Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Data Response **October/November 2022**

1 hour 30 minutes

0820163795

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.

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1 Friendly Fit (FF)

FF is a public limited company that owns a popular social media and fitness app. The app was launched five years ago and now has over three million users worldwide. The app allows users to upload and share pictures and short films of their favourite exercises. There are many other features which have been developed as the app has gained popularity.

The app can be downloaded for free and users can access basic features without paying any money. However, to access all the features of the app, customers must pay a monthly fee of $10.

FF also receives income from advertising revenue. Table 1.1 shows cost and revenue data for the app for the last two years.

Table 1.1: FF's costs and revenue for the app for 2021 and 2020

	2021 ($m)	2020 ($m)
Revenue from monthly fees	1.6	1.4
Revenue from advertising	1.4	1.8
Total costs	2.0	2.0

Every month, FF carries out a survey of a sample of users to research new features which may be added to the app. The sampling process is outlined in Fig. 1.1.

> A stratified sample based on age. Those who respond are given one month's free access to all the features of the app.
>
> Survey sent through the app to 50 000 current users. 15 000 users usually respond to the survey each month.

Fig. 1.1: FF's sampling process

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

(ii) Explain the term 'public limited company' (line 1). [3]

(b) (i) Refer to Table 1.1. Calculate FF's profit margin for the app in 2020. [3]

(ii) Explain **one** way in which FF could use profit margin data. [3]

(c) Analyse **two** ways in which FF can increase the value added to its app using the operations process. [8]

(d) Evaluate the limitations of FF's sampling process. [11]

2 Cartoon Costumes (CC)

Ava is an entrepreneur. After leaving school she set up CC as a private limited company and she owns 100% of the shares.

CC sells 'dressing up' costumes (outfits) for children using ecommerce. Each costume is based on popular TV and movie characters that appeal to children. CC owns a large sewing machine which Ava uses to create the costumes. Each costume is made from brightly coloured materials which CC purchases in bulk.

Ava has to produce more inventory to grow the business. This can be expensive so Ava is thinking of using crowdfunding to finance this growth.

CC has completed its second full year of trading. An extract from the statement of financial position is in Table 2.1.

Table 2.1: Extract from CC's statement of financial position at 31 August

	2022 $(000)	2021 $(000)
Non-current assets	8	8
Current assets	60	50
Current liabilities	40	45
Non-current liabilities	18	3
Reserves and equity	10	10

Until recently CC operated from Ava's house. However, two months ago she rented a shop in a shopping centre. Ava wants to recruit a salesperson for the shop so that she can concentrate on designing and making costumes. Details about the two best applicants are in Table 2.2. Ava must now decide who to employ.

Table 2.2: Details about the two best applicants

	Liu	Ahura
Date of birth	12 February 2004	19 September 1975
Employment history	• 2 years working part-time in a small retail food shop	• 10 years as an actor • 10 years as manager of a large clothing shop • 5 years unemployed
Highest qualifications	A Levels in Business, Design Technology and Mathematics	University degree in Acting
Personal attributes	• Good customer service skills • Likes working with other people	• Highly motivated • Good administrative skills • Works well on their own
Career ambitions	• Would like to go to university • Would like to own a business in the future	None

(a) (i) Define the term 'inventory' (line 7). [2]

(ii) Explain the term 'entrepreneur' (line 1). [3]

(b) (i) Refer to Table 2.1. Calculate the change in CC's working capital between 2021 and 2022. [3]

(ii) Explain the distinction between revenue expenditure and capital expenditure for CC. [3]

(c) Analyse **one** possible advantage and **one** possible disadvantage to CC of using crowdfunding to finance growth. [8]

(d) Refer to Table 2.2 and other information. Recommend which person Ava should employ. Justify your recommendation. [11]

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