Cambridge International AS & A Level

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BUSINESS **9609/22**

Paper 2 Data Response **October/November 2019**

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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1 Quality Fencing (QF)

QF is owned by Seojun. Seojun is a sole trader who repairs and builds wooden fences. Most of his customers own houses with gardens in city X.

Seojun is an entrepreneur who has an aim to be rich. He set up QF two years ago to fulfil his aim and he set himself the following objectives:

- to make $1m profit within 5 years
- to have a 20% market share in city X within 5 years.

Seojun has made some progress towards his objectives (see Table 1.1).

Table 1.1: Financial and market share data for QF

	Year 1	Year 2	Year 3 (forecast)
Total revenue	$120 000	$240 000	$480 000
Direct costs	$70 000	$110 000	$150 000
Indirect costs	$20 000	$40 000	$80 000
Market share in city X	2%	4%	8%

Seojun's target market is house owners with medium to large gardens. Most houses in city X have a garden. Promotion is important to Seojun, because the market for fence building and repairs is very competitive in city X. Most customers book QF's services by telephone, but there is a growing need for online bookings.

The business is forecast to continue to grow. Seojun has decided to employ two new workers. He has written a job description (see Table 1.2).

Table 1.2: Job description

Job title: Fence builder
Required: As soon as possible
Salary: Based on age
Qualifications: A-Levels are desirable but not essential

A workman is required to build and repair fences for a growing local business called QF. Full training will be provided. Experience of building and repairing fences is essential. Must be fully physically fit and under the age of 25.

(a) (i) Define the term 'training' (line 27). [2]

(ii) Explain the term 'entrepreneur' (line 3). [3]

(b) (i) Refer to Table 1.1. Calculate the percentage change in profit from Year 1 to Year 2. [4]

(ii) Explain **one** difficulty in measuring the market share of QF. [2]

(c) Analyse **two** problems with the job description created by Seojun in Table 1.2. [8]

(d) Recommend suitable promotion methods which would help Seojun to achieve his objectives. [11]

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2 Candy Planet (CP)

CP is a public limited company which sells candy (sweets) to its national market and international markets. CP has benefitted from internal growth over the past eight years and has a good working capital position.

The total market sizes are shown in Table 2.1.

Table 2.1: Market data for candy

	2017	2018
National market	$550m	$550m
International market	$60bn	$61.5bn

CP is a capital intensive business but it does employ 40 workers to operate and maintain the machines. These employees have part-time contracts. The candy is made using flow production. Each variety of candy is made on a separate production line. Some of the machinery is over 25 years old. CP has 20 separate production lines in its factory and there are diseconomies of scale.

The Operations Director of CP has proposed that the company changes from having many production lines to a single production line using process innovation. The business has carried out research into new machinery that would allow for mass customisation and an increase in the number of products produced each month. This would mean CP could have just one production line which would make every type of candy which CP sells. CP could also increase its product portfolio.

The new machinery would cost $75m and its installation would require CP to stop production for six months. Most of the current workforce would face redundancy. The Finance Director has concerns about how CP could finance this new machinery. CP does not have any retained earnings which it could use and the business has already been told that a bank loan is not possible.

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

(ii) Explain the term 'capital intensive' (line 9). [3]

(b) (i) Refer to Table 2.1. Calculate the percentage market growth in the international market for candy. [2]

(ii) Explain **two** ways in which CP's marketing may differ between its national market and international markets. [4]

(c) Analyse **one** internal source of finance and **one** external source of finance which CP could use for the new machinery. [8]

(d) Evaluate the likely benefits for CP of the proposed process innovation. [11]

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