Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Business Concepts 2 **May/June 2024**

1 hour 30 minutes

3524614573

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 Samira's Whiteboards (SW)

Samira left school at the age of 18 in country H. She had a small amount of savings and an idea to create a flexible, removable and reusable whiteboard. Samira created a prototype and received small orders from local retailers.

A local manufacturer batch produces stock when required. There is a two-week lead time for a minimum order of 500 units. Samira started to sell her whiteboards on her website and at trade shows. She has been trading for seven months. She has good cashflow but little working capital as production costs are high.

Samira has heard that OS, a large business that sells office equipment, is planning to sell their own version of Samira's whiteboard. She is keen to increase production quickly to take advantage of being first to market. However, Samira's manufacturer cannot supply enough product to meet the growth in potential demand for whiteboards.

Fig. 1.1 shows an inventory control chart for the first seven months of trade.

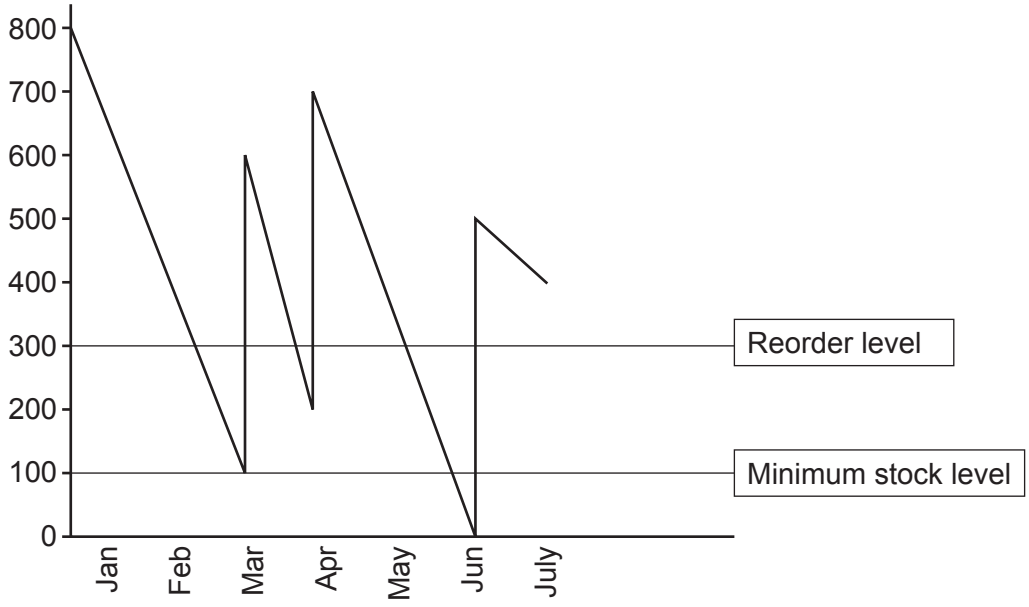


Fig. 1.1 SW Inventory control chart 2023

Lara, a venture capitalist with experience of manufacturing, has approached Samira about making an investment. She would invest $100 000 to build a local mass production facility for SW. The facility would have a maximum output of 50 000 units per month. Lara wants to own 40% of the business.

(a) (i) Identify **one** traditional function of a manager. [1]

(ii) Explain the term *working capital*. [3]

(b) (i) Refer to Fig. 1.1. Calculate the total number of whiteboards sold between January and July. [3]

(ii) Explain **one** cost for SW of holding inventory. [3]

(c) Analyse **two** barriers to entrepreneurship that Samira may have faced when starting up SW. [8]

(d) Evaluate whether Samira should accept Lara's offer to invest venture capital. [12]

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2 Fizzy Drinks (FD)

FD is a private sector business that manufactures an international brand of carbonated drinks. Its slogan was 'A premium drink for premium customers'. The market for FD's drinks is very competitive, with 7 national and 12 international brands all competing in the same market. Recently FD lost the title of market leader to TR, one of its largest competitors. TR is a multinational public limited company.

Two years ago, FD produced primary market research on customer preferences in the carbonated drink market. The report identified that FD still had a great brand name, high brand awareness and customer loyalty.

The cost of raw materials has increased in recent years. To keep profit margins stable, FD reduced the quality of ingredients instead of raising the selling price, and reduced its marketing budget. Ted, Finance Director, used the evidence of high customer loyalty to justify the decision.

The change in ingredients led to FD's products tasting similar to their competitors. Customers left feedback highlighting a 'flavourless drink', and demand fell rapidly. FD's good brand name and customer loyalty was lost. Currently FD is operating at 60% of maximum capacity.

Table 2.1 FD financial data 2023

Total fixed costs ($m)	15
Average variable cost per unit ($)	1
Average selling price per unit ($)	4
Maximum capacity (m)	100

Employee morale has dropped as a result of the negative feedback. Key employees have left to work for FD's competitors. The lack of experienced employees has led to a drop in the productivity of the production process.

(a) (i) Identify **one** objective of a private sector business. [1]

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

(b) (i) Refer to Table 2.1. Calculate FD's margin of safety in 2023. [3]

(ii) Explain **one** intangible attribute of FD's products. [3]

(c) Analyse **two** possible impacts on FD of a fall in productivity. [8]

(d) Evaluate the usefulness to FD of market research methods to inform future marketing decisions. [12]

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