Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/23**

Paper 2 Data Response **October/November 2020**

1 hour 30 minutes

5191142368

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Blank pages are indicated.

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1 Aashna's Pies (AP)

AP produces and sells high quality pies. Aashna set up AP five years ago when she spotted a gap in the market. AP is a private limited company and Aashna is the majority shareholder. All of the pies use the AP branding which is growing in popularity.

AP owns a factory where all the pies are produced. Pies are packaged and sold individually. The range of pies produced by AP is shown in Table 1.1.

Table 1.1: AP's product portfolio

Name of pie	Filling	Price per pie	Annual change in sales quantity (2018 to 2019)	Stage on the product life cycle
Meaty Marvel	Chicken and lamb	$2.80	+3%	Maturity
Vegetarian Victory	Broccoli, cheese and carrot	$2.50	–10%	Decline
Fishy Fortunes	Cod, prawns and cheese	$3.00	+20%	Growth

The pastry case of each pie is exactly the same no matter what filling is used. All of AP's pastry is made using flow production. However each filling is made by specialist workers who use batch production.

Aashna is concerned about the sales of Vegetarian Victory pies and she is considering stopping production of this pie. However, the Operations Director has pointed out that AP might lose its economies of scale if the business reduces the total number of pies produced.

The Marketing Director would like Aashna to read his report about developing products in the future. He has done some market research (see Fig. 1.1).

- The price elasticity of demand for AP's pies is price inelastic
- Some consumers are worried about possible health risks of eating too much meat
- The average family eats three pies per meal and chooses pies for a meal once every two weeks
- The pies have a short 'best before' date – they must be eaten within two days of purchase
- The average family has one member who does not eat meat.

Fig. 1.1: Market research to aid developing products in the future

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

(ii) Explain what is meant by the term 'flow production' (line 16). [3]

(b) (i) The total quantity of sales for Vegetarian Victory pies in 2018 was 5000 pies.

Refer to Table 1.1. Calculate the total revenue gained from Vegetarian Victory pies in 2019. [3]

(ii) Explain **one** way in which AP could use product portfolio analysis. [3]

(c) Analyse **two** economies of scale that AP might lose if the business reduces the total number of pies produced. [8]

(d) Recommend how AP could develop its products in the future. Justify your recommendation. [11]

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2 Braid Runner (BR)

Lewis is a hairdresser. He rents a small shop which he uses as a hairdressers called Braid Runner (BR). Lewis is a sole trader and he set up BR 25 years ago.

BR is the smallest of all the hairdressers in city Y. Lewis works on his own. He has repeat customers who have been using BR for many years. However, there are many large franchises in city Y which offer a much cheaper haircut than BR.

Lewis is considering increasing the price of a haircut and he has outlined the costs and revenue of the business in Table 2.1.

Table 2.1: Costs and revenue of BR

Variable costs per customer	$3.50
Fixed costs per week	$675
Price	$8

Lewis would like to employ another hairdresser so that he can work fewer hours in BR. The new employee would have to be able to work in BR on their own. They would be responsible for taking bookings, dealing with customers and some financial transactions. Lewis has drawn up a person specification (see Fig. 2.1) that will be placed on a job website.

Characteristic	Essential	Desirable
Qualifications	• Hairdressing qualification	• A-Levels or high school standards in Mathematics and Business
Physical	• Must be between 18 and 30 years old	• Female
Experience	• None required	• Experience of dealing with customers/consumers • Experience of working alone
Personal qualities	• Able to work in a team • Good communication	• Friendly

Fig. 2.1: Person specification created by Lewis

(a) (i) Define the term 'price' (line 6). [2]

(ii) Explain the term 'franchises' (line 5). [3]

(b) (i) Refer to Table 2.1. Calculate the break-even quantity of haircuts in a week. [3]

(ii) Explain **one** possible limitation for Lewis of using break-even analysis. [3]

(c) Analyse **one** advantage and **one** disadvantage for Lewis of operating as a small business. [8]

(d) Refer to Fig 2.1 and any other relevant information. Evaluate the usefulness of the person specification when recruiting another hairdresser. [11]

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