QL should choose for expansion. Justify your choice.
<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>A justified recommendation for QL on which option it should choose for expansion based on the given argument(s) of Option A and Option B</td><td>7</td></tr>
<tr><td></td><td></td><td>A developed recommendation for QL on which option it should choose for expansion based on the given argument(s) of Option A and Option B</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement/recommendation based on the given argument(s) of Option A and Option B</td><td>5</td></tr>
<tr><td>Shows understanding of Option A and Option B for expansion</td><td>4</td><td>Argument(s) based on Option A and Option B for expansion</td><td>4</td></tr>
<tr><td>Shows understanding of Option A or Option B for expansion</td><td>3</td><td>Argument(s) based on Option A or Option B for expansion</td><td>3</td></tr>
<tr><td rowspan="2">Shows knowledge of expansion</td><td rowspan="2">1–2</td><td>Limited analysis of Option A and Option B for expansion</td><td>2</td></tr>
<tr><td>Limited analysis of Option A or Option B for expansion</td><td>1</td></tr>
</table>
To access evaluation candidates must have shown understanding of Option A and Option B with two pieces of argument (ANAN)</td><td>11</td></tr>
</table>

Question	Answer	Marks
	Context/content: High priced leather shoes • Larger market value • Branding is important and QL has an established brand • High prices could be charged due to price inelasticity • Competition is high, but brand could overcome this • Cost of new machinery • New distribution channels; do QL have any experience of this – cost? Low priced leather belts • Lower market value • Quality is important and QL have experience in leather market • Could use price competition due to price elastic response • Lower level of competition • Could be made on current machinery if there is capacity • Can use current distribution channels – cheaper option?	

Question	Answer	Marks

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>ANAN
(one sided)</th><th>EVAL</th></tr>
<tr><td rowspan="2">Expansion is when a business grows, for example by selling a new product range.. (K)</td><td>Option A would allow QL to expand into a market with a value of $2m. This is bigger than the market for Option B. (APP)</td><td>A bigger market may lead to more sales for QL. (AN)</td><td>Which is likely to lead to a more successful expansion and more profit for the owner/workers. (ANAN – Option A)</td><td rowspan="2">Overall QL is more likely to be interested in having a small share of a large market, so should choose Option A. (EVAL – statement)

However it depends upon how high the level of competition is and how much QL would need to spend on the marketing to establish themselves in the shoe market. (EVAL – developed)

As long as the potential revenue outweighs the costs of Option A then the larger market will allow much more growth than Option B and is therefore the better option. (EVAL – justified)</td></tr>
<tr><td>However Option B only has a medium level of competition as opposed to a high level for Option A. (APP)</td><td>Less competition is likely to mean that QL will find it easier to establish their brand in the market. (AN)</td><td>Which is likely to lead to a higher chance of success in the Low priced leather belt market and more sales and profit over time. (ANAN – Option B)</td></tr>
</table>