Cambridge International AS & A Level

**Cambridge International Examinations**
Cambridge International Advanced Subsidiary and Advanced Level

**BUSINESS** **9609/23**

Paper 2 (Data Response) **October/November 2016**

MARK SCHEME

Maximum Mark: 60

**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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| Question | | Mark |
|---|---|---|
| 1 (a) (i) | **Define the term 'sole trader' (line 1).**<br><br>**Knowledge** / **Marks**<br>A correct definition / 2<br>A partial, vague or unfocused definition / 1<br>No creditable content / 0<br><br>*Must be distinct from other ownership types*<br><br>**Content**<br>A business in which one person provides the finance and in return has the full control of the business and keeps all the profits.<br>A sole trader has all of the risk/unlimited liability.<br>A sole trader pays income tax.<br><br>**Exemplar** / **Mark** / **Rationale**<br>One owner who has unlimited liability / 2 /<br>One owner who pays income tax on profits / 2 /<br>A single owner who provides all the finance / 1 / Could be a Ltd<br>One owner / 1 / Could be Ltd | 2 |

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| Question | | Mark |
|---|---|---|
| (ii) | **Briefly explain the term 'methods of selection' (line 4).**<br><br>Award one mark for each point of explanation:<br><br>Example or some other way of showing good understanding, e.g. application forms, CVs etc... — 1 mark<br>Explanation of process/practices/ways etc… — 1 mark<br>Understanding that these are ways of choosing, distinguishing between, hiring, suitability of potential employees etc.… — 1 mark<br><br>**Content**<br>Ways in which a business can choose the right employee for a job.<br>Application forms and CVs.<br>Online screening and shortlisting.<br>Interviews.<br>Psychometric testing.<br>Ability and aptitude tests.<br>Personality profiling.<br>Presentations.<br>Group exercises.<br><br>*Allow job description and person specification* | 3 |
| (b) (i) | **Refer to Fig. 1 and other information on lines 10–11. Calculate the forecast revenue for Year 6.**<br><br>**Mark** / **Rationale**<br>2 marks — Correct answer with or without correct working (ignore $ sign)<br>1 mark — Correct formula* **OR** correctly calculated percentage fall<br>0 marks — No creditable content<br><br>**Formula can be implied from use of figures*<br><br>Sales revenue in Year 5 = $25 000<br>Year 6 predicted fall of 20%<br>20% of $25 000 = $5000 (1)<br>$25 000 – $5000 = $20 000 (1) OFR<br><br>Therefore answer = $20 000 (2) | 2 |

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| Question | | Mark |
|---|---|---|
| (ii) | **Explain two ways Amaya might increase the forecast revenue.** | 3 |

| Level | Knowledge and Application | Marks |
|---|---|---|
| 2b (APP +APP) | Explanation of two ways in context | 4 |
| 2a (APP) | Explanation of a way in context | 3 |
| 2 (KK) | Identification of two ways | 2 |
| 1 (K) | Identification of a way | 1 |
| 0 | No creditable content | 0 |

*NB use of the answer to Q1(b)(i) is not required for context, but is an obvious way to contextualise an answer.*
*Correct use of an incorrect answer to 1(b)(i) should be fully rewarded (own figure rule –OFR)*

**Content**

- Develop new subjects to offer so that she can target a larger market
- Offer individual tuition to a larger market, perhaps beyond her home town
- Employ more tutors to allow her to offer more individual tuition in the subjects that she already offers
- Reduce the price (assuming it is price elastic)
- Increase the price (assuming it is price inelastic)
- Promote ES, local newspaper, recommendations, posters etc.
- Increase the distribution outlets, i.e. sell through local schools/colleges

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| Question | | Mark |
|---|---|---|
| (c) | **Analyse one advantage and one disadvantage to Amaya of using web-based sources of market research.** | 8 |

| Level | Knowledge and Application (4 marks) | Marks | Analysis (4 marks) | Marks |
|---|---|---|---|---|
| 2 | Understanding of **one** web-based source of market research | 3–4 | Good analysis of an advantage AND a disadvantage of web-based market research **in context** | 4 |
| | | | Good analysis of an advantage OR a disadvantage of web-based market research **in context** | 3 |
| 1 | Shows knowledge of market research | 1–2 | Limited analysis of an advantage **AND** a disadvantage of market research | 2 |
| | | | Limited analysis of an advantage **OR** a disadvantage of market research | 1 |
| 0 | No creditable content | | | |

**Content**

**Advantages**

- Web-based market research is likely to be quicker than other forms of research which is important because ES needs a speedy response to the falling revenue
- Web-based market research is likely to be cheaper (or free) than other forms of research which is important because ES is a small business
- Web-based market research may be more up-to date than other forms of secondary market research, particularly important because this is a technologically changing marketplace
- Web-based may be more appropriate because it is a web-based product that ES is considering

**Disadvantages**

- Web-based market research may not have the validity of other forms of market research
- Unlike primary (or paid for) market research, web-based may not be specific to what ES needs to know
- Is this information sufficient to base such an important business decision upon, should Amaya back it up with other secondary, or some primary research?

