Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

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 **4** printed pages and **1** Insert.

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1 Delivery To You (DTY)

DTY is a public limited company in the tertiary sector. DTY delivers packages for businesses in country A. DTY's main customers are large online retail businesses. These businesses pay DTY to deliver products to customers who have purchased them online.

DTY has recently published its income statement for 2017 (see Table 1).

Table 1: Extract from DTY's income statement for 2017

	$m
Revenue	45
Cost of sales	30
Gross profit	15
Expenses, interest and tax	10

The Board of Directors decided that retained earnings should be at a high level of 80% of profit for the year.

The Board of Directors is keen to expand the business by delivering packages within a new country. This planned expansion will require 10 delivery drivers. To aid the recruitment process, the human resource manager has created a person specification (see Table 2).

Table 2: Person specification for a delivery driver

Characteristic	Essential	Desirable
Qualifications	Driving licence	A-Level or high school standard
Physical	Good eyesight Fit enough to lift heavy packages	None
Experience	None	Experience of dealing with customers/consumers
Personal qualities	Confident Good communicator	Friendly

There are a number of factors that will determine the country chosen for the expansion. The Board of Directors has asked the marketing manager to carry out some primary and secondary market research so that it is able to make a good decision.

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

(ii) Briefly explain the term 'human resource manager' (line 15). [3]

(b) (i) Calculate the retained earnings for DTY in 2017. [2]

(ii) Explain **two** possible effects of DTY's Board of Directors' decision to have a high level of retained earnings. [4]

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(c) Analyse **two** methods of recruitment that DTY could use for the new delivery drivers. [8]

(d) Discuss methods of market research that DTY could use to help the directors decide which country to expand into. [11]

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2 Pencil Pushers (PP)

Jacqueline is a sole trader who owns PP. She set up the business six months ago to manufacture pencils. The market for pencils in PP's country is separated into the niche market of supplying pencils for schools and the mass market. When she started the business, Jacqueline decided to target the mass market. Table 3 shows Jacqueline's initial market research into the two markets.

Table 3: Initial market research data

Mass market	Schools market
• 10 producers are in the market. Each producer has 7% – 12% market share. • Sold through many retailers, including online retailers. • Branding and reputation are very important.	• One producer is in the market with 100% market share. • Sold directly through e-commerce. • Branding and reputation are not important.

PP is establishing a good reputation as a reliable supplier of pencils to shops that sell stationery. However, as a relatively new business, PP has had to use penetration pricing to build up a customer base. She sells each pack of five pencils for $1. PP holds a large inventory so that orders can be delivered quickly.

PP employs four full-time production workers in one factory. The production process is capital intensive. Production data for the factory is in Table 4.

Table 4: Production data for PP's factory

Maximum capacity per month	75 000 pencils
Monthly fixed costs	$8 500
Variable costs per 100 pencils	$3

PP has no trade payables but Jacqueline is concerned about the cash flow of PP. The latest cash flow forecast showed that PP might run out of cash in three months' time. This is mainly because the shops which sell PP's pencils demand 30–60 days to pay for their orders.

(a) (i) Define the term 'capital intensive' (line 19). [2]

(ii) Briefly explain the term 'niche market' (lines 2–3). [3]

(b) (i) Calculate how many packs of pencils PP must sell to break even each month. [4]

(ii) Explain how Jacqueline could use your answer to **2(b)(i)**. [2]

(c) Analyse **two** methods Jacqueline could use to improve PP's cash flow. [8]

(d) Evaluate Jacqueline's decision to target the mass market. [11]

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