UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

9707 BUSINESS STUDIES

9707/11 Paper 1 (Short Answer/Essay), maximum raw mark 40

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 2012 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer.

Examples of possible answers may also be included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

© University of Cambridge International Examinations 2012

Section A

1 (a) Aims could include: to advance social objectives using business entrepreneurial activities and methods…investment of surpluses in community initiatives rather than maximising returns to owners…the pursuit of triple bottom line objectives (social, economic, environmental)…concern for people, planet, profit…concern for human capital, fair employment practices throughout the production chain…sustainable environmental practices…wider definition of profit to encompass economic value created and the distribution of real economic benefit to society.

Accurate statement of ONE aim. [1]
Accurate statement of TWO aims. [2]

(b) Entrepreneurs could bring to the country business qualities and attitudes such as the ability to develop and pursue a business idea…combine land, labour, and capital to develop and promote business activity, imagination, creativity, courage, energy, ruthlessness?, strategic thinking, risk taking, passion, self confidence, visionary, energy, adaptability, charisma motivator. Entrepreneurs could bring a dynamic/vital approach to business and stimulate more effective business performance and activity.

Limited reference/definition of entrepreneurs. [1]
Partial explanation of entrepreneurial benefit(s). [2]
Sound explanation of entrepreneurial benefits. [3]

2 (a) Expect a definition such as: Analysing and forecasting the number and skills of workers required by a company to achieve its objectives.

Partial definition given. [1]
Full definition given. [2]

(b) Effective workforce planning means a company having the right number of workers with the right type of skills at any given time. At the strategic level the human resources department will probably be involved in objective setting and business planning. At the operational/strategic levels the key functions and activities of human resources such as recruitment and selection, training and development, motivation and culture influences, managing change etc.

Partial explanation of ONE HR activity or state two ways. [1]
Full explanation of ONE HR activity or partial explanation of TWO. [2]
Full explanation of TWO HR activities. [3]

© University of Cambridge International Examinations 2012

3 Diseconomies of scale are (factors causing) average costs of production to rise as scale of operations increases. Common examples of diseconomies in text books include: 1 communication problems/inefficiencies due to delayed or inadequate information, poor feedback affecting worker incentives, distortion of messages over more sites and people...all reducing management efficiency. 2 coordination problems…more divisions/sites…problem of controlling and coordinating these additional operations….leading to higher production costs. 3 workforce alienation…work may feel more impersonal as company expands…distinctive culture diluted…workers not as highly motivated or committed to company objectives.

Simple definition of diseconomies of scale or state two diseconomies of scale. [1]
Explanation of ONE relevant diseconomy of scale or partial explanation of TWO diseconomies of scale. [2–3]
Explanation of TWO relevant diseconomies of scale. [4–5]

4 **(a)** Expect definitions such as: capital/investment required by an entrepreneur or business person to start up a business e.g. expenditure on premises and capital equipment etc.

Partial definition given. [1]
Full definition given. [2]

(b) Sources of start up capital could include: (depending on the size of any proposed new business) individual/partners/friends private funds, bank loans,
Government grants/assistance, venture capitalists…angel investors, equity funding etc.

Partial explanation of ONE source or simply states TWO sources. [1]
Full explanation of ONE source or partial explanation of TWO sources. [2]
Full explanation of TWO sources of start up capital. [3]

© University of Cambridge International Examinations 2012

Section B

5 (a) Franchises are a way of buying into an established business name, brand and success. The franchisee might be organised as a sole trader, partnership, cooperative, or limited company – pays a fee for the franchise, pays royalties to the franchiser…benefits from the market position and advertising/marketing of the established business…may get help, advice, training from the franchiser…examples include Body Shop, McDonalds, Pizza Hut. Advantages include: a route into business – relatively small amount of capital required – motivation in running own business without unlimited risks – selling a recognised product/service – backed by successful marketing and business methods – more likely to succeed than a single independent entrepreneur.

