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 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 'shareholders' (line 1).

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

A correct definition must show the difference between a shareholder and an owner / (part) owner of a company, has limited liability etc.

A shareholder is the owner/part owner of a company/incorporated business. Can be private or public limited company. A shareholder tends to buy shares and sell when they increase in value. A shareholder will expect dividends from the profits as a return on their investment. A shareholder has voting rights at the AGM and invests in a business/has voting rights.

Answer	Mark	Reason
A shareholder is a stakeholder	1	Partial definition
A shareholder is an owner of a business	0	Could be a sole trader
A shareholder is part-owner of a company	1	Refers to part ownership and company so not a sole trader or partner but only partial
A shareholder invests money in a business and receives dividends	2	Two correct elements

</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 'focus group' (line 22).

Award one mark for each point of explanation:

<table>
<tr><td>C</td><td>Example of some other way of showing good understanding, i.e. Accuracy can be affected by bias, Opinions may not be representative of the general population/target market. Not statistically significant. Can aid decision making</td><td>1 mark</td></tr>
<tr><td>B</td><td>Consumers/potential consumers/target market/customers</td><td>1 mark</td></tr>
<tr><td>A</td><td>Primary/qualitative/opinions/feedback/led by interviewer</td><td>1 mark</td></tr>
</table>

This is a method of primary research. Used by businesses to get a group of customers together for feedback on a product or service. Can be expensive. Gives more accurate and qualitative data. Allows dialogue during the research process. Accuracy can be affected by bias. Opinions may not be representative of the general population/target market. Not statistically significant. Interviewer is present to lead discussion.

<table>
<tr><th>Answer</th><th>Mark</th><th>Reason</th></tr>
<tr><td>A group of people</td><td>0</td><td>Too vague</td></tr>
<tr><td>A group of customers</td><td>1</td><td>B mark for customers</td></tr>
<tr><td>An interviewer carries out primary research on a group of customers</td><td>2</td><td>2×A points with 'interviewer' and 'primary research' and a B mark for customers. No C element so 2 marks</td></tr>
<tr><td>Primary research on potential consumers to help make decisions about a product.</td><td>3</td><td>All 3 – A, B and C elements</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 Table 1 and other information. Calculate the price of the dress for Lydia.

<table>
<tr><th>Mark</th><th>Rationale</th></tr>
<tr><td>3 marks</td><td>Correct calculation of price (with or without working or $)</td></tr>
<tr><td>2 marks</td><td>Correct calculation* of total costs (with or without $)</td></tr>
<tr><td>1 mark</td><td>Correct formula or correct calculation* of wages</td></tr>
<tr><td>0 marks</td><td>No creditable content</td></tr>
</table>

(FC+VC) + mark-up = Price

Wages = 20 hours × $10 = $200

Total costs = $200 + $250 + $50 = $500

Add 50% = $250

So selling price will be $750

**Working required or explicit identification of TC/wages*

Common incorrect answers

<table>
<tr><td>Answer</td><td>Mark</td><td>Rationale</td></tr>
<tr><td>10 × 20 = 200</td><td>1</td><td>Correct calculation of wages</td></tr>
<tr><td>$200 + $250 + $50 = $500</td><td>2</td><td>Total costs calculated with working</td></tr>
<tr><td>500 × 150%</td><td>2</td><td>Correct calculation, answer missing</td></tr>
<tr><td>FC + VC then add mark up</td><td>1</td><td>Correct formula</td></tr>
<tr><td>$500</td><td>0</td><td>A wrong answer with no working</td></tr>
<tr><td>$200</td><td>0</td><td>A wrong answer with no working</td></tr>
<tr><td>Wages=200</td><td>1</td><td>Explicit identification of wages</td></tr>
<tr><td>TC=500</td><td>1</td><td>Explicit identification of TC</td></tr>
</table>

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

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

Explain <u>one</u> payment method (other than time based) that DC could use to pay its employees.

