Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Data Response **May/June 2021**

1 hour 30 minutes

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Any blank pages are indicated.

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1 Ray's Taxis (RT)

Ray is a sole trader providing a taxi service in city L. Recently, demand for Ray's taxi has fallen due to an increase in the number of competitors. Ray is thinking of joining Summus, who offer a smartphone app (application) which connects passengers to taxi drivers. Ray would be the first taxi driver in city L to join Summus. The app uses dynamic pricing to set the fare (amount paid) for a journey. Summus takes 20% of the fare and the remaining 80% is revenue for the taxi driver.

Summus has provided forecast data in Table 1.1.

Table 1.1: Forecast data about each taxi using the Summus app

Average fare	$15
Average number of journeys per day	16
Average distance travelled per journey	5 km

Ray has calculated costs, shown in Table 1.2.

Table 1.2: Ray's costs

	$
Fixed cost per day	42
Variable cost per km	0.50

Passengers like the Summus app as it is easy to use, quick and reliable. Taxi drivers like it as they can decide when and where to work and they can earn more revenue. However, a recent article on a taxi drivers' forum suggested there are problems with Summus.

- It signs up too many taxi drivers.
- Taxi drivers are not employed by Summus and are not guaranteed any revenue.
- Customers have to wait longer for a taxi when fares are low.

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

(ii) Explain the term 'dynamic pricing' (line 4). [3]

(b) (i) Explain **one** way Ray could increase his profit margin. [3]

(ii) Refer to Table 1.1. Calculate Ray's forecast average daily revenue if he joins Summus. [3]

(c) Analyse **two** pricing methods, other than dynamic pricing, Summus could use to price taxi fares. [8]

(d) Recommend whether Ray should join Summus. Justify your recommendation. [11]

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2 Juliet's Theatre Group (JTG)

Juliet and her friends would all like careers in acting. They have formed a co-operative called JTG which is based in city M. JTG is planning to hire a theatre in city M so that the co-operative members can act in a play. The theatre has 300 seats but Juliet has set a target of 200 customers to break even. This should ensure a margin of safety. City M is a large city with many theatres and music venues. Juliet estimates that they can sell 150 tickets in advance to friends, family and on the internet. Unsold tickets will be available to buy on the night of the performance.

JTG is planning to perform the play at the hired theatre in city M for one night only. Financial information is shown in Table 2.1.

Table 2.1: Financial information ($)

Theatre hire per night (paid in advance)	600
Costume hire	200
Printing tickets	100
Variable costs per ticket	2

Juliet has proposed going to different cities with the play, putting on performances for one night in each city.

Arpitter is a business consultant and has offered some advice. She thinks that JTG should put on performances only in city M and has given the following reasons:

- there is a suitable venue in city M
- it is easier to build customer loyalty
- minimal costs.

Juliet disagrees. She thinks that JTG could:

- build up a larger customer base by going to other cities
- perform the same play in different cities so no need to rehearse other plays
- access government grants for travelling acting groups.

(a) (i) Define the term 'margin of safety' (line 4). [2]

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

(b) (i) Refer to Table 2.1. Calculate the price that JTG should charge per ticket in order to break even at 200 ticket sales. [3]

(ii) Explain **one** advantage to JTG of using break-even analysis. [3]

(c) Analyse **two** elements of the marketing mix which would be useful to JTG in marketing its play. [8]

(d) Evaluate whether JTG should perform only in city M. [11]

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