Analysis of the advantages of the franchise model of business [7–8]
Good explanation of the advantages of the franchise model of business [5–6]
Limited explanation of the franchise model of business [3–4]
Little understanding of the franchise model of business [1–2]

(b) The discussion initially may seek to define small businesses, (SMEs) businesses employing less than 20/50 staff (varies between countries) Importance might refer to: the value of small businesses in providing employment opportunities…in many countries, including developed economies, small businesses account for a significant % of employees (e.g. in New Zealand 97% of businesses employ 19 or fewer employees)…give opportunities for new entrepreneurs to start up. Governments provide start up funds and incentives to encourage small businesses to develop and so contribute to the economy…particularly in the tertiary sector…small businesses considered to be more creative, innovative, and flexible–staff more motivated. Provide a rich range and variety of products and services – can become national and international organisations (e.g. software companies starting in a garage)…stimulate other entrepreneurial activity. May make a particularly important contribution to the GDP and economy of a country…emphasis by governments of such countries to invest in these small businesses as well as inviting multi-national companies to come in.

Evaluative comment on the importance of small businesses in an own country context. [11–12]
Analysis of role/importance of small businesses to economies (high mark if context of own country is contained within sound analysis). [8–10]
Good understanding of the role/importance of small businesses to economies. [3–7]
Shows limited understanding of small businesses. [1–2]

© University of Cambridge International Examinations 2012

6 The discussion might initially discuss the ratios that are relevant to profitability (gross and net profit margin) and liquidity (current and acid test ratios). They might well provide critical information for analysts and investors and/or other stakeholder groups but be of particular use to senior managers of a company.
They indicate the success of a company to convert sales revenue into profit and over time net profit is a good indicator of management efficiency. Indicate the short term health of a business...ability to manage working capital...Indicate if resources are being used efficiently. However caution is required…..the ratios may give an incomplete analysis of a company financial position…one years result may be of limited value…trends and inter company comparisons need to be made…..danger of window dressing through asset valuation methods…..qualitative results may be just as important as quantitative measures (e.g. company may have environmental or human rights objectives).
Senior managers will find the ratios useful in making company internal decisions and in making comparisons with other companies.

Evaluative discussion of the usefulness of profitability and liquidity ratios (with some reference to senior managers). This may be in the form of an evaluative conclusion. [17–20]
Analysis of the usefulness of profitability and liquidity ratios (reward references to senior managers). [14–16]
Good understanding of the usefulness of profitability and liquidity ratios. [11–13]
Shows understanding of profitability and/or liquidity ratios and what information they provide, with an attempt to consider usefulness. [5–10]
Very limited understanding of ratios. [1–4]

7 **(a)** Explanations could include: Product orientation is said to be inward looking with a focus on making products or delivering services that have been traditionally delivered and then try to sell them…assume that there is a market for what is being produced…the company knows best. Customer orientation is said to be an outward looking approach where product/service decisions are based on consumer demand as established through market research…the customer determines what is produced…this reduces the chance of new products failing and older products can be changed to continue their profitability. Generally assumed that only customer orientated organisations will survive and succeed…however it can be argued that high technology companies are providing innovative products that consumers do not yet realise that they need!

Analysis of the difference between the two concepts. [7–8]
Good explanation of the differences between the two concepts. [5–6]
Limited explanation of the two concepts. [3–4]
Little understanding of the two concepts. [1–2]

(b) Answers could identify and discuss factors such as: Market research is not free…even secondary research can be costly in terms of time (if not charged for) and primary research can be very expensive…so a company needs to know how much is being spent on MR…if existing activities could be replaced with alternatives (perhaps more use of the internet)…..how well designed and focussed is the MR?…how closely aligned to business objectives is the MR strategy…how regularly is it reviewed…i.e. a range of factors relating to cost need to be considered and these compared to a more difficult assessment of the effectiveness of the MR activities…a crude measure might be an assumed impact on sales and/or profits, and/or market share…do some comparative analysis of data over a time period in an effort to measure impact of MR in an effort to deduce cost effectiveness. (but how do you isolate the impact of MR activity from other internal and external influencing factors?) A more qualitative measure might be an assessment of the value of collected data

© University of Cambridge International Examinations 2012

for management decision making. One key message is that measuring the cost effectiveness of MR is not simple or easy.

Some limited evaluative comment on the factors/indicators to consider (perhaps a recognition of the problematic nature of effective measures). [11–12]
Analysis of factors/indicators that could/should be considered to assess the effectiveness of market research. [8–10]
Shows good understanding of factor(s)/indicator(s) to consider. [3–7]
Shows limited understanding of market research. [1–2]

© University of Cambridge International Examinations 2012