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

9707/23 Paper 23 (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 Classy Clocks

(a) Explain the following terms:

(i) flow production [3]

Content: Production system that is continuous. Suitable for high volume, homogeneous products e.g. soft drinks. High capital investment, low labour, tedious, used to be low flexibility.

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

(ii) quality assurance. [3]

Content: Standards set for products/services and work systems designed so that those standards are achieved. Reassures customers as quality standard is specified. Link between quality and customer needs is minimum 1 mark

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

(b) (i) Calculate the gross profit margin for CC in 2010. [3]

Gross profit = 50 – 40 $k
Turnover = $50k
GPM = 10/50 × 100 = 20%

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

(ii) The gross profit margin for CC in 2008 was 40% and for 2009 was 30%. Using your answer to part (i) and Table 1 briefly comment on the trend in gross profit margin for CC. [3]

Steadily falling to unacceptable levels. Large fall in sales, COGS not falling as much as sales.

ARA/OFR

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

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(c) Analyse the purpose of Human Resource Management if CC were to change from batch to flow production. [8]

Management of change needed for:

- New (extra) staff: Recruitment, selection, training
- Existing staff transfer to jobs requiring fewer skills
- Redundancies?
- New systems, roles
- Negotiating with unions?

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 batch/ flow/HRM in context of the business (3–4 marks)	Level 2: Good analysis of HRM in context (3–4 marks)
Level 1: Shows understanding of batch/ flow/HRM (1–2 marks)	Level 1: Analysis of HRM (1–2 marks)

(d) Apart from HRM discuss the factors that CC should consider in changing its target market to schools. [10]

Content could include:

- Need for finance
- Stock control and other systems
- Organising production
- Disruption from changes
- Choosing batch sizes

ARA

Evaluation likely to come through prioritising factors.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of a range of factors/changes in context of the business (3–4 marks)	Level 2: Evaluation of factors (3–6 marks)
Level 1: Shows understanding of factors/ changes in target market (1–2 marks)	Level 1: Analysis of the factors of changing target market (1–2 marks)

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2 Vegetable Soup

(a) Explain the following terms:

(i) secondary sector [3]

Content: Manufacturing in contrast with Primary and Tertiary. May produce for other businesses or final consumers. Example helpful.

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

(ii) private limited company. [3]

Legal structure of a business with limited liability. Ownership of shares limited often to family and friends. May be small but doesn't need to be.

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

(b) (i) Calculate the accounting rate of return (ARR) for the new packing machinery. [3]

Total net income £1500 × 5= $7500
Investment = $5000
ARR (7500 – 5000) / 5000 percent = 50 %
Candidates might assume that "net income" has already deducted the investment cost.
Max 2 marks (30%).

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

(ii) Explain the limitations to SF of ARR as an investment appraisal technique. [3]

Small business, other factors may be important.
If borrowing, payback may be more relevant.
Time value of money.
Accuracy of the data – how did Brian estimate?

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

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(c) Analyse the advantages and disadvantages to Brian and Jenny of continuing to operate as a partnership. [8]

Can be answered either from point of view of features of staying as they are or features resulting from change.

Advantages:
- Seems to work at the moment
- Partnerships are often how farms are run
- Both Brian and Jenny have useful skills
- Possibility of new partners e.g. with marketing skills
- No divorce between management and ownership

Disadvantages:
- Finance – limited if stay as partnership – do they have $5000?
- Management/ownership – may be benefits of widening
- No limited liability might be a disadvantage
- Scope for family disagreement

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of partnerships in the context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of partnerships (1–2 marks)	Level 1: Analysis of suitability of partnerships (1–2marks)

(d) Discuss the factors that SF would need to consider in marketing Seasonal Choice. [10]

Price: highly competitive market, high income customers, organic, high quality – all point to a premium price

Product: Box design? Choice of vegetables, quality control?

Place: Distribution already decided

Promotion: Done by Jenny's sister (the retailer) or would more be needed? Packaging may be an important part of promotion.

Other factors, e.g. the need for market research, budgets etc. could be routes to answering this question.

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of marketing/ 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 marketing/ factors (1–2 marks)	Level 1: Limited analysis of factors involved in marketing (1–2marks)

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