Level	Knowledge and Application	Marks
2 (APP)	Explanation of a payment method other than time based **in context**	3
1b (KK)	Explanation of a payment method other than time based	2
1a (K)	Identification of a payment method other than time based	1
0	No creditable content	0

Context and content is likely to come from:

- Piece rates, e.g., employees could be paid per pair of trousers in the new batch production
- Salary where dress designers are paid a an annual salary which is paid monthly
- Commission for designers per dress (% of the value e.g. of the $750)
- Bonuses linked to the profits paid for DC, more sales of designer clothing will lead to bonuses being paid
- Similar approach for performance related pay and profit sharing.

Context – designers, employees on the batch production method, designer clothing, reputation for quality

Identification	Explanation	Possible context
Piece rate	Payment based on output	Quality may be sacrificed and DC have an excellent reputation for quality
Commission	Payment based on the value produced	Dress designers would be paid commission on $750 price of a dress

</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> human resource problems that DC might experience from the introduction of the new batch production method.
<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td rowspan="2">2 (APP's)</td><td>Shows understanding of two (or more) human resource problems in context</td><td>4 (ANAN + ANAN)</td><td>Good analysis of two (or more) human resource problems that DC might experience from the introduction of the new batch production method.</td><td>4</td></tr>
<tr><td>Shows understanding of one human resource problem in context</td><td>3 (ANAN)</td><td>Good analysis of one human resource problem that DC might experience from the introduction of the new batch production method.</td><td>3</td></tr>
<tr><td rowspan="2">1 (K's)</td><td>Shows knowledge of two (or more) human resource problems</td><td>2 (AN + AN)</td><td>Limited analysis of two (or more) human resource problems</td><td>2</td></tr>
<tr><td>Shows knowledge of one human resource problem</td><td>1 (AN)</td><td>Limited analysis of one human resource problem</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Contextual analysis likely to come from:

• Lower morale/job satisfaction – workers are used to working on unique clothing and will have immense pride in their work. This may fall if working on a batch production line.
• Deskilling – if machinery is being used, this may replace the skills of the employees used to make unique clothing
• Training needs – the new machinery will involve training, how will Khaleal manage this?
• Fear of change/communication issues – employees are likely to be very wary of the new machinery/batch production. Khaleal needs to have a clear communication and employee participation strategy.
ARA
</td><td>8</td></tr>
</table>

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

Discuss a suitable pricing strategy that DC could use for the new range of trousers.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</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>Shows understanding of one or more pricing strategy in context</td><td>4</td><td>Arguments (two sided) based on one or more pricing strategy in context</td><td>4</td></tr>
<tr><td>Identifies one or more pricing strategy in context</td><td>3</td><td>Argument (one sided) based on one pricing strategy in context</td><td>3</td></tr>
<tr><td>Shows understanding of one or more pricing strategy</td><td>2</td><td>Two or more pieces of limited analysis of one or more pricing strategy</td><td>2</td></tr>
<tr><td>Identifies one or more pricing strategy</td><td>1</td><td>One piece of limited analysis of one pricing strategy</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td></tr>
</table>

Context must be explicit not just implied but the strategy, i.e. penetration for a new product is not context, but penetration because DC have a new range of trousers is contextual

Context/content:

- Competitive – the trousers are being sold to department stores. They are likely to have other competitors and so they will need to be competitive to persuade the department stores to stock the trousers. This may be feasible as the department stores will know the prices they are prepared to pay.
- Penetration – DC are moving into a new market. They may look to offer high discounts on initial orders, build their relationship with the department stores and then increase prices. Can DC afford this? How will competitors react?
- Skimming – unlikely to be effective as these are batch produced products – they may have a reputation for quality but batch production will mean the uniqueness of each piece of clothing will be lost so unlikely to be able to charge higher prices especially to a department store.
- Price discrimination – unlikely to be effective as difficult for DC to separate the market for trousers particularly by geography. They are selling direct to the department stores who will then decide which stores to sell them in. DC does not have control of this. They are also trying to break into a new market so unlikely this will work.

