Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

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 Better Bicycles Ltd (BB)

BB is a family-owned small business. The firm manufactures bicycles which are supplied to independent retailers. Recently, Lia, the Sales Director, has reported a 20% fall in monthly sales. She has asked the other directors for ideas to increase revenue. The Managing Director, Moneeb, has suggested that BB should open its own retail shop. Moneeb believes that BB has poor inventory management. BB currently uses buffer inventory control methods. There has been a build-up of inventory that is using warehouse space that could be converted to a shop at a cost of $180 000. He estimates additional yearly costs of operating the shop of $40 000. Moneeb has provided the following information in Table 1.1.

Table 1.1: Financial data for selling bicycles through BB's proposed shop

Unit price	Cost of sales per unit	Forecast additional annual sales
$300	$120	1250 units

John, the Operations Manager, thinks it would be a mistake to open a shop as they have no experience in the retail sector. He thinks that sales could be increased through the existing channel of distribution. John believes that the salaried staff in the sales department are not motivated to find new independent bicycle retailers, as they rely on customers who have bought from BB for many years.

Lia thinks that BB should produce a new design of foldable bicycle which would be lightweight and portable. Secondary research shows that this is a growth market with customers prepared to pay a premium price for a well-designed foldable bicycle. Lia estimates that an investment of $225 000 would be required but the gross profit margin is forecast at 50% with additional annual revenue of $500 000.

Moneeb and Lia have been asked to present their proposals for increasing BB's revenue to the other directors, who will then make a decision.

(a) (i) Define the term 'secondary research' (line 20). [2]

(ii) Explain the 'buffer inventory control method' of managing inventory (lines 5–6). [3]

(b) (i) Refer to Table 1.1. Calculate the forecast gross profit margin on the retail sale of bicycles. [3]

(ii) Explain **one** function of John's role as an operations manager. [3]

(c) Analyse **two** methods which could be used to improve the motivation of BB's sales staff. [8]

(d) Recommend which proposal for increasing revenue the Directors of BB should choose. Justify your recommendation. [11]

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2 U-LEARN (UL)

Nadia graduated, last year, with a degree in business management. Nadia is friendly and creative with lots of ideas. Whilst at university, she set up her own business providing online tutoring services. Her friend, Emma, helped Nadia with the accounts and planning of tasks. The business is so successful that Nadia has decided to expand the business and operate it as a social enterprise. As a sole trader she is aware of the need to raise finance for her business and intends to mainly use crowd funding. She estimates that expansion costs will be $50 000. Nadia carried out some primary research by sending a questionnaire to 1000 A Level students. She used the results to prepare the following forecasts to support her appeal for crowd funding. See Tables 2.1 and 2.2.

Table 2.1: Forecast sales 2020

Tutoring Package	Price ($)	Quantity of sales
Single session	25	225
Short course	200	175
Full course	275	125

Table 2.2: Forecast costs 2020 ($000)

Total direct costs	30
Total indirect costs	15

Nadia keeps costs low by employing first year university students as tutors. She pays each tutor $10 an hour. Tutors work from their own homes. Other employees include Ali, an information technology specialist, and Sorrel, a marketing expert. Ali and Sorrel are both part-time employees as Nadia cannot afford to employ full-time specialists. As this is an Internet-based business, Nadia expects Sorrel to carry out an Internet-based marketing campaign. Ali provides technical support.

Nadia feels that she is good at listening to employees and has an understanding of their concerns. She wants to inspire her young employees to feel a part of the business. However, she is concerned that the management functions she has to perform might be too much for one person. She also thinks that her laissez-faire leadership style may not be appropriate for this type of business.

At university, she often worked in a group with Emma. She noticed that Emma is good at organising tasks and directing others. Emma would take charge of the group and make all the decisions. Nadia would like to work with Emma but Emma does not want to be just an employee.

(a) (i) Define the term 'social enterprise' (line 5). [2]

(ii) Explain the term 'crowd funding' (line 6). [3]

(b) (i) Refer to Tables 2.1 and 2.2. Calculate the forecast profit for 2020. [3]

(ii) Explain **one** way in which Nadia can use the Internet for her marketing campaign. [3]

(c) Analyse **two** ways in which emotional intelligence may help Nadia be an effective leader. [8]

(d) Evaluate whether Nadia should form a business partnership with Emma. [11]

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