Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

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.

This document consists of **4** printed pages and **1** Insert.

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CAMBRIDGE International Examinations

1 Ontime Taxis (OT)

OT is a taxi business. OT is owned by two brothers who set up the business as a private limited company to benefit from limited liability. The majority of OT's customers are people travelling to and from the local airport. OT uses a competitive pricing strategy, charging customers $0.50 per kilometre travelled.

OT has completed some market research to try and identify new market segments that the business could sell to (See Table 1).

Table 1: Market research data on potential market segments

Market segment	Characteristics
Shoppers travelling to and from the main shops	• average journeys less than 3 kilometres • travelling between 09:00–17:00 • no brand loyalty • pick up customers on street
Business people travelling to and from the train station	• average journey 5 kilometres • travelling between 06:00–08:00 and 17:00–19:00 • high brand loyalty • customers will telephone to book a taxi in advance
People travelling to and from restaurants and theatres	• average journey more than 5 kilometres • travelling between 19:00–02:00 • some brand loyalty • pick up most customers on street. Some customers will book in advance

OT owns four taxis. To be able to target a new market segment the business will need another vehicle. This would increase the number of journeys the business can make. OT has identified three possible options for the new taxi. Table 2 contains data about the three options.

Table 2: Data for the new vehicle

	Vehicle X	Vehicle Y	Vehicle Z
Variable costs (per kilometre)	$0.25	$0.20	$0.30
Fixed costs (per month)	$500	$660	$380
Break even (number of kilometres each month)	2000	2200	**X**

OT does not currently have the $30 000 needed to purchase the new vehicle outright. It will need to use external sources of finance.

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

(ii) Briefly explain the term 'competitive pricing strategy' (line 3). [3]

(b) (i) Using Table 2 and any other relevant information, calculate the break even number of kilometres each month for vehicle Z. [3]

(ii) Explain **one** reason why break even analysis might **not** be useful to OT when choosing the new vehicle. [3]

(c) Analyse **two** external sources of finance OT could use for the new taxi. [8]

(d) Using Table 1 and any other relevant information, recommend the market segment OT should target. Justify your recommendation. [11]

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[Turn over

2 Fish and Chips (FC)

Min is a sole trader who is the owner and overall manager of FC. Min started the business as a restaurant but FC has grown so that it now operates in the primary, secondary and tertiary sectors. Min sees this as FC's unique selling point (USP). Min allocates costs and revenues to each section of the business. She then calculates the profit margin for each section (see Table 3). *5*

Table 3: Overview of FC

Sector	Activity	Employees	Annual revenue ($000s)	Profit margin
Primary	Catching fish using FC's own boat	1 captain 2 fishermen	50	2%
Secondary	Cooking fish in FC's own kitchen	1 head chef 2 assistant chefs	70	1%
Tertiary	Serve the cooked fish with chips and vegetables in FC's own restaurant	1 restaurant supervisor 3 servers 1 cleaner	200	15%

10

15

Min considers herself to be an excellent manager, having studied business at university. She manages her employees using Herzberg's motivation theory.

Min has had an objective of growth but she is now happy with the size of FC. She intends to change the objective to profit maximisation. *20*

(a) (i) Define the term 'unique selling point (USP)' (line 3). [2]

(ii) Briefly explain 'Herzberg's motivation theory' (line 18). [3]

(b) (i) Using Table 3, calculate the total annual profit for FC. [3]

(ii) Explain **one** problem that Min might have in allocating costs. [3]

(c) Analyse **two** appropriate ways that could be used to measure the size of FC. [8]

(d) Evaluate which stakeholders might be most affected by the change in FC's business objective from growth to profit maximisation. [11]

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