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**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.
The businesses described in this paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

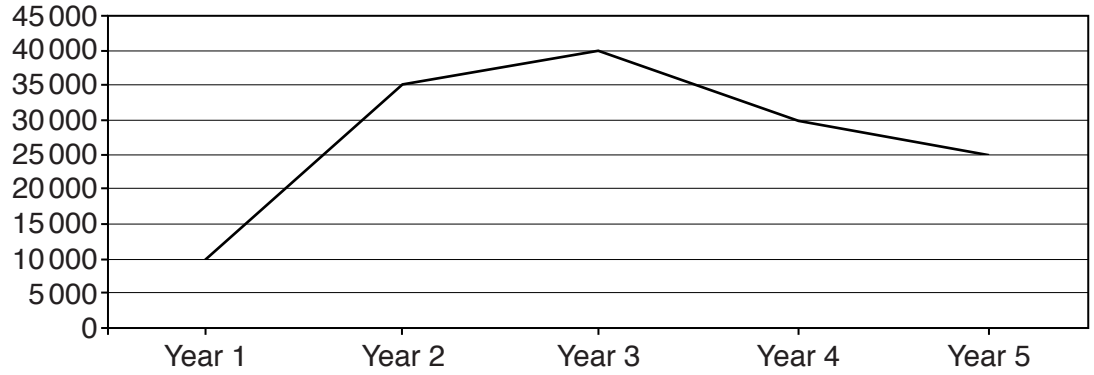
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1 Exam Success (ES)

Amaya is a sole trader who owns and manages ES. Amaya was a teacher for 20 years. She decided to leave teaching and start up ES to offer individual tuition for students in their own homes. For the first year, Amaya was the only worker, tutoring students for Business qualifications. In the second year she used methods of selection to choose two teachers to join her team. This meant that ES was also able to offer individual tuition in Mathematics and Science.

ES has now been trading for five years. Fig. 1 shows the revenue for ES from the first five years of trading.

Fig. 1: Revenue for first five years of trading ($)



Amaya is concerned about the fall in revenue for individual tuition in students' own homes. She has forecasted a fall of 20% in revenue for Year 6.

In response to this, Amaya has done some secondary market research using web-based sources to find out the information shown in Table 1.

Table 1: Market information

Households with a reliable Internet connection	75%
Number of competitors providing tuition in students' homes	6
Number of businesses selling Internet tuition courses	1
Average profit margin for tuition in students' homes	15%
Average profit margin for Internet courses	35%

Based on this market research, Amaya has an idea to develop a new range of Internet courses. Each student would pay a monthly fee to ES to be able to access the courses on a website.

Amaya will need to pay a business to create the website for ES but she believes that, if the Internet courses are successful, they could be sold across the whole country.

(a) (i) Define the term 'sole trader' (line 1). [2]

(ii) Briefly explain the term 'methods of selection' (line 4). [3]

(b) (i) Refer to Fig. 1 and information on lines 10–11. Calculate the forecast revenue for Year 6. [2]

(ii) Explain **two** ways Amaya might increase the forecast revenue. [4]

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

(d) Recommend whether Amaya should develop a new range of Internet courses. Justify your view. [11]

2 Yondis Phones (YP)

YP is a public limited company that manufactures mobile (cell) phones. YP's phones are sold to large retailers who then brand them as their own products.

YP uses a capital intensive flow production process. Computer aided manufacturing (CAM) and mass customisation allow YP to produce different designs of phone on the same production line.

YP's managers have differing opinions about the recent success of the company. The Operations Director, Khan, is pleased with the economies of scale from which YP benefits. However Jay, the Finance Director, is worried about the liquidity position.

Table 2: Liquidity indicators

	2014	2015
Current assets including inventory ($000s)	1200	1500
Current assets excluding inventory ($000s)	600	500
Current liabilities ($000s)	1200	1500
Current ratio	1.0	1.0
Acid test ratio	0.5	**X**

YP has only sold phones to national retailers, but an opportunity has arisen to sell into another market, country A. A large retailer from country A would like to make regular purchases from YP. Khan knows that YP can increase production to meet this demand by introducing a new production line. However YP would also need to gain more international business to make this new production line profitable.

Faye, the Marketing Director, has no experience of international markets and is concerned about the differences between marketing to national retailers compared to retailers in other countries.

(a) (i) Define the term 'capital intensive' (line 3). [2]

(ii) Briefly explain the term 'flow production' (line 3). [3]

(b) (i) Refer to Table 2. Calculate the value of X. [3]

(ii) Briefly explain the changes in YP's liquidity position. [3]

(c) Analyse **two** economies of scale from which YP may benefit. [8]

(d) Discuss the advantages and disadvantages to YP of selling phones to the retailer in country A. [11]

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