Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Business Concepts 2 **May/June 2023**

1 hour 30 minutes

5307492118

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 Great Resources (GR)

GR is a business partnership that creates educational resources. It sells direct to schools and teachers via its own website.

Sanjay, Rukmal and Boris are entrepreneurial teachers who formed the GR partnership. One year ago, they identified a gap in the market to supply interactive, digital resources. GR's website is subscription only. An online marketing campaign, which used penetration pricing, attracted 250 subscribers in the first six months of operation. The start-up costs were financed with a $5000 bank overdraft, which is GR's only debt.

Reviews for GR's products in teaching journals are positive but cash flow is poor. Many customers have taken advantage of a recent sales promotion for one month's free membership and posted positive reviews. Unfortunately, few have then taken out a regular subscription.

As revenue has not increased as much as the entrepreneurs had hoped, they must now consider alternative promotion methods. They have researched possible promotion methods and decided to advertise in an educational newspaper. The newspaper has a readership of half a million people.

Expert Materials (EM) is a large national company that also advertises in the newspaper. EM is GR's closest competitor. The EM brand is well-known and trusted in the educational resources market. Table 1.1 shows some marketing data.

Table 1.1 Marketing data

	GR	EM	Total market
Revenue ($000)	15	300	500
Number of customers	300	5000	7000
Annual advertising spend ($000)	7.5	45	60

(a) (i) Identify **one** barrier to entrepreneurship. [1]

(ii) Explain the term *partnership*. [3]

(b) (i) Refer to Table 1.1. Calculate GR's market share by revenue. [3]

(ii) Explain **one** factor which may influence the supply of GR's products. [3]

(c) Analyse **one** advantage and **one** disadvantage to GR of using a bank overdraft. [8]

(d) Evaluate whether price or promotion is the most important element of GR's marketing mix. [12]

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2 Delicious Cocoa (DC)

DC is a co-operative owned by cocoa farmers in country X. It has 500 workers. In 2022, DC produced 2000 tonnes of raw cocoa beans. Productivity is expected to increase by 5% in 2023. Although DC is profitable, it has no retained earnings.

DC focuses on the triple bottom line as its main objective. The members of the co-operative (farmers) are motivated within the current operation. *5*

Zara, the Managing Director, has recently completed a workforce plan. She has identified that young people do not want to work on DC's farms. Their concerns are:

- lack of investment in training
- most of the work is manual
- lack of control over earnings. *10*

Ranjit, the Operations Director, has identified an opportunity to create added value by investing in a capital intensive factory.

The factory will process raw cocoa beans produced by DC's farms into cocoa butter. Cocoa butter is a premium product and attracts higher profit margins than raw cocoa beans. The processing factory will require a significant capital investment (see Table 2.1). *15*

Table 2.1 Data for the cocoa processing factory

	$
Initial investment: Land Machinery Training	 100 000 150 000 15 000
Average variable costs per tonne	5 000
Average selling price per tonne	10 000

20

(a) (i) Identify **one** element of the triple bottom line. [1]

(ii) Explain the term *added value*. [3]

(b) (i) Refer to lines 1–2. Calculate DC's expected labour productivity in 2023. [3]

(ii) Explain **one** reason why labour productivity is important to DC. [3]

(c) Analyse **two** ways DC can motivate young people to work on its farms. [8]

(d) Evaluate whether DC should grow its operations by opening its new cocoa processing factory. [12]

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