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

9707/23 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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

1 Quality Coaches (QC)

(a) Explain the following terms:

(i) Internal economies of scale [3]

Content:
Economies of scale = average/unit costs down as scale increases. Internal are those over which the business has direct control e.g. managerial. Example helps.

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

(ii) Retained profit. [3]

Content:
Profit after all costs, payments including tax, dividends are deducted. Retained in the business for use by the business (not the owners). Final entry in income statement (P&L), contributes to reserves in balance sheet.

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

(b) (i) The net profit margin for 2010 was 20%. Using this information and the data in Table 1, calculate the revenue (sales turnover) in 2010. [3]

NPM = NP ÷ sales × 100
Sales = NP ÷ NPM × 100
= 50/20 × 100
= $250 million
$m for 3rd mark

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

(ii) Using your calculation in (i), comment on the trends shown in Table 1. [3]

Content:
Sales down, costs not changing proportionally, overheads constant.
OFR
ARA

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

© University of Cambridge International Examinations 2011

(c) Discuss how the management of QC could solve the human resource problems. [10]

Content:
QC seem to have fallen behind on both financial and non-financial motivators.
Evidence: poor morale, quality issues, employees leaving. Perhaps emphasis has been too much on non-financial motivators.

Key issue is pay.

Need to look closely at wage structure. Should workers get a share of increased retained profits?

ARA
Evaluation likely to come from prioritising solutions.

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

(d) Using the information in Table 2, analyse ways in which QC could reduce inventory (stock) costs. [8]

Content:

Costs include storage costs and opportunity costs.
Can reduce costs where storage costs are high (B and D) by reducing stock levels.
Introducing JIT, stock control charts.
Must use Table 2 for context.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of inventory control in context of the business. (3–4 marks)	Level 2: Analysis of methods in context. (3–4 marks)
Level 1: Shows knowledge of inventory control. (1–2 marks)	Level 1: Limited analysis of methods of reducing inventory costs. (1–2 marks)

© University of Cambridge International Examinations 2011

2 Eldorado Gold (EG)

(a) Explain the following terms:

(i) Primary sector [3]

Content:
That sector of the economy involving natural resources (farming, fishing, mining etc).

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

(ii) Market. [3]

Content:
Any situation that involves trading, buyers and sellers of a commodity, good or service. May be physical (e.g. cattle market), electronic (most stock markets).

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

(b) (i) Using the information in Table 3, calculate the value of X (the sales of gold for 2016). [2]

Closing balance = opening balance + sales – costs

295 = 5 + sales – 10

Sales = 295 – 5 + 10 = $300m

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

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

Content:
Shows needs for finance for new gold mine.

Useful for planning, monitoring project progress.

Useful for 'What if?'.
OFR

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)

© University of Cambridge International Examinations 2011

(c) Briefly analyse <u>two</u> factors that EG will need to consider when recruiting workers for the new gold mine. [6]

Content:
Location
Pay rates
Skills needed
Recruitment processes
ARA

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

(d) Evaluate the impact of the new gold mine on <u>two</u> of EG's stakeholders. [10]

Content:
Employees: job opportunities, skills, standards of living.
Shareholders: risk, profits, long-term investment, cash flows.
Community: jobs, disruption, infrastructure, loss of land, new people coming in, more money spent.
Government: taxes, foreign exchange, environmental controls.
Suppliers: new contracts/opportunities. (More spent in shops by workers.)

ARA
Evaluation likely to be shown through arguing the biggest impacts or the stakeholders most likely to be affected.

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

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

© University of Cambridge International Examinations 2011