Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/21**

Paper 2 Data Response **October/November 2018**

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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CAMBRIDGE International Examinations

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1 Swimming Pools (SP)

SP is a public sector organisation. SP operates many swimming pools across country X. The main objective for SP is to provide a quality service to the local community. Each swimming pool is used by consumers from different market segments (see Table 1).

Table 1: SP's market segments

Market segment	Time when pool is used by this segment
Schools which rent the pool for swimming lessons	Daytime
Children for fun swimming	Weekends
Adults for fitness swimming	Evenings

SP currently uses price discrimination. Most of the swimming pools have a steady demand throughout each week.

One of SP's swimming pools, The Lido, is currently making a loss. Table 2 shows the income statement for The Lido for the last 12 months.

Table 2: Extract from The Lido's income statement ($000s)

Revenue	280
Cost of sales	210
Gross Profit	70
SP Head Office allocated costs*	40
Overhead expenses	60
Profit/(loss) for the year	(30)

*Each of SP's swimming pools must pay for some of the Head Office costs

The Lido is based in an area with many schools that are under the control of the government. Unemployment in the area is high. The manager has reduced the price for customers who are under 18 years old or do not have a job.

(a) (i) Define the term 'market segment' (line 3). [2]

(ii) Briefly explain the term 'public sector organisation' (line 1). [3]

(b) (i) Calculate the gross profit margin (%) for The Lido. [3]

(ii) Explain how **one** stakeholder of SP might be affected by The Lido making a loss. [3]

(c) Analyse **one** advantage and **one** disadvantage to SP of using price discrimination. [8]

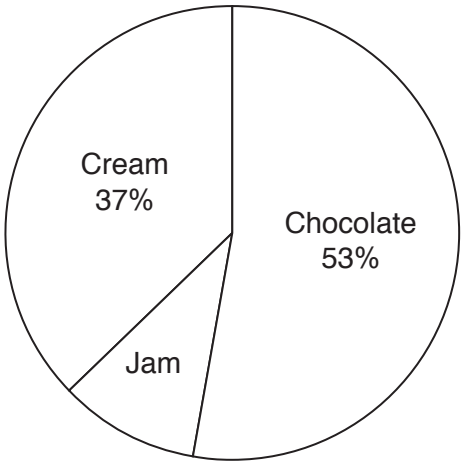
(d) Recommend whether SP should close The Lido. Justify your answer. [11]

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2 Katie's Cakes (KC)

KC is a partnership, owned by Katie and her son James. KC makes birthday cakes. Each cake is made using job production. A customer will tell KC what filling they want and how to decorate the cake. There are three possible fillings for each cake. The proportion of annual revenue made from cakes with each filling is shown in Fig. 1.

Fig. 1: Proportion of revenue generated from each cake filling – Annual revenue = $1m



Katie and James are considering stopping selling cakes with a jam filling. However they are concerned about reducing the product portfolio of the business.

Katie is highly skilled and she does all of the cake production and decoration. James manages contact with customers and the business's finances. Demand has increased steadily in the past few months and KC now needs to recruit a new employee.

James has created a job description to help the recruitment process (see Fig. 2).

Fig. 2: Job description

Job title: Assistant cake decorator The role requires someone who knows how to produce and decorate cakes. The employee should be young and have a driving licence. They should also be creative. The employee will be required to work from 8am to 6pm each day. Full training will be given. The rate of pay will be based on the level of experience of the employee.

(a) (i) Define the term 'demand' (line 9). [2]

(ii) Briefly explain the term 'partnership' (line 1). [3]

(b) (i) Calculate the revenue earned from cakes with a jam filling. [3]

(ii) Explain **one** possible impact on KC of reducing the product portfolio of the business. [3]

(c) Analyse **one** advantage and **one** disadvantage to KC of using job production. [8]

(d) Evaluate the job description created by James. [11]

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