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td></td><td>Evaluation is likely to come from a candidate:

Judging which pricing strategy is best for DC to use and justifying this in the context

Weighting their response, for example, justifying why a strategy is unlikely to be effective</td><td></td></tr>
<tr><td>2(a)(i)</td><td>Define the term ‘demand’ (line 26).

<table>
<tr><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

A sound definition is ‘Demand is the quantity/amount that consumers are willing/able (not needs and wants) to buy at a given price (or in a particular time period)’.

Demand is the ability and willingness of a consumer to pay for a given good or service at a given price. Demand falls as price rises/vice versa.

Example(s) or reference to demand falling or rising is not needed for maximum marks.

A diagram without further explanation should be awarded one mark.

<table>
<tr><th>Answer</th><th>Mark</th><th>Reason</th></tr>
<tr><td>The amount of a good consumers are willing to buy</td><td>1</td><td>Only 2 elements of the definition – for full marks would need 3 elements</td></tr>
<tr><td>What consumers are willing to buy</td><td>1</td><td>Only 1 element of the definition</td></tr>
<tr><td>The amount of a good consumers are willing to buy at a price</td><td>2</td><td>3 elements</td></tr>
</table>
</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 ‘tertiary sector’ (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, e.g. Examples could include distribution, hairdressing, dentist. Expertise/time</td><td>1 mark</td></tr>
<tr><td>B</td><td>Relationship to other sectors (i.e. secondary, primary quaternary)</td><td>1 mark</td></tr>
<tr><td>A</td><td>Offer/sell/produce/provide etc. services/intangible goods</td><td>1 mark</td></tr>
</table>

The tertiary sector is made of businesses that sell goods or services to producer or consumer markets. Business here take goods from the secondary sector and sell them. Services include law firms, accountancy firms, shops.
<table>
<tr><th>Answer</th><th>Mark</th><th>Reason</th></tr>
<tr><td>Provide services and sell intangible products</td><td>1</td><td>A elements only</td></tr>
<tr><td>Sells services such as banking</td><td>2</td><td>A and C elements</td></tr>
<tr><td>Sells services to support the products from the primary and secondary sectors such as farmers’ markets selling vegetables</td><td>3</td><td>Elements from all – A B and C</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 3. Calculate the gross profit margin.

Mark	Rationale
3 marks	Correct calculation of gross profit margin (with or without working or %)
2 marks	Correct formula **and** correct calculation of gross profit
1 mark	Correct formula **or** correct calculation of gross profit
0 marks	No creditable content

Formula can be implied through the correct use of figures.

GP
revenue * 100

GP = 120 – 90 = 30

GPM = 30/120 *100 = **25%**

Common incorrect answers

Answer	Mark	Rationale
120 – 90 = 30	1	Correct calculation of gross profit
[90 – (20+10)/120] × 100 = 60/120 × 100 = 50%	1	Gross profit incorrectly calculated but formula correct
(Gross profit/revenue) × 100. Gross profit = 30	2	Correct formula and correct calculation of gross profit
GP = 10 000 – 20 000 – 90 000 = – 100 × 100 000/120 000 = 83.33%	1	Gross profit incorrectly calculated but formula correct
120 000 – 90 000/120 000 = 0.25	2	Gross profit and method correct but ×100 missing from formula
(30 000/120 000) × 100 = $25 000	2	Correct formula and correct calculation of gross profit

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

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

Explain <u>one</u> way that BG could improve its profit margin.

