Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/23**

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

1 hour 30 minutes

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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 Fretter's Music (FM)

FM is a private limited company based in country Z. FM manufactures a range of musical instruments, such as guitars and keyboards, for the consumer market. FM uses batch production to produce its range of instruments. However, FM is in the process of changing to mass customisation.

FM's customers are all in country Z and include musicians and students. It sells through its own chain of retail stores. FM's marketing mix has been successful; sales increased by 45% in the last two years.

The changes in the production process and the increase in sales have put pressure on employees to maintain quality and speed of production. FM employs 108 people. The Human Resource Manager, Kylie, is concerned about the high labour turnover. Kylie has produced Table 1.1, which shows reasons why employees left in 2022.

Table 1.1 Reasons why employees left FM in 2022

Reason for leaving	Number of employees who left
Better job in another industry	4
Higher pay at a competitor	6
Lack of promotion opportunities at FM	5
Unhappy with the work environment	3
Retirement	6

FM's directors would like to grow the business and plan to enter international markets. FM's brand is not well-known internationally and they will have to compete against established musical instrument businesses. FM will have to change its supply chain and increase production.

(a) (i) Identify **one** element of the marketing mix. [1]

(ii) Explain the term *consumer market*. [3]

(b) (i) Refer to Table 1.1 and other information. Calculate FM's labour turnover rate for 2022. [3]

(ii) Explain **one** method of reducing FM's labour turnover. [3]

(c) Analyse **two** impacts on FM's costs if it enters international markets. [8]

(d) Evaluate the impact on FM's stakeholders of a change from batch production to mass customisation. [12]

2 Great Desks (GD)

GD is a co-operative owned by all of its employees. It manufactures desks for schools, offices and home use. The products are handmade using job production. GD uses just in time (JIT) inventory control.

GD operates in a highly competitive market and uses personal selling to promote its products to wholesale and retail outlets.

GD's employees accept low salaries as most of their income comes from a share of profits at the end of the year. Following five years of rapid growth in sales and profits, GD plans to open its own retail shop. This is because the number of people who work from home is predicted to grow, which will lead to higher demand for desks for home use. GD will need $2m to open the shop.

GD's forecast cash flow from 2023 to 2025 is shown in Table 2.1.

Table 2.1 GD's forecast cash flow 2023 to 2025 ($m)

	2023	2024	2025
Cash inflow			
Revenue	4.0	6.0	9.0
Total inflow	4.0	6.0	9.0
Cash outflow			
Utilities (power, water etc.)	1.5	1.5	2.0
Employee costs	0.5	0.5	0.5
Purchases	2.0	3.5	4.5
Marketing	3.0	5.5	5.0
Total outflows	7.0	11.0	12.0
Net cash flow	(3.0)	(5.0)	
Opening balance	9.0	6.0	
Closing balance	6.0	1.0	

GD's employees are concerned about the management style of Steve, the Managing Director, who they say:

- spends too much time trying to make people happy rather than solving problems
- responds to opinions rather than setting long-term plans
- fails to recognise threats to the business and does not see the need for new ideas
- takes decisions on the votes of employees rather than the merits of the arguments.

(a) (i) Identify **one** advantage to a business of using job production. [1]

(ii) Explain the term *just in time* (JIT). [3]

(b) (i) Refer to Table 2.1. Calculate GD's forecast closing balance in 2025. [3]

(ii) Explain **one** disadvantage to GD's employees of it being a co-operative. [3]

(c) Analyse **two** sources of finance GD could use to open its new shop. [8]

(d) Evaluate whether Steve's management style will contribute to GD's future success. [12]

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