Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

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

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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1 Designer Clothing (DC)

DC is a medium sized private limited company. DC has three main shareholders. It has been trading for ten years. DC makes luxury dresses for women using job production methods. DC has an excellent reputation for quality. A DC designer has a meeting with every customer to design a dress that satisfies the customer's individual needs, including choice of fabric and colour. Cost-based pricing is used with 50% added to the total costs.

DC's employees are highly skilled and paid hourly rates (a time based system). Ikram, one of the designers, has just had a meeting with a new customer, Lydia. She wants him to design and make a new dress for her. Ikram has worked out the following information for the dress.

Table 1: Production data for the dress for Lydia

Production time	20 hours
Hourly rate (time based)	$10
Material costs	$250
Other costs such as packaging	$50

Jenny, the Managing Director, wants to use DC's excellent reputation and move into a new market. Jenny wants to create a new range of DC branded trousers for women. She has developed some elements of a marketing mix for the new trousers (see Table 2).

Table 2: Elements of a marketing mix for the new trousers

Product	Quality trousers aimed at women aged 25-50 years
Distribution channel	Sold in large shops
Promotion	Branded with the DC logo

Jenny is waiting for a market research report including feedback from a focus group. She thinks that the pricing strategy DC currently uses will not be appropriate for the new trousers.

The new product range will be made using a batch production method. The Production Director, Khaleal, has identified the machinery needed for the new production method. Khaleal is worried about the problems that introducing the new production method will cause DC's employees.

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(a) (i) Define the term 'shareholders' (line 1). [2]

(ii) Briefly explain the term 'focus group' (line 22). [3]

(b) (i) Refer to Table 1 and other information. Calculate the price of the dress for Lydia. [3]

(ii) Explain **one** payment method (other than time based) that DC could use to pay its employees. [3]

(c) Analyse **two** human resource problems that DC might experience from the introduction of the new batch production method. [8]

(d) Discuss a suitable pricing strategy that DC could use for the new range of trousers. [11]

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[Turn over

2 Budding Gardens (BG)

BG is a partnership owned and managed by Barry and Michael. BG is in the tertiary sector. BG is a landscape gardening business. Its revenue comes from two main services that it provides to customers:

1 Landscaping – BG redesigns customers' gardens, for example by adding new features such as water fountains or seating areas
2 Basic gardening services such as digging and grass cutting.

Barry and Michael work well together. Barry deals with marketing and agrees contracts and prices with customers. He also manages the finances. Michael focuses on the technical side of the business such as garden design. He also has responsibility for the four full-time employees.

Michael has come to Barry with a problem. One of the large lawnmowers used to cut grass has broken down and needs replacing. The cost of the new lawnmower machine will be $10 000. Michael has asked Barry if there is finance available for capital expenditure. Barry needs to determine the best source of finance to use for the new lawnmower. BG has a low level of working capital.

Barry has been looking at the latest financial accounts (see Table 3).

Table 3: Extract from the income statement for the year ended 31 May 2017

	$000s
Revenue	120
Cost of sales	90
Expenses	20
Profit for the year	10

One of BG's competitors, LawnsRus, has recently been in trouble. A customer made a serious complaint about damage that an employee caused whilst mowing (cutting) her lawn. The business had to pay a large amount in compensation to the customer. Barry believes that this may increase demand for BG's services in the local market.

(a) (i) Define the term 'demand' (line 26). [2]

(ii) Briefly explain the term 'tertiary sector' (line 1). [3]

(b) (i) Refer to Table 3. Calculate the gross profit margin. [3]

(ii) Explain **one** way that BG could improve its profit margin. [3]

(c) Analyse **two** possible sources of finance that BG could use for the new lawnmower. [8]

(d) Discuss the advantages and disadvantages to Barry and Michael of the business being a partnership. [11]

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