Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/23**

Paper 2 Business Concepts 2 **October/November 2023**

1 hour 30 minutes

3884418643

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 Jake's Cakes (JC)

Jake started baking cakes while at university. He baked cakes for friends' birthdays and other celebrations. He posted pictures of his cakes on social media sites where they received very positive feedback and were widely shared.

In 2021 Jake started JC, a small business, using his parents' kitchen. JC bakes cakes and sells them online. Jake created a website where customers design and order unique cakes. Jake uses digital promotion as the main method of promoting his products. JC has only used retained earnings to invest in marketing and new equipment.

In 2023, Jake made a cake for a celebrity who shared JC's social media posts with their social media followers. As a result of this an investor approached Jake. The investor offered to provide a $25 000 capital investment to help Jake grow the business. However, Jake does not want to take on an equal partner.

Jake is considering a different plan for growth. His parents have agreed to let him convert their garage into his commercial kitchen. He has prepared a business plan and applied for a bank loan of $15 000 to finance this growth. He has produced a cash flow forecast for the first quarter of 2024.

Table 1.1: JC's cash flow forecast 2024 ($ 000)

	Jan	Feb	March
Cash inflow			
Bank loan	15	0	0
Cash sales	2.5	2.6	5
Total inflow	17.5	2.6	5
Cash outflow			
Fixed costs	20	1.5	1.5
Variable costs	0.5	0.6	0.8
Total outflow	20.5	2.1	2.3
Net cash flow	(3)	0.5	
Opening balance	2	(1)	
Closing balance	(1)	(0.5)	

(a) (i) Identify **one** element of a business plan. [1]

(ii) Explain the term *variable costs*. [3]

(b) (i) Refer to Table 1.1. Calculate the forecast closing balance in March 2024. [3]

(ii) Explain **one** of Jake's human needs that may be satisfied by operating JC. [3]

(c) Analyse **two** benefits to JC of using digital promotion. [8]

(d) Evaluate whether a bank loan is the most appropriate source of finance for JC's growth. [12]

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2 Custom motorcycles (CM)

CM is a private limited company. It was set up by Joyce, who identified a gap in the market for specialist motorcycle components. CM's engineers make the components using job production. The engineers are highly skilled, trained and motivated and very proud of their high-quality products which are sold using price skimming.

CM was featured in a popular motorcycle magazine in autumn 2022, which has increased CM's reputation for quality unique products. This led to an increase in CM's sales as shown in Fig. 2.1. *5*

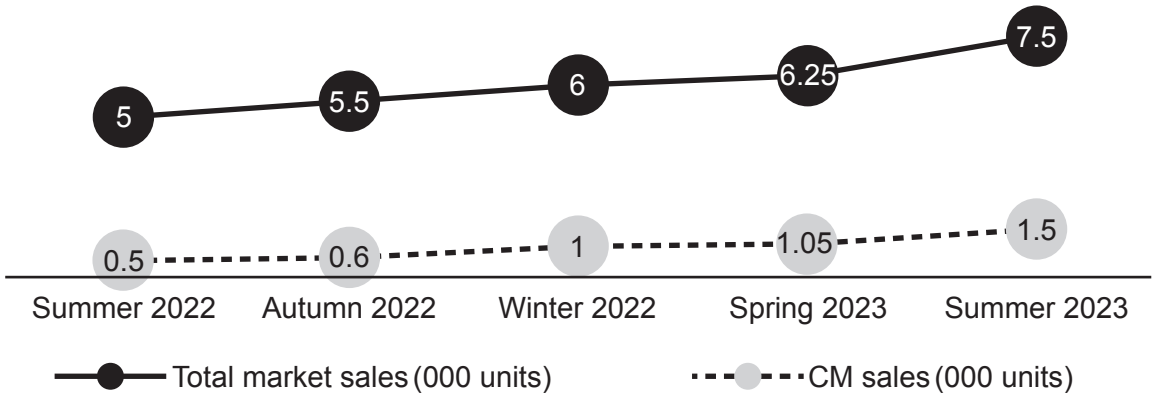


Fig. 2.1: CM's sales data 2022–2023

Lead times for CM's products have increased from 4 weeks to 10 weeks. This has put additional pressure onto CM's engineers, who are salaried employees. They often have to work evenings and weekends. *10*

Harry, the Sales Manager, thinks demand is going to continue to increase. He wants CM to employ more skilled engineers and continue to use job production. However, Joyce wants CM to invest in new technology and change from using job production to batch production.

(a) (i) Identify **one** non-financial motivator. [1]

(ii) Explain the term *demand*. [3]

(b) (i) Refer to Fig. 2.1. Calculate the total market growth between summer 2022 and summer 2023. [3]

(ii) Explain **one** benefit to CM of using price skimming. [3]

(c) Analyse **two** impacts on CM of its employees having a poor work-life balance. [8]

(d) Evaluate whether CM should change its method of production. [12]

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