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| Question | | Mark |
|---|---|---|
| (d) | **Recommend whether Amaya should develop a new range of internet courses. Justify your view.** | 11 |

| Knowledge and Application (4 marks) | Marks | Analysis and Evaluation (7 marks) | Marks |
|---|---|---|---|
| | | A justified recommendation based on a balanced argument | 7 |
| | | A recommendation based on a balanced argument | 6 |
| | | A balanced argument **(two-sided)** that evaluates the development of a new range of internet courses | 5 |
| Shows understanding of the proposal in the context of the business | 3–4 | Argument **(one-sided)** based on the development of a new range of internet courses | 3–4 |
| Shows understanding of factors affecting business success | 1–2 | Limited analysis of two or more factors | 2 |
| | | Limited analysis of one factor | 1 |
| No creditable content | | | |

**Content**

**Arguments that Amaya should**

- Online market has less competitors than individual tutoring and therefore ES may find it easier to launch and may be able to dominate the market
- Profit margin for online tutoring courses is 20% higher than individual tutoring services
- 75% of households have internet access which suggests that there may be a market for online tutoring courses (as does the one competitor in the market already)
- The chance to develop ES beyond Amayas home town
- A regular monthly income with few ongoing costs after development of the courses
- Use of the online courses may lead to students choosing to purchase individual tutoring as well

**Arguments that Amaya should not**

- Amaya is likely to face more competition than just the businesses in her home town. There may be national and international competitors.
- The website may represent a large start-up cost, as will the development of the internet courses. Does Amaya have the money, especially with falling revenues?
- Will Amaya have the skills to maintain the website, or will she need to recruit a new employee?
- How secure will the internet courses be – could they easily be hacked/copied/downloaded for free?

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<table>
<tr><th>Question</th><th></th><th>Mark</th></tr>
<tr><td>2 (a) (i)</td><td>Define the term 'capital intensive' (line 3).<br><br>
<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
<br>Content<br>• Using machinery/assets etc.<br>• Difference between capital and labour</td><td>2</td></tr>
<tr><td>(ii)</td><td>Briefly explain the term 'flow production' (line 3).<br><br>Award one mark for each point of explanation:<br>
<table>
<tr><td>Example or some other way of showing good understanding, i.e.</td><td>1 mark</td></tr>
<tr><td>Understanding of ‘production’</td><td>1 mark</td></tr>
<tr><td>Understanding of ‘flow’, i.e. continuous, in a line etc.</td><td>1 mark</td></tr>
</table>
<br>Note: a joint venture is not a merger<br><br>Content<br>making items in a continually moving process, for example on a production line. Jobs are likely to be broken down into small activities and may include a large amount of automation.</td><td>3</td></tr>
</table>

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| Question | | Mark |
|---|---|---|
| (b) (i) | **Refer to Table 2. Calculate the value of X.** | 3 |

| Mark | Rationale |
|---|---|
| 3 marks | Correct answer with or without working (no % sign required) |
| 2 marks | Correct formula* AND correct calculation of CA-inventory |
| 1 mark | Correct formula OR correct calculation of CA-inventory |
| 0 marks | No creditable content |

**The formula can be implied form the correct use of the figures (i.e. $500/$1500)*

Acid test formula:

$$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} \quad (1)$$

Current assets (excluding inventory) = $500 (1)
Current liabilities = $1500

$$\frac{\$500}{\$1500} = 0.33$$

Allow 33% or 33.33%, or 0.3 a third or 0.33:1 for full marks

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| Question | | Mark |
|---|---|---|
| (ii) | **Briefly explain the changes in YP's liquidity position.**<br><br>**Level / Knowledge and Application / Marks**<br>2b (APPAPP) – Explanation of a change in YP's liquidity position – 3<br>2a (APP) – Identification of a change in YP's liquidity position – 2<br>1 (K) – Knowledge of liquidity – 1<br>0 – No creditable content – 0<br><br>*Acid test has decreased from 0.5 to 0.33 – this is the context NOT the explanation of the change – OFR applies to whatever the candidate has calculated in Q2bi*<br><br>**Content**<br><br>• YP may not be able to pay short term debts IF inventory has less value than accounted for<br>• In 2014 YP held $600 000 of inventory but in 2015 it is holding $1m of inventory – this may affect their ability to pay short term debts if the inventory has less value than accounted for<br>• The liquidity position has not changed because the current ratio is still 1:1, so YP has the same ability to meet its short term debts.<br><br>OFR | 3 |

