Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Data Response **May/June 2022**

1 hour 30 minutes

9009426941

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.

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1 Priya's Bookshop (PB)

Priya lives in town R which is situated in beautiful countryside with nice walks nearby. Many tourists visit town R.

The town's council would like town R to become branded as a 'booktown', a town with many bookshops selling new and used books. The council announced a new financial scheme offering grants to attract entrepreneurs willing to open a bookshop.

Priya applied for a grant to start up Priya's Bookshop (PB). Part of her grant application included a cash flow forecast, shown in Table 1.1.

Table 1.1: Cash flow forecast, first three months of trading ($000)

	Month 1	Month 2	Month 3
Cash in:			
Owner's capital	15	0	0
Grant	20	0	0
Revenue	4	6	11
Cash out:			
Initial set up costs	20	0	0
Utilities (power, water etc)	0	0	2
Employee costs	1	1	3
Purchases	6	3	4
Marketing	10	5	4
Opening balance	0	2	–1
Closing balance	2	–1	**X**

Priya's grant application was successful and she opened PB well aware of the need for both cash and profit.

Priya now wants to raise awareness of PB in town R. Priya did some market research and decided to use market segmentation. This will help her to decide on the promotional methods she could use for her bookshop. See Table 1.2.

Table 1.2: Age and gender of residents in town R

Age group (years)	Percentage of residents in age group	Percentage of age group who are female
0–15	19%	50%
16–64	63%	55%
65+	18%	60%

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(a) (i) Define the term 'market segmentation' (line 25). [2]

(ii) Explain the difference between cash and profit (line 23). [3]

(b) (i) Refer to Table 1.1. Calculate PB's forecast closing balance in month 3 (**X**). [2]

(ii) Analyse **two** benefits to Priya of producing a cash flow forecast. [8]

(c) Explain **two** entrepreneurial qualities that Priya has shown. [4]

(d) Recommend suitable promotional methods that Priya could use to raise awareness of PB in town R. Justify your recommendation. [11]

2 Motorcycle Components (MC)

MC is a large public limited company that produces a range of components used by motorcycle manufacturers. MC's mission statement is 'to be the world leader in delivering quality motorcycle components to our customers'.

The motorcycle component industry is very competitive and MC's customers expect high quality and a short lead time. MC operates a Just in Time (JIT) inventory control system. MC's good relationships with its suppliers ensure that JIT operates efficiently. The production workers at MC are highly skilled and the business benefits from a low labour turnover.

Liquidity management is very important in the motorcycle component industry. The industry average for the acid test ratio is 1. A summary of some key data for MC has been prepared by the Finance Director, as shown in Table 2.1.

Table 2.1: Summary financial data as at 30 April 2022 ($ million)

Trade receivables	26
Cash	19
Inventory	1
Trade payables	30
Other current liabilities	20

The Operations Director, Jay, is proposing new capital expenditure of $4 million. Jay thinks that automation of the production process will have significant financial benefits for MC. He wishes to gain approval from the Board of Directors to implement a process innovation project. Jay believes that, with good communication and the involvement of employees, he can effectively manage the project.

(a) (i) Define the term 'lead time' (line 5). [2]

(ii) Explain the term 'mission statement' (line 2). [3]

(b) (i) Refer to Table 2.1. Calculate MC's acid test ratio. [4]

(ii) Explain **one** reason why the acid test ratio is useful to MC's Finance Director. [2]

(c) Analyse **two** benefits to MC of Just in Time (JIT) inventory control. [8]

(d) Evaluate the possible impact on MC from introducing process innovation. [11]

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