Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Data Response **October/November 2021**

1 hour 30 minutes

8958684254

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. Any blank pages are indicated.

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1 Quality Furniture (QF)

QF is a public limited company in country S. It manufactures furniture for cafés. The number of cafés in country S has increased by more than 50% over the last 5 years. This has meant that QF has been able to expand and achieve internal economies of scale. However, the growth of the café market has attracted new firms supplying café furniture and increased competition for QF.

An extract from QF's income statement is shown in Table 1.1.

Table 1.1: Extract from QF's income statement for 2020

	$m
Revenue	300
Cost of sales	120
Gross profit	180
Expenses	150

Although QF has been successful so far, Javid, the Managing Director, has identified two problem areas: inventory and human resources.

Inventory

QF's inventory includes raw materials, work in progress and finished tables and chairs. QF buys 80% of its materials from country T and there is a long delivery lead time. This means that QF holds a high level of buffer inventory which has a high value.

Human resources

QF's production employees are unhappy that they have not received any benefit from the company's expansion. Profit has doubled over the past three years but employees have not received any pay increases or bonuses. The employees have all been trained by QF and have specialist skills which had ensured that customer expectations were met. However, customers are starting to complain about a fall in the quality of the furniture, which could be the result of the low morale of the employees. Some highly trained employees have left QF to work for competitor firms.

(a) (i) Define the term 'buffer inventory' (line 18). [2]

(ii) Explain the term 'internal economies of scale' (line 3). [3]

(b) (i) Calculate QF's profit margin for 2020. [2]

(ii) Explain **two** ways QF could increase its profit margin. [4]

(c) Analyse **two** disadvantages to QF of holding a high level of inventory. [8]

(d) Recommend how QF's management could improve the morale of its production employees. Justify your recommendation. [11]

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2 Tin Mines (TM)

TM is a private limited company in the primary sector. Tin is found underground and is extracted by mining. TM operates seven mines in country C. There are several job roles at each mine including skilled engineers, managers and miners.

TM has recently discovered a new source of tin in a remote area of country C. TM has permission to develop a tin mine but will have to construct transport links. It will need new buildings such as offices, warehouses and employee housing. The Human Resources Director is developing a workforce plan to recruit miners and managers for the new mine.

TM's Financial Director has produced a cash flow forecast for the new mine for the next five years. This is shown in Table 2.1.

Table 2.1: Cash flow forecast for the new mine ($m)

Year	2022	2023	2024	2025	2026
Opening balance	**X**	–80	–95	–85	5
Sales	0	0	25	105	**Y**
Development costs	60	15	0	0	0
Operating costs	0	0	15	15	15
Closing balance	–80	–95	–85	5	240

The remote area of country C where the new tin mine will be located has a high level of unemployment and average incomes are low. TM intends to recruit employees from the local area and buy resources from local suppliers, if they are available. The market for tin is likely to be affected by increased demand for electric vehicles. The batteries in electric vehicles contain tin. The government of country C believes that the tin mine will be of great benefit to both the local community and national economy. However, tin mining can result in pollution of local water supplies.

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

(ii) Explain the term 'market' (line 19). [3]

(b) Using the information in Table 2.1, calculate the value of the:

(i) opening balance (X) for 2022. [2]

(ii) sales (Y) for 2026. [2]

(c) Explain **one** use of the cash flow forecast for TM. [2]

(d) Analyse **two** methods of recruitment that TM's Human Resources Director can use to recruit employees for the new mine. [8]

(e) Evaluate possible conflicts between the aims of **two** of TM's stakeholders. [11]

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