UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

9707 BUSINESS STUDIES

9707/21 Paper 21 (Data Response), maximum raw mark 60

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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UNIVERSITY of CAMBRIDGE
International Examinations

1 Taylor's Tables

(a) Explain the following terms:

(i) product life cycle [3]

Content: Concept that may help identify patterns for sales of products. Various stages: introduction, growth, maturity, decline.

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(ii) economies of scale. [3]

Content: Average costs decrease as **scale** of production increases. NOT average cost decreases as more units produced. Internal and External. Examples needed.

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(b) (i) Calculate the Return on Capital Employed (ROCE) for TT in 2010. [3]

Net Profit = 12 – 7 = 5
ROCE = Net profit/capital employed × 100
= 5/150 × 100
= 3.3%

Correct answer: 3 marks
Right method with mistakes: 2 marks
Attempt: 1 mark

(ii) The ROCE for 2008 was 12% and for 2009 was 10%. Using your answer to part (i) briefly comment on the trend in ROCE. [3]

Rapidly falling to unacceptable levels. Constant sales, increasing costs, injection of new capital.

OFR, ARA

Knowledge and Application	
Level 2: Shows understanding of ROCE in context	(2–3 marks)
Level 1: Simple statement about ROCE	(1 mark)

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(c) Analyse the possible impact on training at TT of a change from job to batch production. [8]

Training needed for:
- New (extra) staff
- Existing staff transfer to jobs requiring fewer skills
- New systems, roles
- Management of change

Difficulties arise with existing staff who will resist change. Need to try to preserve best of old (loyalty, family atmosphere).

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of a training in context of the business (3–4 marks)	Level 2: Good analysis of impact on training in context (3–4 marks)
Level 1: Shows understanding of job/batch/ training (1–2 marks)	Level 1: Analysis of impact on training (1–2 marks)

(d) Apart from the need for training, discuss the difficulties that TT should consider if it decided to produce furniture for schools. [10]

Content:

Could include:

Need for finance
Management of change/resistance to change
Stock control and other systems
Organising production
Disruption from changes
Choosing batch sizes
ARA

Evaluation likely to come through prioritising difficulties

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of difficulties/ changing in context of the business (3–4 marks)	Level 2: Evaluation of difficulties in context (3–6 marks)
Level 1: Shows knowledge of difficulties/ changing to new market (1–2 marks)	Level 1: Analysis of the difficulties of changing market/product (1–2 marks)

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2 Fruity Surprises

(a) Explain the following terms:

(i) partnership [3]

Legal structure of a business owned by 2 or more people. Usually unlimited liability but there are types of limited partnership. Often professional organisations e.g. lawyers, accountants.

Level 2: Good understanding (2–3 marks)
Level 1: Partial understanding (1 mark)

(ii) market share. [3]

Content: The percentage share of one business in a whole market. Difficult to measure. Sales? Volume? How useful?

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(b) (i) Calculate the annual depreciation of the new machinery using the straight line method. [3]

Cost = $500k, residual value = $100k so total depreciation = $400k
Over 5 years = $80k

Correct answer: 3 marks
Correct method but simple mistakes: 2 marks
Formula or identifies all the data but flawed calculation: 1 mark

(ii) Explain how depreciation will affect the accounts of SFF. [3]

In Balance Sheet, Assets will increase as a result of new equipment, but will decrease each year through depreciation.

Owners' capital will reduce because retained profit will be smaller (from P&L account where depreciation is an expense).

Knowledge and Application
Level 2: Shows understanding of depreciation in accounts in the context of the business (2–3 marks)
Level 1: Simple statements about depreciation (1 mark)

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(c) Analyse the advantages and disadvantages to SFF of changing to a private limited company. [8]

Can be answered either from point of view of staying as they are or from the point of view of changing to a private limited company.

Disadvantages
Seems to work at the moment
Partnerships are often how farms are run
Each have useful skills
Possibility of new partners e.g. with marketing skills

Advantages
Finance – limited if stay as partnership
Management – much bigger organisation
Limited liability might be an advantage
More scope for disagreement as scale increases

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of private limited company in the context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of private limited company (1–2 marks)	Level 1: Analysis of change to private limited company (1–2 marks)

(d) Discuss the factors that SFF would need to consider in promoting Fruity Surprises. [10]

The message that SFF are trying to convey
Competitors' brands– existing brand name is Fruity Surprises
Customers' tastes and perceptions: quality, additives, organic
Marketing budget
Other aspects of the mix – must be consistent; need for market research

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of promotion/ factors in the context of the business (3–4 marks)	Level 2: Evaluation of factors in context (3–6 marks)
Level 1: Shows understanding of promotion/ factors (1–2 marks)	Level 1: Limited analysis of factors involved in promotion (1–2 marks)

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