Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

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

1 hour 30 minutes

No Additional Materials are required.



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 Jones Sticky Labels (JS)

JS is a private limited company that produces sticky labels for the industrial market. JS was set up by Lucy Jones 15 years ago. The market for sticky labels is very specialised and there are no competitors within the home country because of low demand. However, the majority of JS's customers are in other countries and the international market is much more competitive.

JS owns one factory where all the sticky labels are manufactured. The business employs 300 workers on eight production lines. The sticky labels are designed using Computer Aided Design (CAD) and manufactured using batch production. When a customer wants sticky labels, JS will create a new design, send the design to the customer for approval and then order the materials required for production. Each design of sticky label is unique and will take different amounts of time and effort to produce. The typical lead time is four weeks.

One of JS's customers is a supermarket chain which puts sticky labels on many of its products. These range from promotional sticky labels that are put on products that need to be sold quickly through to small sticky labels that are put on fruit to identify their variety.

JS has recently received an order from the supermarket chain for 50 000 sticky labels at a total price of $2750. The costs of producing these labels is shown in Table 1.

Table 1: Cost data ($)

Variable Costs:	
Cost of materials (per 1000 sticky labels)	5
Cost of labour (per 1000 sticky labels)	15
Fixed Costs:	
Administration cost	500
Other allocated fixed costs	1000

The employees at JS are currently paid an hourly wage. Many employees object to this payment method because some jobs have worse working conditions than others and those who put more effort into their work are not rewarded. The employees have threatened to take action if a more suitable payment method is not introduced.

(a) (i) Define the term 'industrial market' (line 1). [2]

(ii) Briefly explain the term 'lead time' (line 11). [3]

(b) (i) Refer to Table 1 and lines 16–17. Calculate the profit that JS would make on the supermarket order. [3]

(ii) Explain **one** possible problem of allocating fixed costs for JS. [3]

(c) Analyse **two** advantages to JS of using Computer Aided Design. [8]

(d) Evaluate suitable payment methods for the employees at JS. [11]

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2 Perfik Plumbing (PP)

PP is a plumbing business owned and managed by Navpreet. She set up PP as a sole trader three years ago when she qualified as a plumber.

The majority of Navpreet's work is repairing and fitting water pipes in customers' homes. However, there is also a growing market for fitting new appliances, such as washing machines and dishwashers, in customers' homes.

Navpreet is the only female plumber in her town. This is her Unique Selling Point (USP). Her business has been reasonably successful. Navpreet has relied on recommendations from satisfied customers to promote her business. However, if PP is to grow in the future Navpreet will need to use new promotional methods.

In the past, Navpreet has used a cost-based pricing strategy, but she believes she may have been setting her prices too low. Navpreet did a survey of her customers to find out how much they would be willing to pay per hour of labour (see Table 2).

Table 2: Survey data

Price per hour ($)	Number of customers
24	10
30	8
36	7

Navpreet has expanded PP through internal growth and now there is an opportunity to open a small shop on the main street of her home town. The shop would allow Navpreet to expand her product portfolio by selling electrical goods, such as washing machines.

Navpreet is considering taking out a mortgage on her home to provide the finance she needs to expand PP.

(a) (i) Define the term 'Unique Selling Point (USP)' (line 6). [2]

(ii) Briefly explain the term 'internal growth' (line 18). [3]

(b) (i) Refer to Table 2. Calculate the price elasticity of demand if Navpreet changes her price from $24 to $30 per hour. [3]

(ii) Explain **one** way in which PP could make use of price elasticity of demand calculations. [3]

(c) Analyse **one** advantage and **one** disadvantage to Navpreet of taking out a mortgage on her own home to finance PP's expansion. [8]

(d) Evaluate promotional methods that PP could use to grow in the future. [11]

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