Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/21**

Paper 2 Data Response **October/November 2017**

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.

This document consists of **3** printed pages, **1** blank page and **1** Insert.

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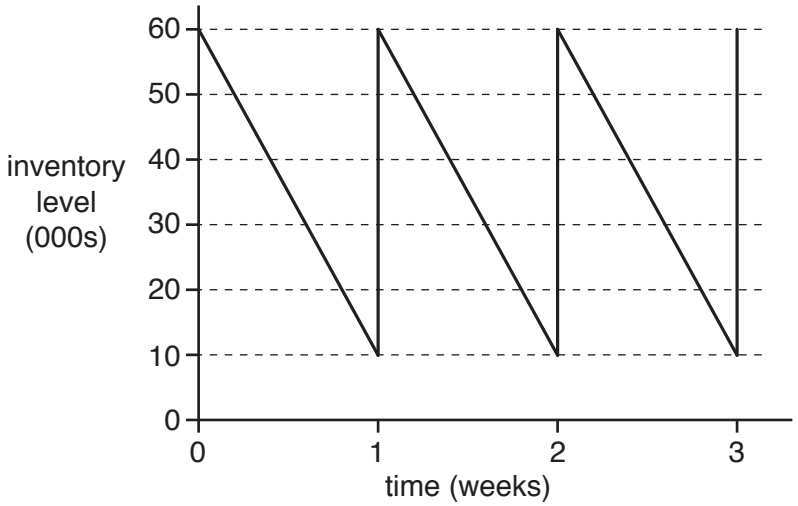
CAMBRIDGE International Examinations

1 Rugged Back Packs (RBP)

RBP is a manufacturing business that specialises in producing travel bags and backpacks. The products are sold by many different retailers. The brand of RBP has become well known for quality and reliability.

Each retailer requires a fast response to orders for more inventory from RBP. RBP holds high levels of inventories to enable it to respond to orders from retailers within 48 hours (see Fig. 1). The inventory is kept in a secure warehouse next to the factory.

Fig. 1: Inventory control chart



RBP employs around 100 employees in the factory. Most of the employees are skilled operators of the machinery used to make the bags. The factory manager was dismissed last month because productivity levels had fallen and the factory was not achieving RBP's production targets. This manager had many disagreements with the employees and most of the workforce is demotivated, with high levels of absenteeism and labour turnover.

RBP's factory is now managed by Maya. Maya is a very experienced manager and she was described by her previous employer as having a high level of emotional intelligence.

(a) (i) Define the term 'brand' (line 2). [2]

(ii) Briefly explain the term 'labour turnover' (lines 11–12). [3]

(b) (i) Refer to Fig. 1. Identify the size of:

- maximum inventory level
- buffer inventory level
- re-order quantity. [3]

(ii) Explain **one** possible use of an inventory control chart to RBP. [3]

(c) Analyse **two** disadvantages to RBP of holding a high level of inventory. [8]

(d) Evaluate the importance to RBP of Maya having a high level of emotional intelligence. [11]

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2 Car Wash (CW)

CW is a national chain of car wash businesses. Each car wash is a franchise of CW and is owned and managed by an entrepreneur who is local to the area where the car wash is based. As well as washing cars, each CW franchise offers customers the opportunity to have the interiors of their cars cleaned for an additional payment.

Every entrepreneur who wants to set up a CW franchise must present a plan to CW for the business, including market research information. An entrepreneur called Palesh has recently submitted a proposal for a new franchise in a town that does not currently have a CW car wash.

Palesh selected a sample of people on the main street in the town to carry out his market research. He asked them about how often they would use the car wash service and how much they would be willing to pay.

Based on his market research, Palesh has forecast the cash flow for the first two months of trading (see Table 1). Palesh will have an opening balance of $10 000 at the start of Month 1.

Table 1: Cash flow forecast

	Month 1 ($)	Month 2 ($)
Cash inflow	20 000	20 000
Cash outflow	25 000	10 000

CW car washes are labour intensive businesses. Employees work outside and they often get very wet from the water used. Each car is washed by two employees, one for the wheels and one for the rest of the car. A third employee is responsible for cleaning the interior of the car if this is required by the customer.

Palesh plans to employ 12 employees to work in shifts at the car wash. The opening hours will be 06:00 until 22:00, seven days a week. Palesh is aware that he will need to keep costs low, so he will pay each employee a low hourly wage. However, he is also aware that this may lead to human resource problems.

(a) (i) Define the term ‘franchise’ (line 1). [2]

(ii) Briefly explain the term ‘entrepreneur’ (line 2). [3]

(b) (i) Refer to Table 1 and any other relevant information. Calculate the forecast closing balance at the end of Month 2. [3]

(ii) Explain **one** benefit for Palesh of producing a cash flow forecast. [3]

(c) Analyse **one** advantage and **one** disadvantage to Palesh of **how** he carried out his market research. [8]

(d) Recommend how Palesh could motivate his employees. [11]

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