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| Question | | Mark |
|---|---|---|
| (c) | **Analyse two economies of scale from which YP may benefit.** | 8 |

| Level | Knowledge and Application (4 marks) | Marks | Analysis (4 marks) | Marks |
|---|---|---|---|---|
| 2b | Shows understanding of two or more EoS in context | 4 | Good analysis of two or more EoS in context | 4 |
| 2a | Shows understanding of one EoS in context | 3 | Good analysis of one Eos in context | 3 |
| 1b | Shows knowledge of two or more EoS | 2 | Limited analysis of two or more EoS | 2 |
| 1a | Shows knowledge of one EoS | 1 | Limited analysis of one EoS | 1 |
| 0 | No creditable content | | | |

*EoS must be linked to reduction in (unit) costs*

**Content**

**Purchasing economies**

- YP obviously hold a lot of stock and it is reasonable to suggest that they benefit from bulk buying components leading to lower unit costs but may lead to holding obsolete stock.

**Technical economies**

- YP is large enough to benefit from a capital intensive, flow production line (and CAM) so that they can produce at a lower unit cost compared to a business that cannot justify a flow production line
- YP can afford technology to implement mass customisation leading to more variation in products and therefore a wider product range to sell to retailers.

**Financial economies**

- No evidence in case, but it can be assumed that YP may gain some financial economies of scale if they require finance for the new production line. More chance of gaining the finance for this and perhaps a lower interest rate therefore lower costs.

**Marketing economies**

- No evidence in case, but it can be assumed that YP may gain some marketing economies when expanding internationally. This is an industrial market, so any reference to marketing to consumers is unlikely to be in context.

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<table>
<tr><th>Question</th><th></th><th>Mark</th></tr>
<tr><td></td><td>Managerial economies<br>• Examples in the case of specialised Operations, Finance and Marketing managers. Increased efficiency/knowledge in these roles may lead to cost savings and better quality of work.<br><br>External economies</td><td></td></tr>
<tr><td>(d)</td><td>Discuss the advantages and disadvantages to YP of selling phones to the retailer in country A.
<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Overall justified judgement based on a two sided argument in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Overall judgement based on a two sided argument in context</td><td>6</td></tr>
<tr><td></td><td></td><td>Evaluative statement(s) based on a two sided argument in context</td><td>5</td></tr>
<tr><td>Shows understanding of the features of an international market in the context of the business</td><td>3–4</td><td>Argument (one sided) based advantages(s) AND/OR disadvantage(s) in context</td><td>3–4</td></tr>
<tr><td rowspan="2">Shows knowledge an international market</td><td rowspan="2">1–2</td><td>Limited analysis of an advantage AND a disadvantage</td><td>2</td></tr>
<tr><td>Limited analysis of an advantage OR a disadvantage</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td></tr>
</table>
Examiner’s Note: This question is about the possible features of another (international) market and the consequent advantages/disadvantages for YP. Candidates are NOT expected to know about international marketing strategies.</td><td>11</td></tr>
</table>

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| Question | | Mark |
|---|---|---|
| | **Content:**<br><br>**Advantages**<br>• New markets could lead to increased sales and increased profits for YP<br>• The international retailer could allow YP to spread the risk of their current operations. The business may be less susceptible to changes in the domestic market and domestic competitors<br>• May lead to increasing economies of scale lowering unit costs<br>• International retailer is willing to make regular purchases – security of revenue.<br>• Opportunity for future growth.<br><br>**Disadvantages**<br>• YP would have to invest in a new production line which may mean a large capital injection and/or new sources of finance<br>• There may be different legal requirements and standards for phones in international markets – YP may have to change their production methods and their products to be successful in these markets – would the retailer bear some responsibility for this?<br>• Marketing in international markets may be difficult due to social, cultural and communication barriers – YP is in an industrial market so any marketing must be in this context. Although retailer is likely to bear responsibility for this.<br>• YP would be more susceptible to worldwide economic changes.<br>• Faye has no experience of international marketing or dealing with international retailers – will YP have to hire a new international Marketing Manager or face the costs of training Faye. | |

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