Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/21**

Paper 2 Data Response **May/June 2018**

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 **3** printed pages, **1** blank page and **1** Insert.

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1 Clifford's Supermarkets (CS)

CS owns 28 supermarkets which sell food and non-food products. Each CS supermarket has a large product portfolio with over 10 000 different products.

CS uses a number of different promotion methods and pricing strategies. The most effective of these is when CS temporarily reduces the price of a product. Each week 20 different products are selected and their prices reduced. Table 1 shows the sales data from a recent price reduction on bottled water from $0.90 to $0.63.

Table 1: Sales data for bottled water

Sales in week before price reduction	20 000 bottles
Sales in week of price reduction	40 000 bottles

CS has had poor cash flow for the past year and its profit margins are falling. The owners have decided to close one supermarket. They have short-listed two of the least profitable supermarkets and must decide which to close (see Table 2).

Table 2: Data to help decide which supermarket to close

	Supermarket A			**Supermarket B**		
Sales revenue (2017)	$2 000 000			$1 500 000		
Rent (2017)	$400 000			$250 000		
Local unemployment (2017)	High			Low		
Local population (households)	150 000			80 000		
Number of years supermarket has been open	4			20		
Profit/(Loss)	2015	2016	2017	2015	2016	2017
	($20 000)	($10 000)	($5000)	$5000	$3000	$2000

(a) (i) Define the term 'cash flow' (line 10). [2]

(ii) Briefly explain the term 'product portfolio' (line 2). [3]

(b) (i) Using Table 1 and any other relevant data, calculate the price elasticity of demand for bottled water when the price was reduced. [4]

(ii) Explain how your answer to **1(b)(i)** could be used by CS. [2]

(c) Using Table 2 and any other data, recommend which supermarket CS should close. Justify your recommendation. [11]

(d) Analyse how the closure of the supermarket that you have recommended in your answer to **1(c)** could affect **two** stakeholders of CS. [8]

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2 Veg Cans (VC)

VC is a public limited company which produces canned vegetables. VC is supplied with fresh vegetables by 20 farms. VC processes and packages the vegetables in cans. These are then sold to food retailers.

VC sells over 50 varieties of canned vegetables. Each year the Board of Directors analyses sales figures and decides where each variety is on the product life cycle. The directors then base their marketing decisions on this information.

VC has recently published its statement of financial position (Table 3).

Table 3: Extract from VC's statement of financial position

	$m
Non-current assets	10
Current assets	5
Current liabilities	4
Non-current liabilities	7
Equity	4

The Board of Directors of VC want to use retained earnings to pay for a new factory that can package and freeze vegetables. These frozen vegetables will be sold through the same channel of distribution as VC's current products. Market research has suggested that VC's customers want a range of frozen vegetables that are convenient for consumers to use at home.

The new factory will require a manager. A job advertisement has been created (see Fig. 1).

Fig. 1: Job advertisement for manager of the new factory

Manager required

An experienced manager is required for a new factory producing frozen vegetables. The successful applicant will have:

- a good degree from a university in a business subject
- the ability to motivate employees
- the ability to manage inventory
- finance and accounting skills.

(a) (i) Define the term 'retained earnings' (line 15). [2]

(ii) Briefly explain the term 'public limited company' (line 1). [3]

(b) (i) Calculate VC's working capital. [2]

(ii) Explain **two** ways in which VC could increase its working capital. [4]

(c) Analyse **two** methods of selection VC could use when choosing a new manager for the factory. [8]

(d) Evaluate the usefulness of the product life cycle to VC when making marketing decisions. [11]

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