Level	Knowledge and Application	Marks
2 (APP)	Explanation of a way to improve the profit margin	3
1b (KK)	Identification of a way to improve the profit margin	2
1a (K)	Identification of a way to improve profit	1
0	No creditable content	0

Context (profit margin) and content is likely to come from:

- Increase price but maintain costs/expenses
- Decrease costs and maintain price

Identification	Explanation	Possible context
Decrease costs and increase price (APP)	Both costs and price referred to	This is clearly linked to the context of a profit **MARGIN** so 3 marks
Increase price (KK)	Only price, nothing about costs	Related to profit margin but only identifies price so 2 marks.
Increase revenue (K)	This relates to profit only.	1 mark as not related to profit margin

</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>two</u> possible sources of finance that BG could use for the new lawnmower.

<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td rowspan="2">2</td><td>Shows understanding of two (or more) sources of finance in context</td><td>4</td><td>Good analysis of two (or more) sources of finance that BG could use for the new lawnmower.</td><td>4</td></tr>
<tr><td>Shows understanding of one source of finance in context</td><td>3</td><td>Good analysis of one source of finance that BG could use for the new lawnmower.</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two (or more) sources of finance</td><td>2</td><td>Limited analysis of two (or more) sources of finance</td><td>2</td></tr>
<tr><td>Shows knowledge of one source of finance</td><td>1</td><td>Limited analysis of one source of finance</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Any source of finance could be relevant – analysis will depend on context used:

Contextual analysis likely to come from:

- Cash flow, Barry is worried about working capital so how would BG be able to make the repayments?
- Time span, how long would BG borrow for, interest rates tend to be higher over longer period of time. BG is a partnership, this could be risk if paid over longer term. Does Barry prefer short or medium or longer term?
- Amount being borrowed. Would BG need to borrow all of the $10 000. Could Barry or Michael invest additional funds themselves to limit the borrowing?
- Interest rates, BG is a partnership so could be seen as risky to lend to. But healthy profits and margins so could persuade a lender that the risk is smaller.
- Future demand – Expected to increase as BG gain customers from competitors (LawnsRus) but what if the economy slows down – demand could fall in coming years especially from the revenue generated from basic services?

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

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

Discuss the advantages and disadvantages to Barry and Michael of the business being a partnership.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</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>Shows understanding of two or more features of a partnership in context</td><td>4</td><td>Argument of advantage(s) and disadvantage(s) of partnerships in context</td><td>4</td></tr>
<tr><td>Shows understanding of one feature of a partnership in context</td><td>3</td><td>Argument of an advantage(s) or disadvantage(s) of partnerships in context</td><td>3</td></tr>
<tr><td>Identifies two or more features of a partnership</td><td>2</td><td>Limited analysis of an advantage(s) and disadvantage(s) of partnerships</td><td>2</td></tr>
<tr><td>Identifies one feature of a partnership</td><td>1</td><td>Limited analysis of an advantage(s) or disadvantage(s) of partnerships</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td></tr>
</table>

Please annotate analysis of advantages in the left hand margin and disadvantages in the right hand margin. Evaluation can only be awarded if there is at least one double AN in the left and one double AN right hand margins.

Context/content:

Advantages:

- Partners can specialise, this has worked for BG with division of tasks (Barry – finance and marketing, Michael – technical and employees). This will help BG be successful e.g., strong profits and margins
- Partners run the business for themselves, not accountable to shareholders and so Michael and Barry gain the rewards from the business/retain control
- BG will be a smaller business and so Michael and Barry are likely to offer personal service and good communication to customers, Michael in marketing and Barry in agreeing prices and contracts. This will help BG gain a reputation and be more successful.

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

Question	Answer	Marks
	Disadvantages: • Unlimited liability so a risk to Michael and Barry. They could lose their possessions as well as their investment should the business fail. • Long hours of work/responsibility • Conflict – Michael and Barry may fall out over decisions and this could lead to conflict and dissolution of the partnership e.g., over the finance needed for the lawnmower • Partnership ceases if one partner dies. 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. Candidates must cover both advantages and disadvantages to gain higher than 3+3 marks	