Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

Paper 2 Data Response **May/June 2019**

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 First Nature (FN)

FN is a co-operative farm producing milk, beef and vegetables. Products are sold in its shop and at local farmers' markets. FN's mission statement is in Fig. 1.1.

> The sustainable production of food, to build strong relationships with members and customers and to contribute to the local community

Fig. 1.1: FN's mission statement

The co-operative has 20 members who work on the farm, in the shop and at the markets.

Over the past 10 years FN has built up a loyal customer base. Recently, a neighbouring farm has become available to purchase for $80 000. FN has limited capital but would like to expand by purchasing the neighbouring farm.

FN is considering sources of finance for the capital needed to buy the land. Giuseppe is one of the original members of the co-operative and has accounting skills. He has prepared the cash flow forecast shown in Table 1.1 in the business plan for the neighbouring farm.

Table 1.1: Cash flow forecast for the neighbouring farm

	Quarter 1 ($000)	Quarter 2 ($000)	Quarter 3 ($000)	Quarter 4 ($000)
Cash Inflows				
Revenue	0	0	40	200
Total cash in	0	0	40	200
Cash Outflows				
Set-up costs	80	0	0	0
Equipment	20	10	0	10
Training	30	0	0	0
Total cash out	130	10	0	10
Opening balance	0	(130)	(140)	(100)
Closing balance	(130)	(140)	(100)	**X**

FN will use the neighbouring farm to develop educational programmes for local schools and for putting on community events. The 20 members of the co-operative already work very long hours. The members are discussing whether they should allow more members or become a public limited company (plc) and employ the extra workers required. To become a public limited company would require the agreement of all 20 members. Some members are in favour of the change to a public limited company as they would become quite wealthy through selling shares. However, other members feel that it would change the relationship with its customers.

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(a) (i) Define the term 'mission statement' (line 2). [2]

(ii) Explain the term 'co-operative' (line 1). [3]

(b) (i) Refer to Table 1.1. Calculate the value of **X** in quarter 4. [2]

(ii) Explain **two** benefits to FN of cash flow forecasting. [4]

(c) Analyse **two** sources of finance, other than selling shares, FN could use to purchase the neighbouring farm. [8]

(d) Evaluate the likely impacts on the local community if FN changes from a co-operative to a public limited company. [11]

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[Turn over

2 Fuzz Buzz Ltd (FBL)

FBL is a small private limited company with 10 shareholders. Its unique selling point is that its toys are handmade. They are aimed at children aged 4 to 10. Its latest product, a hand-held soft spinning toy, called Tommy Turner, has become a fashion item amongst young children. Demand for these toys exceeds the ability of FBL to supply them. Stores are desperate to secure more inventory in order to make the most of the high demand. FBL sells these toys for $6 each. It is considering how to respond to the excess demand.

If FBL increases the price of the Tommy Turner then the price elasticity of demand is estimated to be –2. The quantity demanded at the current price is 120 000.

If FBL increases the supply of Tommy Turners it would require investment. The new machinery would cost $100 000 and allow mass customisation. The concern is that this fashion may not last.

The work will be a lot less skilled, although a design team will still be required to develop future toys. FBL's employees take great pride in their work and are very loyal to the company and their co-workers. Most of the employees have been with the company for over 10 years and enjoy good relationships with all the directors.

Anindita, the Marketing Director, thinks FBL should make the most of the fashion for the Tommy Turner by extending the product life cycle.

(a) (i) Define the term 'unique selling point' (line 1). [2]

(ii) Explain the term 'mass customisation' (line 10). [3]

(b) (i) Calculate the new quantity demanded of the Tommy Turner if FBL increases the price by 10%. [4]

(ii) Explain **one** factor influencing the supply of the Tommy Turner. [2]

(c) Analyse **two** methods FBL could use to extend the product life cycle of the Tommy Turner. [8]

(d) Discuss the likely impact on the morale and welfare of FBL's employees if supply of the Tommy Turner is increased. [11]

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