UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

9707 BUSINESS STUDIES

9707/21 Paper 2 (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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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International Examinations

1 Loader Lorries (LL)

(a) Explain the following terms:

(i) Diseconomies of scale [3]

Content:
Average/unit costs increase as the scale of production increases (NB scale not level, average not total). Too large to manage e.g. communications, coordination etc.

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

(ii) Cost of Sales. [3]

Content:
Direct cost of purchasing goods that are sold in a period.
Accept formula = opening stocks + purchases – closing stock. Or sales turnover – gross profit. So, different from purchases during the period.

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

(b) (i) Using the information in Table 1, calculate LL's gross profit margin for 2010. [3]

Sales = 90
Cost of sales = 35
Gross profit = 55
GPM = 55/90 * 100 = 61.1 % (allow sensible rounding)

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

(ii) The gross profit margin for 2009 was 70%. Using Table 1, comment on the usefulness of the gross profit margin figures to the management of LL. [3]

Content:
Cost of sales up even though sales down. Prices? Diseconomies?
OFR
ARA

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

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(c) Discuss the extent to which the new employment contract has created the motivation problems at LL. [10]

Content:
Evidence suggests declining morale.
New contract seems to have suited the firm more than the employees.
Is problem lack of wages (Taylor etc) or redundancies (lack of security)? Non-financial motivators (mainly positive) are important but not without financial (mainly negative) as well.

ARA

Evaluation likely to come from balancing arguments.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of motivation/problems in context of the business. (3–4 marks)	Level 2: Evaluation of problems/causes in context. (3–6 marks)
Level 1: Shows understanding of motivation/problems. (1–2 marks)	Level 1: Analysis of problems/causes. (1–2 marks)

(d) Using the information in Figures 1 and 2, analyse the differences between the two approaches to managing inventories (stocks). [8]

Content:

Could include:

Bert's stocks on upward trend. Not adjusted either reorder quantity or frequency, even though demand slowed down. Is he right to assume everything will improve? Can't keep on increasing stock levels – expensive.

Fred has responded to decreased demand and obsolescence with both reduced reorder level and frequency. Does he risk stock-out? How reliable is new gearbox programme?
ARA

Evaluation likely to come through prioritising difficulties.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of inventory management/diagrams in context of the business. (3–4 marks)	Level 2: Analysis of inventory management/diagrams in context. (3–4 marks)
Level 1: Shows knowledge of inventory management/diagrams. (1–2 marks)	Level 1: Limited analysis of inventory management/diagrams. (1–2 marks)

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2 United Coal (UC)

(a) Explain the following terms:

(i) Private sector [3]

Content:
That part of the business economy owned by individuals/groups other than the state (government/local government etc). May be owned by individuals/institutions. Not to be confused with private as in private ltd co. Example helpful.

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

(ii) Product portfolio. [3]

Content:
Businesses often have more than one product. The collection of a business's products is called product portfolio. E.g. range of Ford cars.

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

(b) (i) Using the information in Table 2, calculate the closing balance for 2016. [2]

Opening balance = 48
Sales = 120
Cost = 10
Closing balance = 48 + 120 – 10 = $158m

Correct answer (2 marks)
Identifies all the data but flawed calculation (1 mark)

(ii) Comment on the usefulness to UC of this cash flow forecast. [6]

Content:
Planning
Seeing how much finance is needed
What if? Analysis
Monitoring actual performance
OFR
ARA

Knowledge and Application	Analysis
Level 2: Shows some understanding of cash flow in the context of the business. (3–4 marks)	
Level 1: Simple statement(s). (1–2 marks)	Level 1: Analysis of usefulness. (1–2 marks)

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(c) Briefly analyse <u>two</u> benefits of training workers for the new Cleancoal treatment site. **[6]**

Content:
Productivity
Management of change
Motivation
New skills
Etc.

ARA

One benefit max K + A = 3, An + Ev = 1.

Knowledge and Application	Analysis
Level 2: Shows understanding of training in the context of the business. (3–4 marks)	
Level 1: Shows understanding of training. (1–2 marks)	Level 1: Analysis of training. (1–2 marks)

(d) Evaluate the impact of the Cleancoal development on any <u>two</u> of UC's stakeholders. **[10]**

Content:
Lots of contradictions in the data
Shareholders: future profits, good publicity, higher profile
Customers: (Elgen) helps them but extra cost? Possible bad publicity?
The community: cleaner environment but noise, extra lorries
The State: taxes? Carbon targets? Publicity?
Suppliers: ?
Employees: anxiety? Change of jobs? Opportunities/redundancies? Safety?

ARA
One stakeholder max K + A = 3, An + Ev = 4.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of stakeholders in the context of the business. (3–4 marks)	Level 2: Evaluation of impact on stakeholders in context. (3–6 marks)
Level 1: Shows understanding of stakeholders. (1–2 marks)	Level 1: Limited analysis of impact on stakeholders. (1–2 marks)

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