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

9707/22 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.

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1 Turbo Tractors (TT)

(a) Explain the following terms:

(i) 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)

(ii) Revenue (sales turnover). [3]

Content:
Monetary income from sales (cash or credit). Starting point of Income statement (P/L). Revenue = Quantity x Price. Use. Needs more than just a definition.

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

(b) (i) Using the information in Table 1, calculate the net profit margin for TT in 2011. [3]

Net Profit = 70 – 40 – 20 = 10
NPM = 10 ÷ 70 x 100 = 14.3% (allow sensible rounding)
Lack of % = 2 marks

Correct answer (3 marks)
Right method with mistakes (2 marks)
Valid attempt e.g. formula (1 mark)

(ii) The net profit margin in 2009 was 40% and in 2010 it was 25%. Briefly comment on the trend in the net profit margin. [3]

Content:
Rapidly falling. However 14% not too bad. Costs and expenses rising proportionally faster than sales.
OFR
ARA

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

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(c) Discuss whether Balzac's proposed new payment system is likely to solve the problems of lost sales and increased customer complaints. [10]

Content:
Problems are mainly quality and late deliveries.
Focus on piece rate puts quantity before quality.
As does bonus culture.
As does long service policy.

These will help overcome late deliveries. May make quality problem worse.

Which is more important to TT's customers?
Management system may prevent finding out why there is falling quality.
Other pay ideas do not encourage loyalty, commitment.

ARA
Evaluation likely to come from balancing arguments.

For 4 marks K+A must address problems.

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

(d) Using Table 2 and other information, analyse the usefulness of just-in-time inventory (stock) control to TT. [8]

Content:

Could include:

Features of JIT compared with other systems.

Instruments seem to meet all the requirements for JIT.
Is JIT being used for gearboxes?
JIT would not work for gearboxes because of unpredictable supply and fact that they are imported.
Shortage of engines. Would need to build up stock before JIT introduced. Long lead time (imported).

Candidates are expected to use Table 2 for context.

ARA

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

2 McQuarry (MQ)

(a) Explain the following terms:

(i) Secondary sector **[3]**

Content:
That part of the business economy concerned with converting raw materials into finished products. Manufacturing. Examples.

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

(ii) Add value. **[3]**

Content:
Process of converting (low value) raw materials/products into higher value finished/ partially finished products. Measured by difference between cost of materials and components and price. Adding value through marketing is rewardable. Example helps.

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

(b) (i) With reference to Table 3, calculate the closing balance for 2016. **[2]**

Opening balance + income – costs
(–40) + 150 – 10 = $100m

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

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

Content:
Useful for planning, progress monitoring.

Shows need for $70m finance.

Good for 'What if?'
OFR

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

(c) Briefly analyse the problems that MQ's management might have if workers are made redundant. [6]

Content:
Compensation/costs, claims for unfair dismissal
Motivation
Attitude of workers etc.
Public relations
Managing change
Impact on remaining workforce. Who's to go?
ARA

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

(d) Evaluate the impact of the Crushblock project on <u>two</u> of MQ's stakeholders. [10]

Content:
Owners (NB not shareholders): opportunity of investment returns. May not be keen on risk. Will they be concerned about adverse criticism?

Government: tax revenues a long way in the future. Licences/planning etc? Adds to GDP. Exports?

Community: jobs, disruption, some possible benefits

Suppliers: services. Machinery. Buildings. May be some good contracts. Right sort of local suppliers?

Workers: new jobs, skills, redundancies?

Financiers.

ARA

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

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Evaluation through prioritisation of impacts or arguing which stakeholders are impacted the most.

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 in context. (3–6 marks)
Level 1: Shows understanding of stakeholders. (1–2 marks)	Level 1: Limited analysis of impact. (1–2 marks)

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