Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

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

1 hour 30 minutes

No Additional Materials are required.

0838262151

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

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1 Clothing Line (CL)

Thamir is an entrepreneur who built up an international retail business. He is now a multi-millionaire who provides venture capital.

Thamir is currently deciding whether to purchase 50% of the shares in Clothing Line (CL) which is a private limited company. CL is an online clothing retailer which has been operating for five years. The owners cannot finance further internal growth and have invited Thamir to invest in the business.

CL purchases clothing from a number of suppliers. CL places orders for items of clothing each month. The clothes are then delivered to a large warehouse where employees sort and package individual items ready for sending to customers when they are ordered.

CL has published its latest accounts and Thamir has obtained a copy of them. A summary is shown in Fig. 1.

Fig 1: Summary of CL's published accounts on 31 December 2017 ($000s)

Income statement	
Revenue	500
Gross profit	150
Profit for the year	50

Statement of financial position	
Non-current assets	760
Current assets	200
Current liabilities	40
Non-current liabilities	500
Equity and reserves	420

CL has a very popular website where customers order their clothes. Products that are ordered by 18:00 each day are guaranteed to be delivered to customers the next day. This means that CL must hold high levels of buffer inventory.

Thamir is concerned that the business is holding too much inventory which may lose value over time. He has told the current owners of CL that he will only invest in the company if they introduce a just-in-time (JIT) system of inventory management.

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

(ii) Briefly explain the term 'internal growth' (line 5). [3]

(b) (i) Refer to Fig. 1. Calculate the current ratio as at 31 December 2017. [2]

(ii) Analyse **two** limitations to Thamir of using published accounts to decide whether to invest in CL. [8]

(c) Explain **two** qualities that Thamir is likely to need as a successful entrepreneur. [4]

(d) Discuss which stakeholders of CL are likely to be most affected by the introduction of just-in-time (JIT) inventory management. [11]

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2 Wet Water (WW)

WW is a new business set up by Puja. WW will operate in the primary sector. It will take water from a local lake and process it into drinking water. The details of the product and market are outlined in Fig. 2.

Fig. 2: Product and market details for WW

WW product details

- water will only be sold in country X
- it will be sold in bottles targeted at a niche market of consumers who purchase bottled water **and** regularly take part in sport
- no harmful chemicals will be used in the production process
- flow production will be used
- bottles will be distributed through wholesalers to retailers

Market details for country X

- the population is 60 million
- 80% of the population purchase bottles of water
- 15% of the people who purchase bottles of water regularly take part in sport
- 15 brands of bottled water are already sold using mass marketing
- no brands of water sold in country X currently target consumers who regularly take part in sport

Puja needs to decide on suitable promotion methods for the launch of WW's bottled water.

She must also recruit a sales manager. She has designed a brief person specification (Fig. 3).

Fig. 3: Person specification for the role of sales manager

- must have the confidence to negotiate with retail business customers
- must be able to work on his/her own and lead a team of salespeople
- must be willing to develop his/her skills
- must have good time-management
- must be a good communicator

(a) (i) Define the term 'primary sector' (line 1). [2]

(ii) Briefly explain the term 'flow production' (line 10). [3]

(b) (i) Refer to Fig. 2. Calculate the market size of WW's target market. [4]

(ii) Explain **one** benefit to WW of targeting a niche market. [2]

(c) Analyse how having **two** of Goleman's emotional intelligence competencies could help the person selected fulfil the role of sales manager. [8]

(d) Recommend suitable promotional methods for the launch of WW bottled water. Justify your recommendation. [11]

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